

The business case development process begins with a financial decomposition of the organization to search for opportunities

Business Case Development Approach



File Name: Business case development manual tfl.pdf

Size: 2102 KB

Type: PDF, ePub, eBook

Category: Book

Uploaded: 6 May 2019, 15:14 PM

Rating: 4.6/5 from 768 votes.

Download Now!

Please check the box below to proceed.



I'm not a robot



reCAPTCHA
Privacy - Terms

Book Descriptions:

Business case development manual tfl



The review focused on improving the current Business Case Development Manual, which is used by TfL to determine if a new transport scheme should be given funding. We were able to give insights across a range of issues, prioritised according to the extent to which they were relevant to TfL's investment programme and by how much they might change the valuation. Our topics included wider economic benefits, the economics of cycling, rail crowding and how it is incorporated into transport appraisals, use of multi criteria analysis for better decision making and valuation of business time savings. The recommendations of our review will help shape transport appraisal in London into the future. Well assume youre ok with this, but you can optout if you wish. But how do such proposals arise. Transport for London is charged with ensuring that best use is made of the limited funds available. There is a continuous process of review, intended to identify valuable opportunities for change. The checklist below sets out the possible grounds for change. Most proposals are based on a combination of these, but an understanding of the prime motivator for a proposal may help the appraiser to identify and quantify the appropriate items when making a Business Case. As we demonstrate in the manual, it is not enough to show simply that a proposal can be justified by making a case for it against any one of these headings. It is also necessary to estimate the size of the net benefit by assessing the total impact on areas 2 to 5, and to investigate options to show that none of the possible alternatives gives better overall value than the one proposed. F8 APPENDIX G DISCOUNT RATES AND PRESENT VALUE CALCULATION G.1 Discount Factors. G1 G.2 Cumulative Discounted Cash Flows. G2 APPENDIX H REQUIRED FORMAT FOR BUSINESS CASES H.1 Business Case Narrative. H1 H.2 Business Case Summary Excel spreadsheet. H1 H.3 Strategic Assessment Framework. J1 APPENDIX K TECHNIQUES FOR APPRAISING RENEWALS K.<http://djapm.com/userfiles/dell-laser-printer-3100cn-manual.xml>

- **business case development manual tfl, tfl business case development manual bcdm, tfl business case development manual, business case development manual tfl, business case development manual tfl pdf, business case development manual tfl system, business case development manual tfl form, business case development manual tfl online.**

I. <http://sooam.com/files/fckeditor/2146873435f644bec81dc7.xml>

The following provides a suggested outline for developing and writing a business case:

- Title and subtitle
- Author and address
- Date

- Brief description of the problem or opportunity
- Brief description of organization's goal and strategy
- Brief description of project's MOV and how it ties to the organizational goal and strategy

- Brief explanation of which alternative is being recommended and why

- Background
- Current situation
- Description of the problem or opportunity

- Project's measurable organizational value
- How achieving the project's MOV will support the organization's goal and strategy
- Objectives of writing this business case

- Description of alternative 1 (Base Case)
- Description of alternative 2 ...
- Description of alternative N

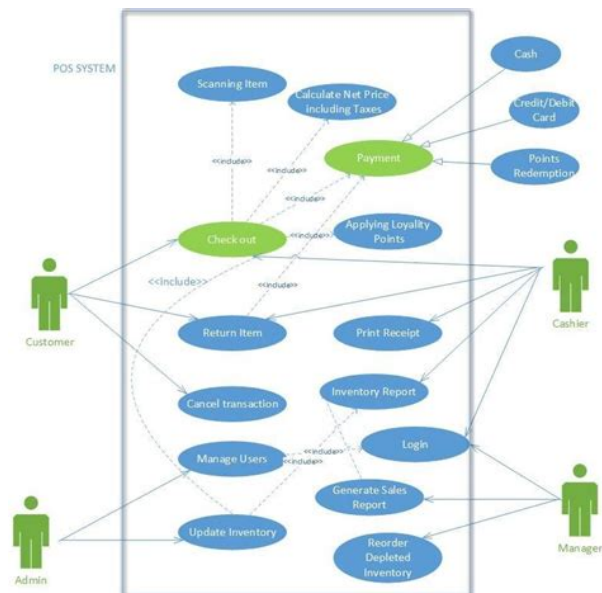
- Methodology of how alternatives will be analyzed
 - Data collection methods
 - Metrics used and explanation why they are relevant
- Presentation of results that compares each alternative

- Metrics
- Sensitivity analysis
- Risks
- Assumptions
- Proposed recommendation
- Required funding and support

