

OBC-to-FBC Guidance

Key considerations for Towns as you move
from OBC to FBC.

December 2021



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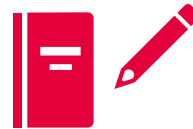
PURPOSE OF THIS DOCUMENT

This short guidance will summarise the fundamental considerations when transitioning from Outline Business Case (OBC) to Final Business Case (FBC) when developing your project business case.

Although we recognise Towns will be at different stages of the business case process (for example, shovel-ready projects are likely to be at FBC stage), for the purpose of this document we will focus on the transition between OBC stage to FBC stage.

We have produced this guidance in accordance with Green Book Guidance and in relation to the TFDP Business Case Template (optional).

Objectives



Provide practitioners with better understanding of the key components and relevant level of detail required between OBC and FBC stage.



Ensure the five cases delivered are compliant with Government guidelines, such as those set out in HM Treasury's Green Book.

The business case development process

When developing your business case, typically there are three stages of the business case that is delivered:

1. Strategic Outline Case (SOC)
2. Outline Business Case (OBC)
3. Full Business Case (FBC)

As you transition through the three stages of the business case process, the level of detail of each of the five cases is expected to develop in granularity, as illustrated on page 4.



Strategic Outline Business Case

- Establish the case for change
- Provide a preferred way forward for decision-maker's approval to proceed into more detailed planning stage



Outline Business Case

- Identify the preferred option which optimised Value for Money (VfM)
- Outline the procurement strategy/route for the project
- Outline the required funding and financing arrangements to deliver the project

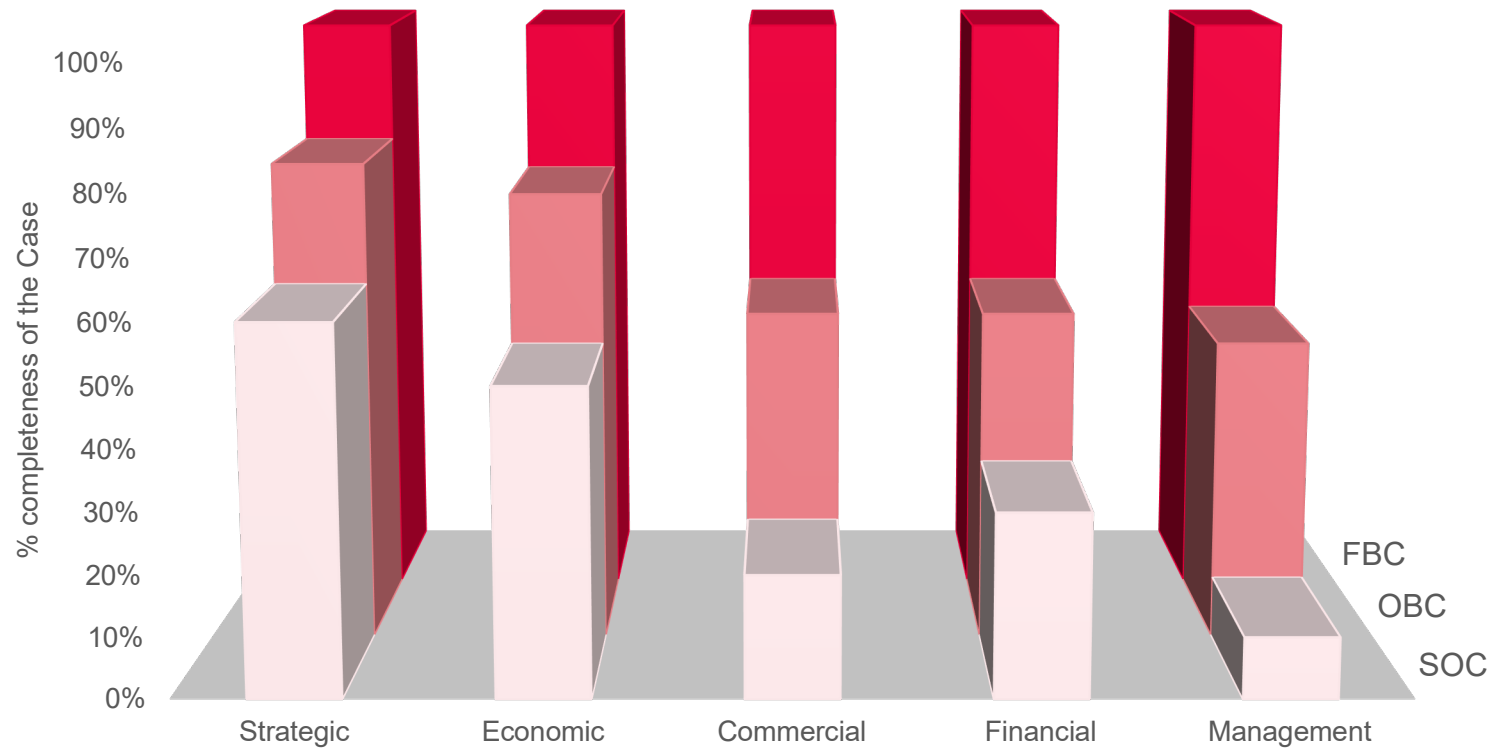


Full Business Case

- Revisit the case for change and VfM assessment to confirm the current situation
- Outline the commercial and contractual arrangements
- Confirm the project is affordable
- Outline the detailed governance / management arrangements to deliver the project, as well as monitoring and evaluation of the project.

