

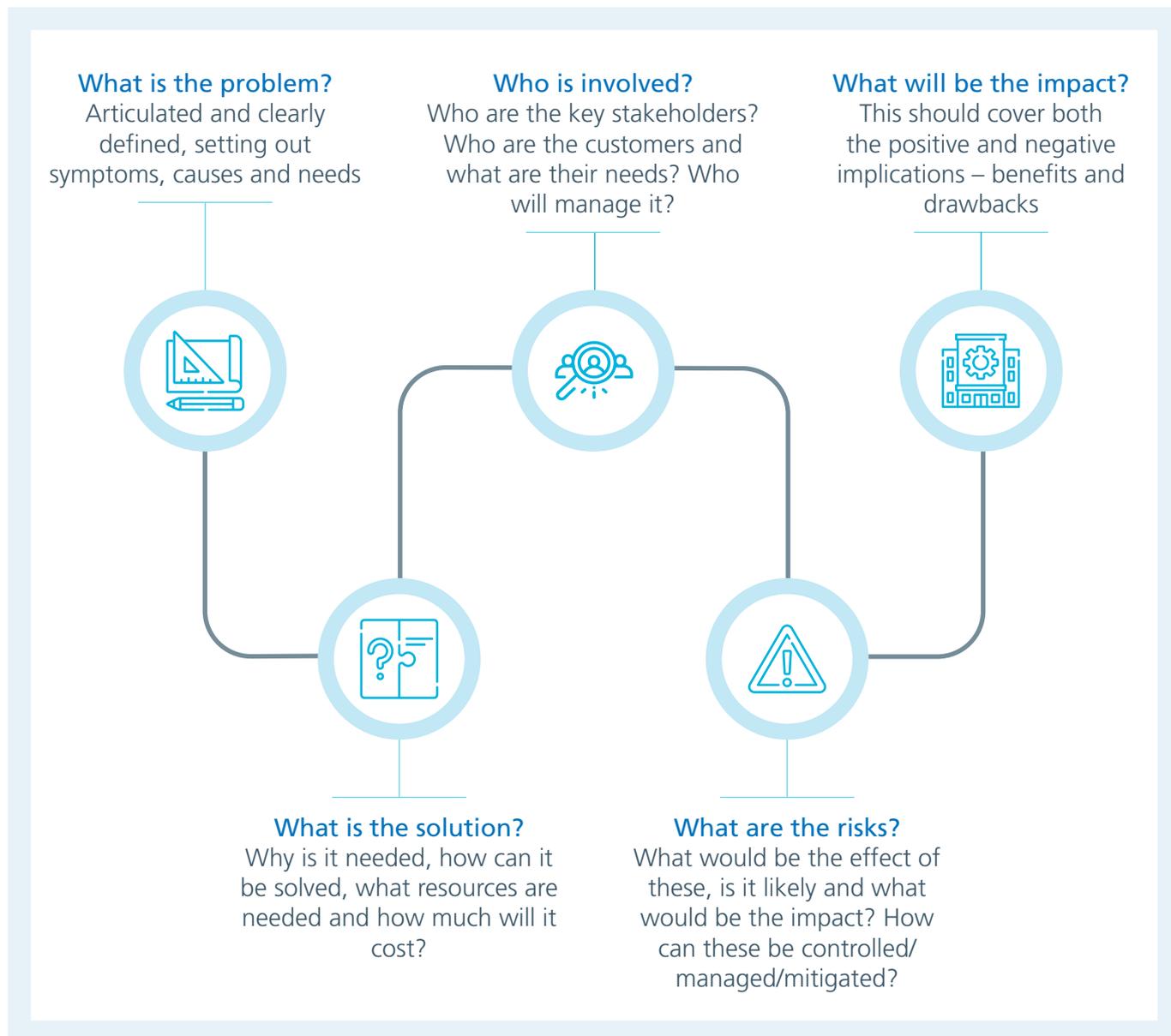
# Your Guide to Building a Business Case



# What is a business case?

A structured, economic argument for change, development or investment, appraised against all other options and including the calculation of costs and benefits together with a plan for realisation.

So, what does this mean? At its most basic level, a business case is a planning and management tool to demonstrate that the scheme or project is the right choice – in terms of strategy and value for money. It should set out clearly:



Behind any major strategic project in the NHS lies a business case, that requires the review and approval of local health systems (i.e., local Clinical Commissioning Groups, local Provider Trusts) and sometimes NHS England/Improvement.