The Public Service Social Value Act 2012 requires a contracting public authority to consider how a

proposed procurement might improve the social, economic and environmental wellbeing of its area. Following the processes and procedures set out in this manual will ensure that the business case is compliant with this Act. A stepbystep guide to business case appraisals is given in 4.6, with references to sections where further help can be found. 1.2 How to use the Manual Section 2 on the concepts and principles of appraisals is intended to help managers determine the framework for the appraisal of their projects. Sections 3 and 4 are for anyone responsible for undertaking an appraisal. They describe the quantitative techniques to be used in establishing costs and revenues, and the methods of cost benefit appraisal. Section 5 describes, for those who are preparing a case for appraisal, the way the case should be presented. Much of the basic data required is summarised in Appendices. Some data sources are however too voluminous to list, and contacts for further information are provided. Version May 2013 15 Introduction page intentionally blank for duplex printing Version May 2013 16 Introduction 2 CONCEPTS AND PRINCIPLES OF APPRAISAL 2.1 The Purpose of Appraisals The purpose of an appraisal is to identify the effect that a course of action will have both on the finances of TfL and on securing efficiency, economy and safety of operation in. The achievement of efficiency is interpreted here as the following business objective to maximise net social benefit within available funds. The objectives of a project must be stated as precisely as possible, referring to specific outputs against which the project can subsequently be monitored. Where appropriate, these objectives should be related to those of the relevant part of the business, those of TfL overall, and those set by the Government.

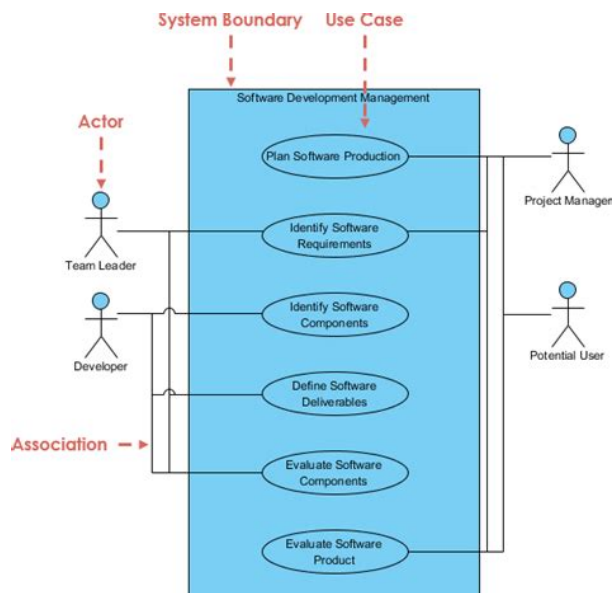
Another example from DfT s appraisal guidance is that, wherever appropriate, the intended level of accessibility for people with mobility handicaps should be indicated. The substantive provisions of the Social Value Act 2012 require that TfL considers How what is being procured might improve the economic, social and environmental wellbeing of its area by producing a TfL business case this is addressed How that improvement might be secured the business case and benefit realisation strategy should be robust Whether TfL needs to consult on the potential improvements themselves or how they might be secured See Sponsorship and Requirements Handbook and Stakeholder Engagement Plan Note that by producing a TfL compliant business case, the first two requirements are being satisfied. Project development must ensure that an appropriate range of options is considered so as to enable TfL to meet its statutory responsibilities with due regard to efficiency, economy and safety. One of these options will be a base case which might be to continue to operate as now or to minimise the potential consequences of asset deterioration, and the other options will be to implement a change which will benefit TfL by ensuring that total benefits exceed costs. Where the project has an impact on safety, the appraisal needs to identify whether the base case can be demonstrated to be ALARP, or if not which option would be required to satisfy this principle see Section and Appendix F. Appraisals should be used not only to select the best projects, but also to identify the best operating procedure for example trading off maintenance levels against failure rates and service availability.