Three stages of business case development

Level of completeness by business case stage



Strategic Case

Strategic Case

Strategic Case at OBC stage



At the OBC stage, the strategic narrative on the case for change, policy alignments and how the proposed investment will address existing challenges, market failures and maximising opportunities is expected to be outlined in full detail.

According to the Guide to Developing the Project Business Case (HM Treasury, 2018), the Strategic Case is the most developed out of the five cases. The following components of the Strategic Case would have been expected to be revisited and updated since the SOC stage to reflect the current situation:

- Vision and objectives
- Existing arrangements and related business needs
- Potential scope and service requirements
- Potential benefits, risks, constraints and dependencies
- Key stakeholders

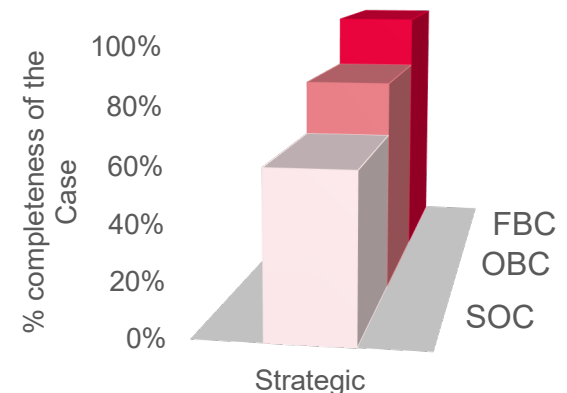
Updating the Strategic Case for FBC



As the Strategic Case is expected to be the most developed out of the five cases at OBC stage, we anticipate minor changes to the Strategic Case in order to present a complete case for change.

The main task to undertake is to revisit the Strategic Case and ensure the case for change remains and reflects the current situation.

Additional business needs and requirements arisen since the OBC will require the case for change to be revisited and updated.



Strategic Case

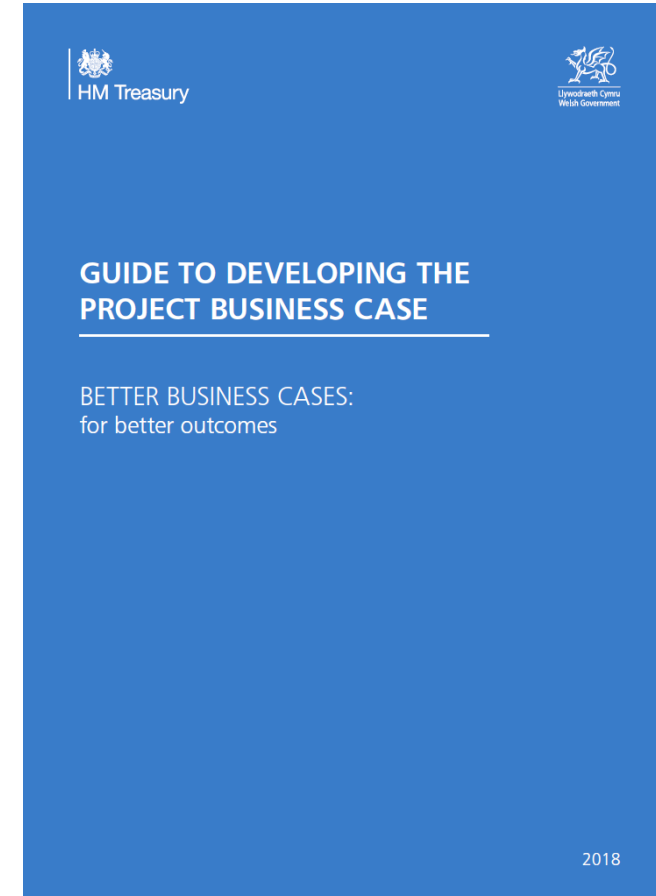
FBC actions from the Blue Book

The Blue book requirements for the FBC are set out in Chapter 7 and cover Step 8 – *Procuring the VfM solution*. The following action(s) are recommended for the strategic case:

Step 8: Procuring the VfM solution

- **Action 25:** Revisit the case for change

At the end of Step 8, the Strategic Case will have been revisited, updated and completed in respect of the FBC.