The NHS follows Government business case guidance, as set out in:

HM Treasury's "*The Green Book: appraisal and evaluation in Central Government*"

[Learn more>](#)

HM Treasury's "*Guide to Better Business Cases: Guide to developing the Project Business Case*"

[Learn more>](#)

In order to provide a robust business case, based on objective assessment and evidence, the guidance sets out that a business case should address five key areas:



### The Strategic Case

Sets out how the project or scheme provides a strategic fit and is supported by a compelling case for change.



### The Economic Case

Sets out how the project will maximise social value to society through the selection of the optimal combination of costs, risks, and benefits.



### The Commercial Case

Presents how the scheme is commercially viable and attractive to the supply side and in practical terms what will be the procurement strategy and contractual arrangements.



### The Financial Case

Presents the actual cashflows for the scheme for the appropriate parties, illustrating how the project will be affordable and fundable over time.



### The Management Case

Defines how the scheme can be delivered successfully by the organisation and its partners, what controls and governance procedures and measures are in place to ensure success.

# How can NHS Property Services support the process?

A business case will often be required for a significant change to the NHS estate, be it clinical or other space, such as a new build, refurbishment, extension, or relocation of services.

NHS Property Services has in-house expertise to support the process, whether we are developing the business case ourselves or supporting a customer. We can also advise, even if we are not to be the holder of the Head Lease on a newly developed property, for example.

For the economic and affordability elements we have a specialist Evaluation and Analytics team, preparing, and validating, in depth financial analysis to drive strategic decision making. We also have a framework of external consultants to help scale this work and can lead or support their appointment.