<http://www.drupalitalia.org/node/76566>

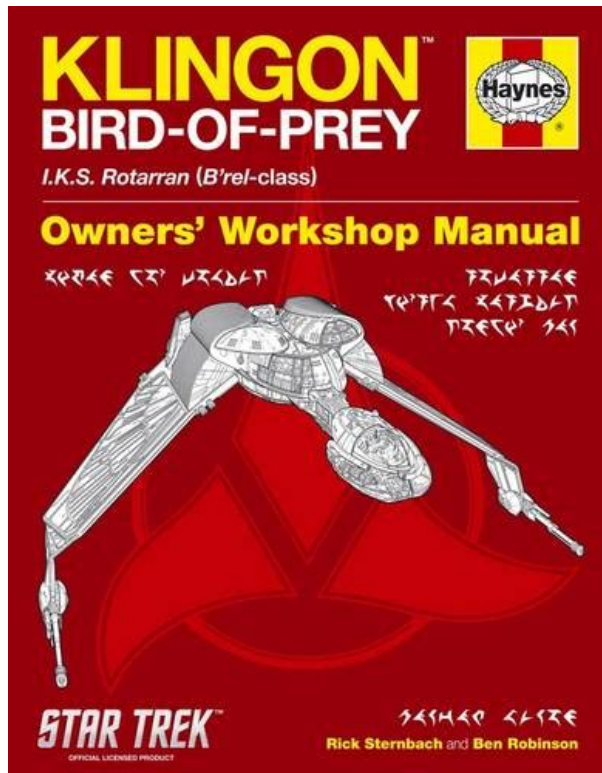
The appraisal process requires the following steps define objectives, and outputs against which project can be monitored define a base case develop options identify all costs and benefits quantify costs and benefits at current prices carry out appraisal The resources committed to an appraisal should at all times be commensurate with the cost of a project and potential usefulness of the results of the appraisal. Version May 2013 18 Introduction Where necessary seek advice from Business Case Development contact Ryan Taylor, 2.2 Definition of a Base Case In appraising a project, the effects of doing it must be compared with the effects of not doing it. Often this involves literally comparing the results of the project options with the results of doing nothing or continuing as now e.g. maintaining an old asset. However, in some cases doing nothing may not be the most sensible base for example if a decision needs to be taken on the closure of a station or a line. In such cases an alternative base case may be appropriate such as replacing like for like if still available replacing with a modern equivalent delay replacement by one year if the only question is when to replace closing a facility down Essentially the requirement is to define the minimum realistic alternative to the proposed course of action. The definition of the base scenario may take account of LUL Development Plans affecting the assets where these have already established a business case for a certain level of spend the achievement of required standards again, where a business case for a certain level of spend has already been established legislative requirements 2.3 Development of Options Generation of options In order to give decision makers confidence that a particular project is the best way to achieve an objective, a range of alternative options with similar objectives needs to be defined and appraised in a consistent way.

<http://experience-hr.com/images/boston-acoustics-ba-7900-manual.pdf>



To give real confidence these options must be realistic practical ways of achieving the objective; they must cover all the reasonable alternatives available, whilst at the same time being limited to a manageable number. Options must also take account of any commitments, which may have been expressed in Environmental Reviews of the investment programme, to consider specific environmental issues. Options may represent either an enhancement or a downgrading compared to the base, or they may involve a rescheduling of the base programme. Other factors which should be considered when assembling options include the following timing deferring or bringing forward implementation dates scope cutting back on full implementation standards enhancing or reducing specification synergy in combination with other projects some options may score particularly well or, alternatively, simultaneous Version May 2013 19 Introduction implementation at a site could create problems. Business plans can help identify the opportunities for synergy corporate image and the value of companywide or corporationwide consistency Treatment of options For many appraisals an incremental approach to option selection is essential. Thus in appraising a proposal to provide new lifts at a station it is important to consider the incremental costs and benefits of providing one, two, three or four lifts. In this way the appraisal can identify the optimum level of investment in new facilities. Where there are a large number of options, a matrix showing the score of each option against a variety of criteria could be useful in eliminating and shortlisting. The following factors should be considered when using this approach. If the scores are to be aggregated, try to arrange the levels e.g. low, high, poor, good, etc. of each criterion in such a way that a given score for one criterion indicates the same order of importance as the same score for another.

<http://precisionheavyhaul.com/images/boston-acoustics-ba-790-manual.pdf>



An alternative approach is to use different weightings for the criteria. Such assessments are inevitably subjective, and the robustness of the assessment system will be improved if several people with the relevant specialist knowledge contribute to the process. Similarly, when the system is actually used to compare options, it will make the case for choosing the preferred options stronger if a number of independent assessments tend to coincide. Try to avoid overlaps, i.e. where one criterion duplicates part of another. Sometimes a high aggregate score for an option would be misleading, if perhaps a zero for one criterion rules it out completely. It might be helpful to highlight those items where a zero score would virtually rule out the option. It should be emphasised that such a matrix, whilst being useful for sifting through options and for providing background information to go with the business case, is NOT a substitute for a business case; in assessing the advantages and disadvantages of a short list of options, the usual costs and benefits must be calculated. Options with enhanced standards of urban design. Options exhibiting high quality urban designs should be carefully considered, especially in the context of the public spaces initiative led by the GLA's Architecture and Urbanism Unit AUU. The following excerpts from 100 public spaces AUU, July 2002 stress the value of improvements to London's public spaces. Version May 2013 20 Introduction Cities have always been places where people gather to talk, to argue, to rest, to trade. Squares and streets, parks and other green spaces, foyers and public buildings form a city's public realm, the place where encounters chance and planned can occur. London's parks and open spaces are among the greatest assets we have. At their best, they mark out London as one of the world's most civilised cities.