Strategic Case

OBC to FBC – summary of key actions

Section (based on TFDP Business Case Template)	OBC to FBC – key actions
Case for Change	<ul style="list-style-type: none">• Revisit and update to reflect the current situation.• Ensure the current context and challenges, evidence of need (including baseline data) and the market failures reflects what the proposed investment is aiming to address.
Policy Alignment	<ul style="list-style-type: none">• Revisit and update to reflect the current situation.• Review and update national, regional and local policies/plans.
Vision and Objectives	<ul style="list-style-type: none">• Revisit and update where necessary.• Ensure the objectives have been made SMART for the purpose of the monitoring and evaluation.• Ensure vision and objectives reflect the latest information regarding rationale, drivers, anticipated outcomes and benefits for the project.
The Proposed Investment	<ul style="list-style-type: none">• Revisit and update to reflect the current situation.• Ensure the proposed investment reflects the preferred, single option.
Stakeholders	<ul style="list-style-type: none">• Revisit and update to reflect the current situation.• Ensure the list of stakeholders are updated, and the latest stakeholder consultation feedback is included.

Economic Case

Economic Case

Economic Case at OBC stage



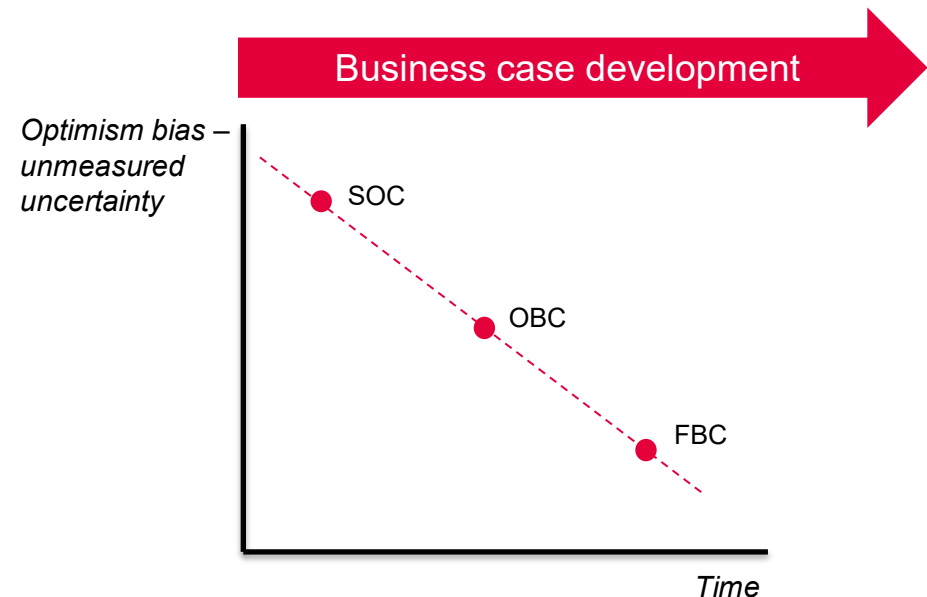
At OBC stage, a VfM assessment would have been carried out on the shortlist of options (output of SOC), and as a result of the VfM assessment, identified the preferred (optimal) option. It is likely the optioneering process carried out at SOC stage would have been revisited to reaffirm the shortlist of options prior.

The economic benefits of the options are appraised at OBC stage, either quantitatively or qualitatively, in line with the HM Treasury's Green Book principles. (For further guidance, refer to the [TFDP Economic Case Guidance](#), as well as the [TFDP Measuring Impact Series](#).)

The economic costs are processed, based on the emerging financial costs, used to estimate key economic indicators (along with the benefits) such as the Benefit-Cost Ratio (BCR).

The associated risks of the project, including cost overruns and overestimation of benefits, would also be assessed and incorporated into the VfM assessment. At OBC stage the accuracy

and robustness of costings of the project should increase since SOC, hence the Optimism Bias (OB) – accounting for unmeasured cost uncertainty – is reduced relative to the OB included at SOC stage, as illustrated below.



Economic Case

Updating the Economic Case for FBC

At FBC stage, HM Treasury recommends revisiting the shortlisted options to ensure the VfM assessment is still valid and the rankings remains the same. Any new options which have emerged since OBC stage must be clearly identified and incorporated into the Economic Case.