External Stakeholders

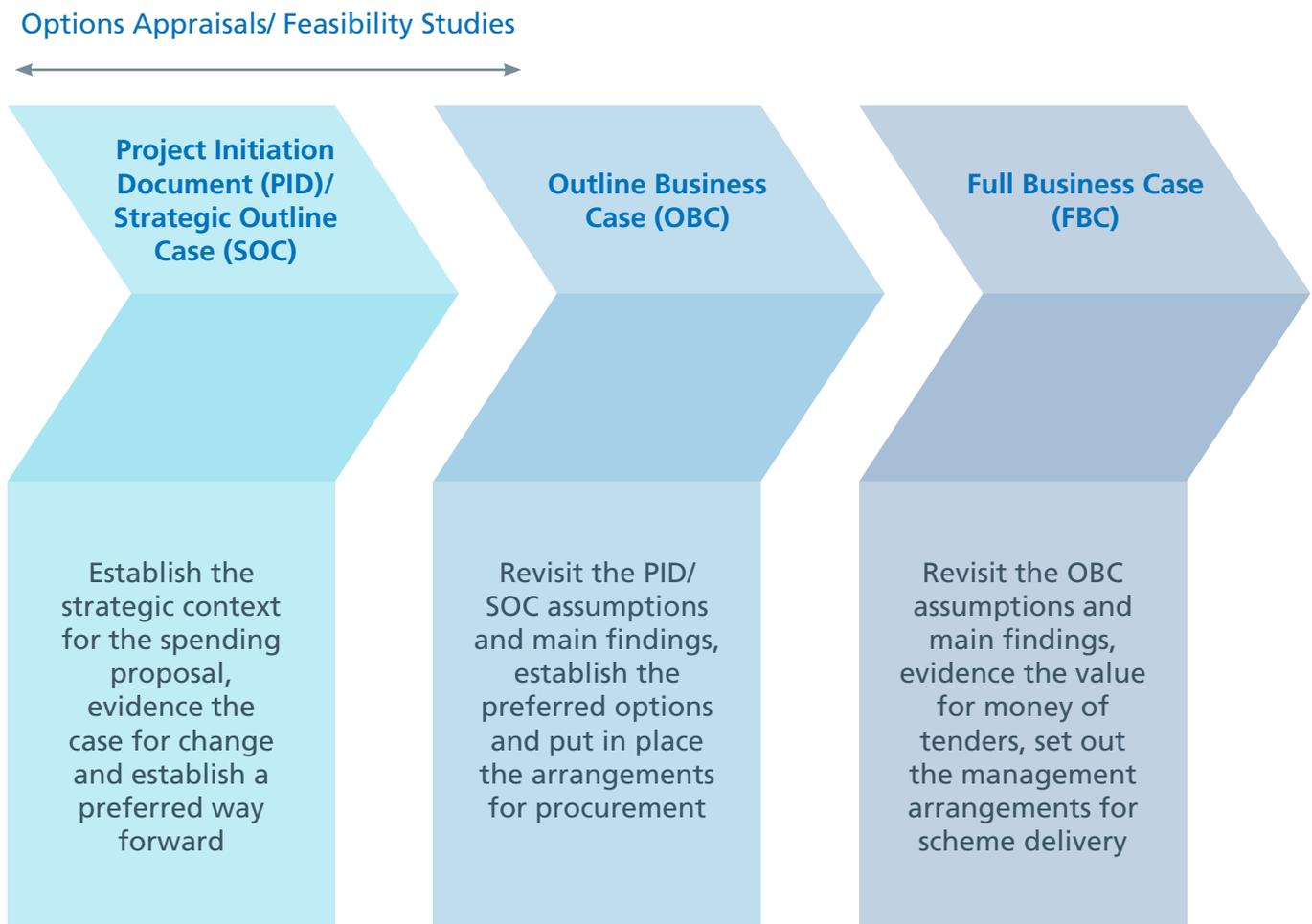
NHS Property Services Teams

# 1. Assessing the need for and timing of a business case

The initial step is to assess whether a business case is needed for the scheme or project. Sometimes some high-level financial analysis is needed earlier in the process i.e., when building a masterplan for a site or region.

Financial analysis of a proposed project can often focus and define a brief before moving to business case stage, supporting a more time and cost-effective business case process once it begins. Our Evaluation & Analytics team can provide a range of options on a project, then develop and refine this as we progress through a strategy.

There are several types of business cases and different stages within each business case. Typically, the business case process will be delivered in the following order:





## 2. Setting the strategy

The next step is defining the problem the NHS is facing, assessing its symptoms and causes to build up evidence for our case for change. We would define what 'Business as Usual' would look like, what problems it incurs, and what we would need to address as part of the project.

In this stage we would set out the clear investment or spending objectives, using clearly defined critical success factors, benefits, and risks. This helps to provide an objective assessment of the reason for the investment, and evidence to support the proposed spend.

## 3. Assessing the economic viability

The purpose of the economic dimension of the business case is to identify the proposal that delivers best public value to society, including wider social and environmental effects. In practice, this assessment is undertaken from a government system perspective, eliminating all inter-departmental taxes such as VAT, and removing inflationary effects in-line with HM Treasury's Green Book.

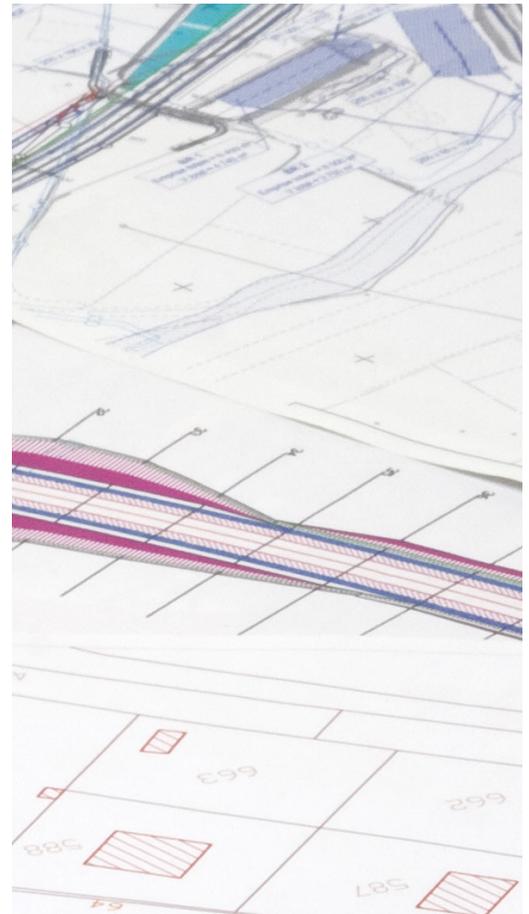
Demonstrating public value requires a wide range of realistic options to be appraised ("the long list"), in terms of how well they meet the spending objectives and critical success factors for the scheme; and then a reduced number of possible options ("the short list") to be examined in further detail. It is important to remember that the preferred option is not necessarily the cheapest, but the one that delivers the optimum mix of costs, benefits, and risks for the system as a whole. However, scrutinising costs from other stakeholders e.g., local authorities and consultants, will help to support negotiations and ensure we are delivering best value for the NHS.

## 4. Building the commercial case

Next, the procurement strategy needs to be determined, i.e., what is the most appropriate way to deliver the preferred option? This could be delivered by the public sector, local Provider Trust, NHSPS, the local Council, or a One Public Estate approach. The private sector might also be considered, if, for example, it could provide better value for money. Furthermore, it may be more appropriate for a partnership approach to be adopted, to combine a number of these organisation, which might best suit the project.

The business case should explore the options to determine the optimum solution at OBC and reassess and confirm the approach at FBC.

By setting out the detailed arrangements such as contractual parties, payment mechanisms, risk apportionment, and accounting treatment as early as possible, we can identify any issues early in the process and ensure all parties are clear on their relative roles and responsibilities, whilst helping to formalise and agree arrangements between various parties.



## 5. Determining the affordability

Demonstrating the affordability and fundability of the preferred option requires a complete understanding of the capital, revenue, and whole life costs of the scheme, and what impact it will have upon the balance sheet, income and expenditure, and pricing arrangements (if any) of the organisation.

In practical terms, this means modelling actual cash flows and the impact on key financial statements such as income and expenditure accounts and balance sheets, including items such as depreciation or capital charges, where relevant.

In addition, we put the tax considerations back in, to give ourselves and the occupiers a view of what it will truly cost them. For example, we calculate construction budgets and operating costs (such as facilities management) once the build is complete.

NHSPS' large national portfolio and range of services are useful here as we can compare and extrapolate from other sites, and – if we are already managing a building – we will have an accurate picture of schedules of accommodation, costs etc.

Wider NHSPS teams (beyond Evaluation & Analytics) can also help to build an accurate financial picture, for example our Investment Management team can advise on the likely value of a disposal. Whilst we can work with our customers regarding the implications of tax for them, based upon our understanding of the project, this will however, be guidance only and each customer will need to seek their own independent tax advice.

## 6. Exploring the impact on management

When building a business case, we need to demonstrate that robust arrangements are in place for the delivery, monitoring and evaluation of the scheme, including feedback into the organisation's strategic planning cycle. This means demonstrating that the preferred option can be successfully delivered by evidencing that the scheme is being managed in accordance with best practice and that the necessary arrangements are in place for change and contract management, benefits realisation, and risk management.

This should not be seen as a one-off exercise, but an ongoing assessment of the project, for example, to ensure that those benefits identified at the beginning are actually being delivered.



# Business cases in action: case studies

Working with NHS partners, we have successfully built and secured approval of business cases that have unlocked transformational projects across the NHS estate. Here are some examples of what successful collaboration on business cases can achieve for the NHS.



## Whitby Hospital, North Yorkshire

This scheme will modernize and remodel 4,000sqm of clinical space which will serve 15,000 patients. It will also create a more efficient estate, reducing running costs for the NHS, removing backlog maintenance, and releasing land for housing.

[Learn more>](#)



## Hythe and Dibden War Memorial Hospital, Hampshire

This is a new build to combine services on a more efficient footprint, creating more flexible space to welcome new services and reduce pressure on nearby Acute centres. This will create an 'area hub' for the 80,000+ population of South West Hampshire.

[Learn more>](#)



## Guisborough Primary Care Hospital, North Yorkshire

We are refurbishing and right-sizing the Guisborough estate, reducing the space required by over 80% to deliver a modern and efficient community health centre that will serve 20,000 patients. This will free up land for housing and generate funds to reinvest in the NHS.

[Learn more>](#)

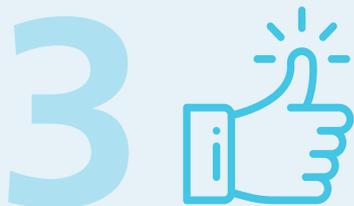
# Top tips for building a business case



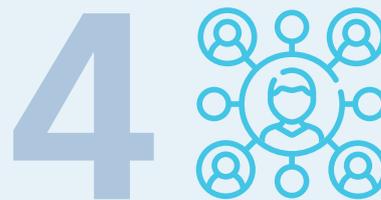
Before you embark on writing a business, talk to colleagues, managers, commissioners and answer three simple questions: Why? How? and What? Testing your plan at the start of the process will save time and money later.



Seek the advice of a team who has a track record of producing business cases that have been approved.



Only start on the business case journey if you have the drive, determination, capacity, capability, and leadership to see the project through to full business case approval, as stopping and starting will be an inefficient use of time and valuable public funds.



Leadership and stakeholder engagement is key to any successful change project and so it is key to producing successful business cases.



There are different types of business cases and what type of business case you need to write will depend on the stage of your project, the scale of the investment required, the funding route and who the approval bodies are. Talk to the approver or we can advise.



The strategic case is the first section of a business case for a reason, i.e., form follows function. You need to start by determining your key drivers, service requirements, investment objectives, measurable benefits, critical success factors and key risks. Do not move forward until you have these points defined and signed up to by key organisations.