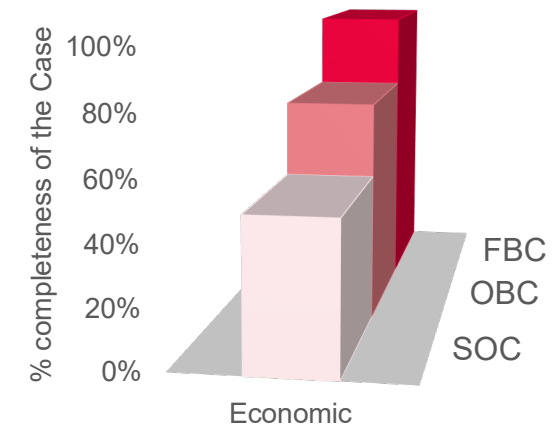
Revisit the shortlisted options

New information and further project development since the OBC submission should be reflected in the optioneering, as this may affect the relative rankings of the options. This may include:

- Changes to supplier offerings, prices and other costs,
- Expected benefits of the (OBC) preferred option is anticipated to be lower, or conversely another alternative option is anticipated to deliver relatively higher benefits,
- Level of uncertainty in a high-risk option reduces, making it more attractive, or
- Operational changes may have led to significant changes to the preferred option.

Revisit and update the VfM assessment

Once the FBC preferred option has been identified, the economic appraisal, risk appraisal and sensitivity testing should be revisited and assessed against the Do Nothing scenario. One key component of the economic appraisal that is likely to be updated is the economic costs, in which by FBC stage, detailed costings should be available. Increased accuracy of costings leads to a further reduction in optimism bias (as illustrated on pg. 9).



Economic Case

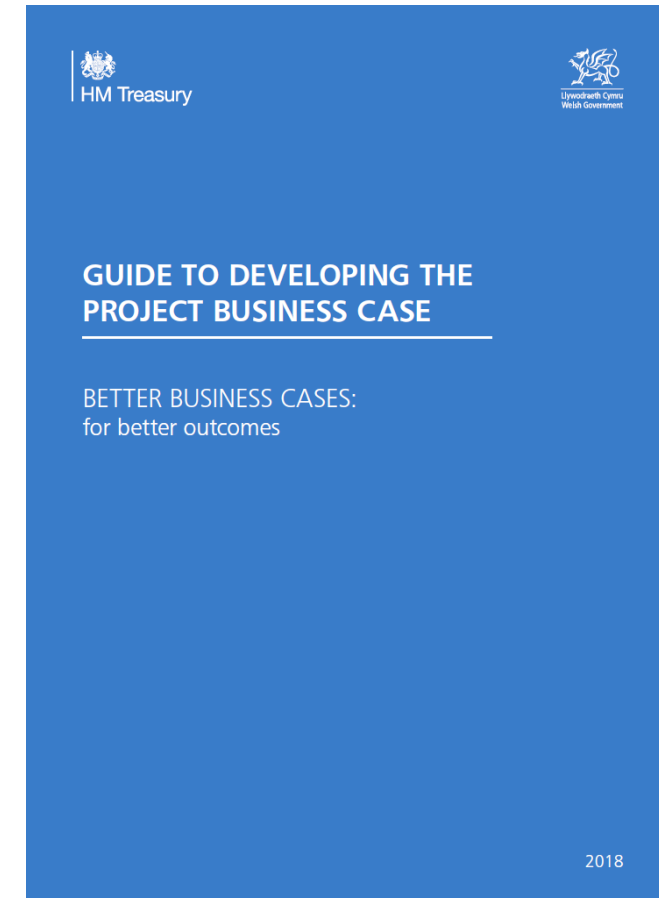
FBC actions from the Blue Book

The Blue book requirements for the FBC are set out in Chapter 7 and cover Step 8 – *Procuring the VfM solution*. The following action(s) are recommended for the economic case:

Step 8: Procuring the VfM solution

- **Action 26:** Revisit the OBC options
- **Action 27:** Detail procurement process and evaluation of Best and Final Offers (BAFQs)

At the end of Step 8 the economic case will have been revisited, updated and completed in respect of the FBC.



Economic Case

OBC to FBC – summary of key actions (1/2)

Section (based on TFDP Business Case Template)	OBC to FBC – key actions
Approach to Economic Case	<ul style="list-style-type: none">• Revisit and update the optioneering process accordingly, incorporating new information and project development since OBC submission. Any new options emerged should also be included in the optioneering, and the options should be re-ranked accordingly.• The result of the optioneering review (and update) should lead to confirmation of the FBC preferred option.• Revisit and update the modelling approach, key assumptions (e.g. opening year, population growth rates) and use of relevant guidance to reflect the Do Something and Do Nothing scenarios.
Economic Benefits	<ul style="list-style-type: none">• Review and update the type of economic benefits delivered to reflect the FBC preferred option. For the FBC, only the benefits of the preferred option is expected to be presented.• Revisit and update the quantification of economic benefits not only to reflect the FBC preferred option, but to incorporate new/additional data inputs and modelling outputs that has taken place since OBC stage.• Revisit and update the assessment of the place-based and distributional impacts accordingly.
Economic Costs	<ul style="list-style-type: none">• Updates to the costings (capital, operating and revenue) as reflected in the Financial Case should inform the economic costs, ensuring consistency between the two cases.• A friendly reminder, economic costs are presented in real prices and includes OB, whereas financial costs are presented in nominal prices and excludes OB.• Revisit and revise the OB incorporated into the economic costs accordingly based on the change in accuracy and robustness of the project costs.

Economic Case

OBC to FBC – summary of key actions (1/2)

Section (based on TFDP Business Case Template)	OBC to FBC – key actions
Value for Money Assessment	<ul style="list-style-type: none">• For the FBC, update the Value for Money assessment to only present the results of the preferred option, alongside associated sensitivity testing.• Update the calculation of the key economic indicators, including the BCR and Net Present Value (NPV,) based on the latest economic benefits and costs quantified and monetised.
Non-quantified Benefits	<ul style="list-style-type: none">• Revisit and update the qualitative analysis of benefits delivered by the FBC preferred option.

Financial Case

Financial Case

Financial Case at OBC stage



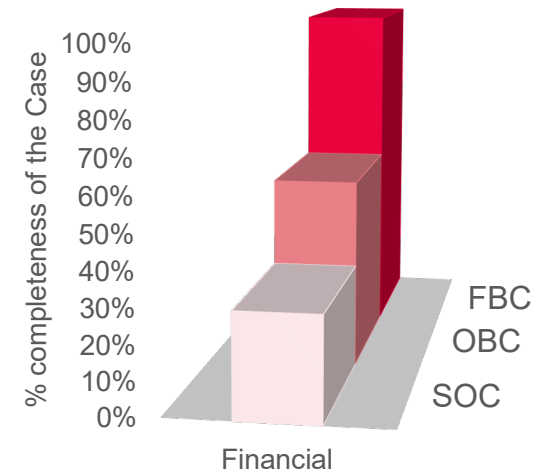
At OBC stage, the emerging costings of the project are expected to be presented from an accountancy-based perspective. The Financial Case at OBC stage should present the emerging picture on the affordability and funding requirements of the (OBC) preferred option, demonstrating the selected option is affordable to deliver.

As a minimum, 'shadow' financial modelling would have taken place, assessing the likely impact and outcomes of the preferred option in its early stage of development.

Furthermore, funding arrangements (and options) would be assessed and presented. The modelling, if performed at all, is likely to depend on 'shadow' inputs based on market intelligence and soft market testing.

However, there could be a high degree of uncertainty on the inputs, hence the need for contingencies and linking this up to optimism bias per the Economic Case.

It has recognised at OBC stage, there is scope to increase the robustness and reliability of the modelling, as the costings and funding options are kept under constant review.



Financial Case

Updating the Financial Case for FBC



Since OBC submission, development of the costings and funding arrangements of the (FBC) preferred option should be updated and reflected in the FBC.

By FBC stage, the funding sources and associated contribution should be finalised and confirmed. Changes to the final costings presented in the FBC is anticipated to be very limited going forward, subject to FBC approval, as the project transitions into delivery stage.

FBC outputs should be based on assumptions of the preferred suppliers, funders, etc and reflect contracts, heads of terms or other supporting documentation which has been drafted to reflect the terms of the particular element of delivery.

Risks or uncertainties around key assumptions should have been mitigated or managed since OBC, with a clear link to how these arrangements fit into the Commercial Case.