# 7



Cost vs. Benefit. You need to genuinely be able to explain why the investment is worth it, and what benefits it will deliver. You need to be able to quantify benefits to provide a robust case for change. Why should the NHS invest in this project compared to another project?

# 8



Understand the general cost envelope early on to determine from a high-level perspective whether the project is affordable.

# 9

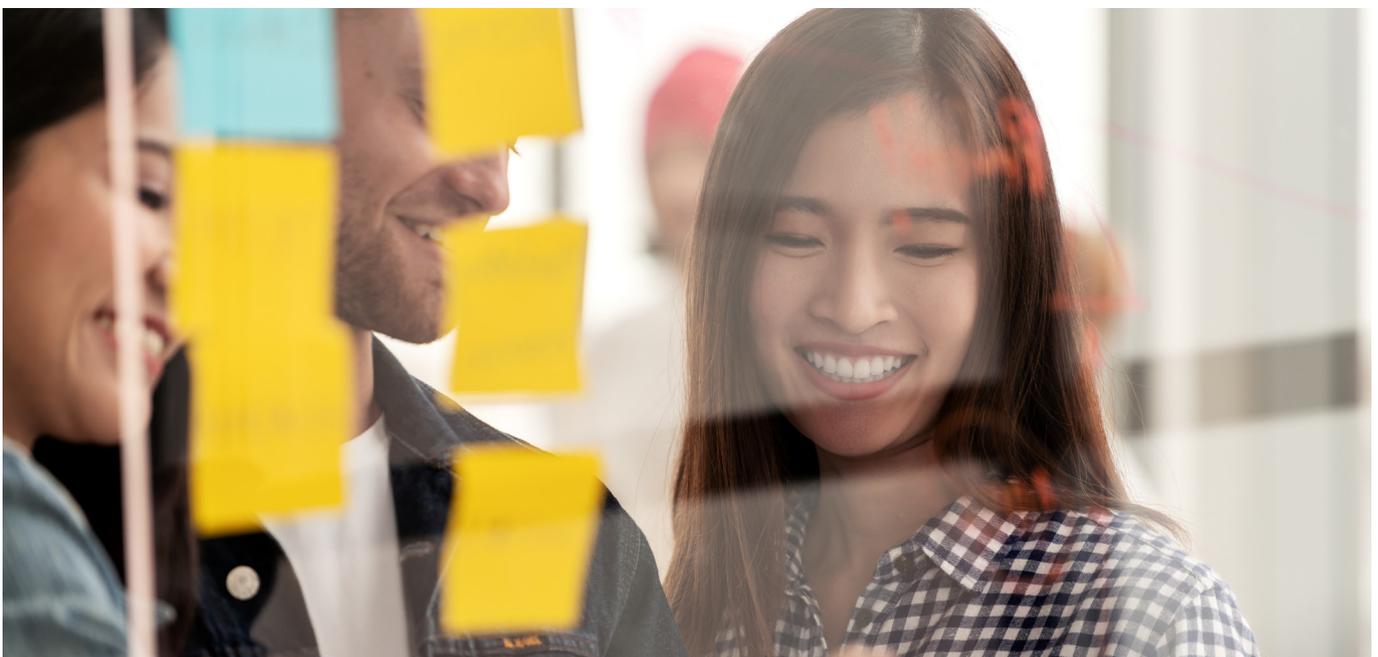


Understand the approval route and engage approvers early, find out what they are expecting to see, and keep them involved throughout the process, e.g., part of project governance.

# 10



Do not start an Outline Business Case until you have a site or location identified and have initially assessed a long list of options.





# Property Services



## Learn more

Our multidisciplinary team of property experts offer consultancy services on the most effective use and development of the NHS estate, collaborating with our customers to get the most out of the NHS estate.

Learn more about how we combine property and health expertise to create tailored property strategies for local needs.

[Learn more>](#)

If you'd like to speak to one of the team, please get in touch with our Customer Support team at [customer.service@property.nhs.uk](mailto:customer.service@property.nhs.uk) or call us **0800 085 3015**.

For wider government support, visit:

- HM Treasury Green Book (2020): The Green Book (2020) - GOV.UK ([gov.uk](https://www.gov.uk))
- HM Treasury Guide to Better Business Cases: Guide to developing the Project Business Case ([publishing.service.gov.uk](https://publishing.service.gov.uk))

We work with a range of external consultant partners to develop business cases beyond our in-house expertise of economic and affordability validation. We have worked with one of our consultants, gbpartnerships consult, to create this guide.

Learn more about gbpartnerships at [gbpartnerships.co.uk/consult](https://gbpartnerships.co.uk/consult)