Financial Case

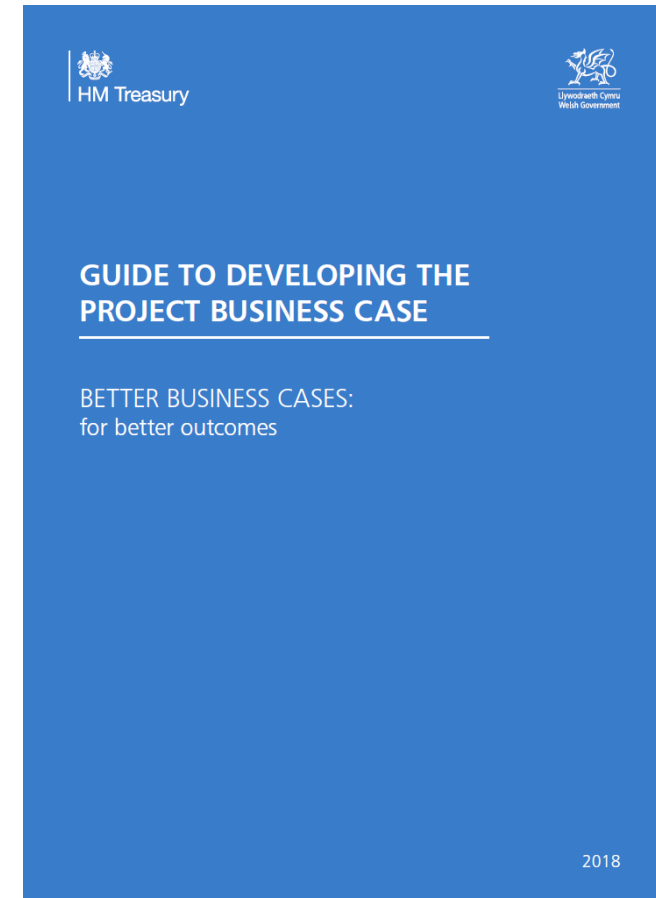
FBC actions from the Blue Book

The Blue book requirements for the FBC are set out in Chapter 7 and cover Step 9 – *Contracting for the Deal*. The following action(s) are recommended for the financial case:

Step 9: Contracting for the Deal

- **Action 29:** Set out the financial implications of the Deal

At the end of Step 9 the financial case will have been revisited, updated and completed in respect of the FBC.



Financial Case

OBC to FBC – summary of key actions

Section (based on TFDP Business Case Template)	OBC to FBC – key actions
Approach to Financial Case	Revisit the work to date and update to incorporate further detail. This should also include any relevant reconciliations and a clear audit trail of how we have moved from OBC to FBC. This second part is important as stakeholders will need to understand movements and the “story” of how we have moved to this point.
Costs	How have contingencies been used between OBC and FBC? Is there still sufficient contingency in the FBC numbers to absorb risk as we move into the implementation stage? This also needs to link to the commercial case in terms of contracts and agreements that have been entered into and confirmation of where risk sits, e.g. does cost risk sit with the Town or has risk transfer taken place and if so, to what extent?
Funding and Revenues	Reference to documentation (which may be additional appendices) in terms of setting out the different funding amounts committed alongside associated terms and conditions, so it is clear how this links together and fits into the wider Financial Case. There should also be reference to some form of financial model or spreadsheet, so it is clear how the funding will be spent etc and how this links to the costs piece noted above in terms of quantum and timing.
Affordability Assessment	With respect to any obligations or payments being committed by the Town, there should be reference to an affordability envelope and confirmation that the solution is affordable. This should also note any testing around scenarios and sensitivities, so it is clear under which instances would further financial commitments need to be made and how the envelope may need to flex and the governance around this which should linking back to the management case.
Wider Implications	Minimal adjustments at this stage

Commercial Case

Commercial Case

Commercial Case at OBC stage



At OBC stage, substantiated arrangements to deliver a viable procurement of the selected solution are agreed to enable proposals to be sought from suppliers.

The requirements will have been crystallised by the client, reflect the assessment and allocation of risks and cover physical, commercial and social value components.

The procurement approach will be compliant with rules and regulations and make use of frameworks and existing procurement policies and processes.

Packaging, contract form, pricing, payments, incentives and remedies will reflect an assessment of the risks, market and evidence appropriate supplier engagement.

Equally important, the client's organisational arrangements for managing the contract and risks will be outlined.

Updating the Commercial Case for FBC

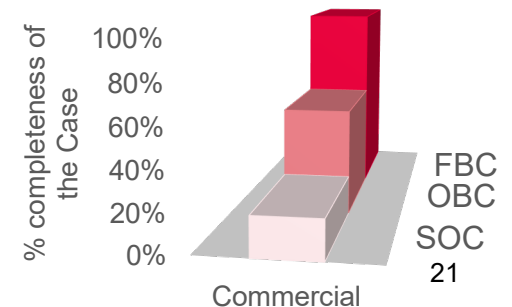


The FBC will summarise the outcome of the procurement process and confirm the arrangements for managing the contract during delivery.

How the strategy, procurement route and evaluation processes were followed will be described along with a summary of the outcomes including details of tenderers responses and the rationale for the selected supplier, referencing a procurement report.

Details of the proposed deal will be described covering the outputs, timescales, performance metrics and payments, and how the key contractual risks will be monitored and managed and, where applicable, how conflicts of interest addressed.

The arrangements - the organisation, people and processes - for managing the contract and commercial risks through the delivery phase, including changes, will be confirmed.



Commercial Case

FBC actions from the Blue Book

The Blue book requirements for the FBC are set out in Chapter 7 and cover Step 8 – *Procuring the VfM solution* and Step 9 – *Contracting for the deal*. The following action(s) are recommended for the Commercial Case:

Step 8: Procuring the VfM solution

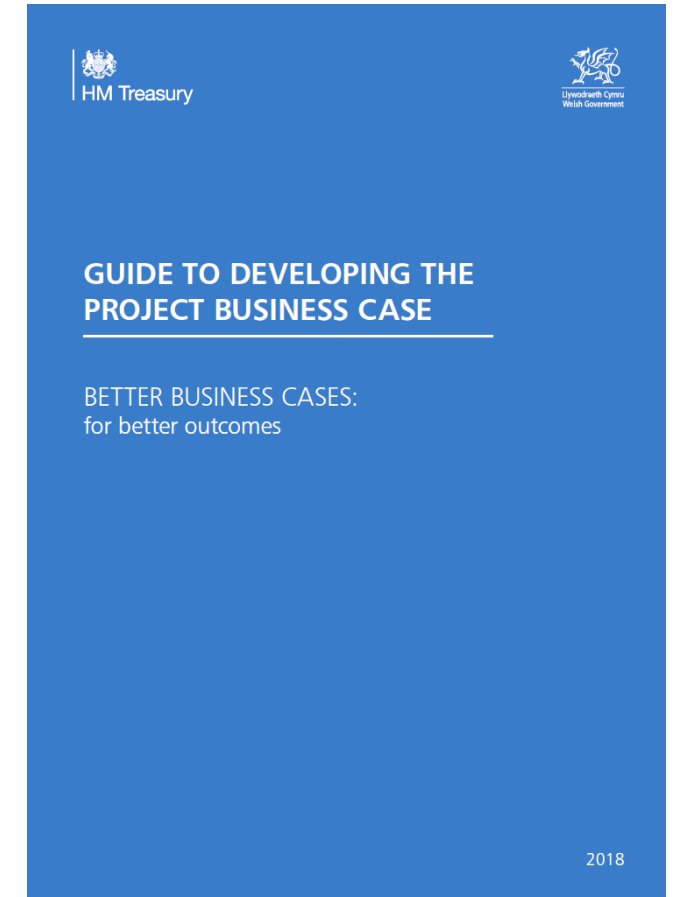
- **Action 26:** Revisiting the procurement method

At the end of Step 8 the Strategic and Economic Cases will have been revisited, updated and completed in respect of the FBC.

Step 9: Contracting for the deal

- **Action 27:** Detail procurement process and evaluation of Best And Final Offers (BAFOs)
- **Action 28:** Set out the negotiated Deal and contractual arrangements

At the end of Step 9 the Commercial Case will have been revisited, updated and completed in respect of the FBC.



Commercial Case

OBC to FBC – summary of key actions

Section (based on TFDP Business Case Template)	OBC to FBC – key actions
Requirements	<ul style="list-style-type: none"> • Confirm that the assumptions, policy and complexity remain unchanged. • Review and confirm the physical, societal and commercial requirements remain unchanged. • Where changes have occurred then set out how these have been reflected in the procurement process.
Commercial Framework	<ul style="list-style-type: none"> • Review and confirm the assumed organisational arrangements and risk allocation remain unchanged. • Where changes have occurred provide details and formal acceptance of changes. • Review conflicts of interests and how these have been or will be dealt with.
Procurement Strategy	<ul style="list-style-type: none"> • Review and confirm that the procurement strategy was followed or how changes were managed. • Provide summary details of how the market was assessed, engaged and how it responded. • Provide details of how assurance was applied.
Procurement Process	<ul style="list-style-type: none"> • Summarise the process followed and the outcomes cross referencing a procurement report for details. • Highlight the market response, specific challenges and how these will be managed. • Provide details of the deal – the selected supplier, price, payment arrangements, risks.
Commercial Deliverability	<ul style="list-style-type: none"> • Confirm that appropriate checks on the financial health of the supplier remain valid. • Provide an organisational statement describing the people and the processes that will be followed. • Describe any third party arrangements including summary of the deal(s) and management arrangements.

Management Case

Management Case

Management Case at OBC stage



How you are planning to deliver

The Management Case in the OBC is generally at a higher level to say how you intend to manage the project.

The emerging plan (even at high level) should be outlined for the following management considerations:

- Project management, including governance arrangements
- Change and contract management
- Benefits realisation
- Risk management
- Project assurance
- Monitoring and Evaluation

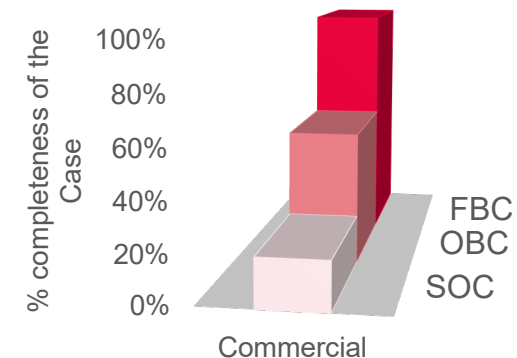
Updating the Management Case for FBC



How you are going to deliver

The Management Case in the FBC will contain more of the detail of the arrangements that have been put in place about how the project and its benefits will be delivered.

The all components of the Management Case in the OBC should be revisited and finalised accordingly to ensure successful delivery.



Management Case

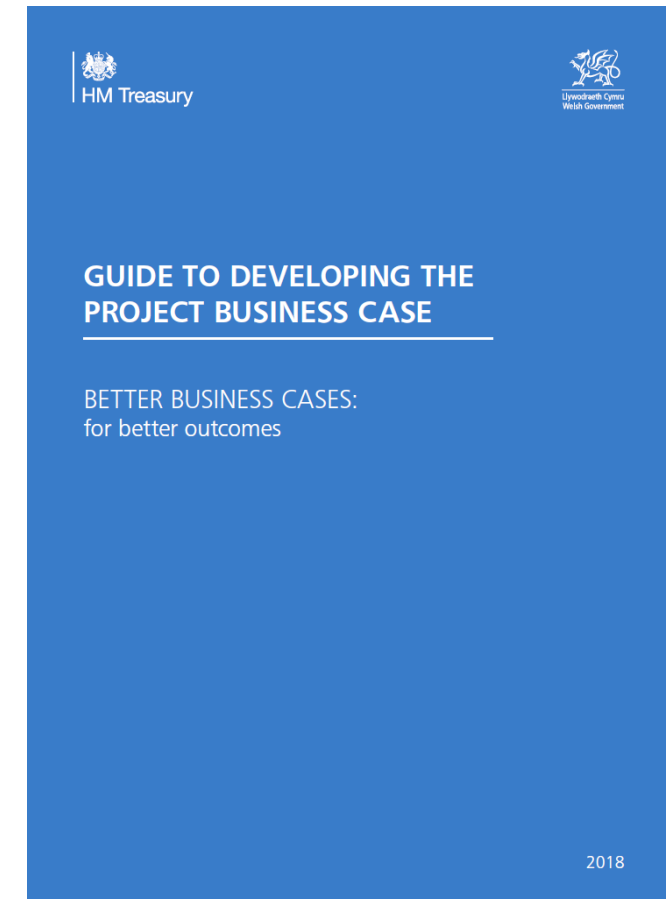
FBC actions from the Blue Book

The Blue book requirements for the FBC are set out in Chapter 7 and cover Step 10 – *Ensuring Successful Delivery*. The following action(s) are recommended for the Management Case:

Step 10: Ensuring Successful Delivery

- **Action 30:** Finalise project management arrangements and plans
- **Action 31:** Finalise change management arrangements and plans
- **Action 32:** Finalise benefits realisation arrangements and plans
- **Action 33:** Finalise risk management arrangements and plans
- **Action 34:** Finalise contract management arrangements and plans
- **Action 35:** Finalise Post-Project Evaluation arrangements and plans

At the end of Step 10 the Management Case will have been revisited, updated and completed in respect of the FBC.



Management Case

OBC to FBC – summary of key actions (1/2)

Section (based on TFDP Business Case Template)	OBC to FBC – key actions
Project Organisation and governance	<ul style="list-style-type: none">• Review and refine the details of the governance structure with key names and roles, including:<ul style="list-style-type: none">- the governance structure (if applicable) with the names of project manager and sponsor and- constitution of project board.• Review and update reporting arrangements.• Integration to other projects for outcomes and resources.
Assurance	<ul style="list-style-type: none">• Overview of “Independent Approvals and Assurance Plan” (IAAP).• Ensure details of parties providing assurance and key stakes and gates are outlined.• Provide description of how assurance supports decisions.
Scope management	<ul style="list-style-type: none">• Review and finalise how change control will be managed for all artifacts in the baseline.• Review and finalise description of the different levels of change and the governance for this (major / minor).• Outline how records of the baseline scope and any changes to this are maintained.
Programme / schedule management	<ul style="list-style-type: none">• Overview of the schedule for the project with the critical path shown.• Review and finalise how the schedule will be progressed, updated and reported on.• Outline any techniques used – critical path, critical chain, rolling wave etc.

Management Case

OBC to FBC – summary of key actions (2/2)

Section (based on TFDP Business Case Template)	OBC to FBC – key actions
Risk and opportunity management	<ul style="list-style-type: none">• Initial list of key risks and their mitigations.• How this list of risks was developed – wide stakeholder engagement.• Description of how risks and opportunities are managed and reported.
Project Management	<ul style="list-style-type: none">• Project management lifecycle used (RIBA Plan of Work, Waterfall, Agile etc).• List of key processes that will be used in the management of the project including special ones needed for this type of project.• Health and safety management.• How the project will be handed over into service and maintained.
Stakeholder Engagement	<ul style="list-style-type: none">• List of key stakeholders and their interests.• How stakeholders will be communicated with to support the outcomes of the project.
Benefits monitoring and evaluation	<ul style="list-style-type: none">• Details of the metrics for monitoring the benefits including current measurements of benefit metrics and targets.• How, and how often the benefits will be measured.

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