But shoddy design and paredback maintenance are letting too many of our spaces from squares to streets, and from parks to less formal open ground fall into neglect, even as London's economy and the quality of much private development has boomed. Improving the quality of public space makes a sustainable city, where walking and cycling are as pleasant, safe, and as easy as driving. Contributions to improved urban design should be considered in the Strategic Assessment Framework, under Enhancing the built and natural environment see 2.8 and Appendix H3. An indication of the townscape appearance both before and after the proposed scheme should be provided, and the strength of public support for the design should be verified. 2.4 Identifying Costs and Benefits Financial costs and savings For projects, costs must be calculated for the whole life of

the assets involved in the project. Costs should include Oneoff costs e.g. construction costs, purchase cost etc. Part life costs e.g. main overhauls, renewals etc. Ongoing costs e.g. annual maintenance, fuel, staff, energy, overheads etc. Reductions in fares revenue including during construction Reductions in other revenue e.g. advertising, vending machines Cost increases in other TfL areas Compensation to landowners etc. Redundancy payments Professional services design, legal, management etc. TfL support costs IT, HR, Property and Facilities see Appendix M5 for the Support Services Rate Card. See Appendix L for further information. Any social benefits and disbenefits during implementation shall be quantified, including any specific external effects e.g. effects on local traffic and businesses. 2.5 Quantifying Costs and Benefits at Current Prices For all options, costs and benefits shall be calculated in comparison with the base option at constant prices. Costs and benefit streams over the life of the project shall then be discounted to give present values in the base financial year over the whole appraisal period.

<http://www.phonefixcomo.com/wp-content/plugins/formcraft/file-upload/server/content/files/1626d26e8ce7a6---california-broker-office-policy-manual.pdf>

For definitions see Section 2.6 below. Methods of calculating costs and benefits are given in Section 3. Version May 2013 22 Introduction 2.6 Carrying Out an Appraisal Appraisal period For projects where assets are procured, appraisals must cover the whole life of the proposed assets including disbenefits during construction. This is to ensure that all the attendant costs of assets e.g. half life overhauls, and annual maintenance costs etc. All options must be evaluated over the same appraisal period, and accordingly, a longer rather than a shorter appraisal period shall be used. A list of selected asset lives is given below. The nature of the discounting process described below means that the contribution to present values decreases for the later years, so the importance of using very detailed forecasts decreases for the later years of the appraisal period. However, these forecasts must still be made and recorded in the appraisal. The likely increase in annual maintenance costs as an asset gets older must be reflected in the costs and then compared with the option of earlier replacement with new assets. It is not always possible to predetermine the economic life of an asset. That may depend upon the later costs of continuing to maintain the asset in comparison with savings arising from replacement see Section on the appraisal of renewal options. When in doubt, make the period longer rather than shorter. Rail Cars years Buses 3 RMs 10 Bus shelters 10 Bus electrical eg. For these appraisals it may be appropriate to use an equivalent annual cost methodology see Appendix K3 Constant prices All costs, revenues and benefits used in the evaluations must be computed at constant prices for the base price year. This is normally taken as the year in which the appraisal is undertaken. All costs, revenues, and benefits must then be computed at that years prices to remove any effects due to price inflation.

www.bascoy.com/userfiles/files/colorbond-roof-sheeting-installation-manual.pdf

Note that where unit costs and benefits are likely to rise at a different rate than the general level of inflation for example staff costs, then any real increases shall be reflected in the costs and benefits over the appraisal period. Only the effect of general price rises as measured by the GDP Deflator series shall be removed from the calculations Discounting costs and benefits The purpose of discounting costs and benefits to a base financial year see below is to bring all options to a common basis regardless of the timing of their costs and benefits. To do this the real cost of capital as expressed by the discount rate must be used. At a discount rate of 3.5% then 100 which is not spent this year will, with interest, be worth next year. When this has been done it is possible to compare options which have different timings of costs and benefits. This is known as discounting all costs and benefits back to their present value in the base financial year. In financial calculations the discount rate reflects the real net of inflation cost of capital. As all investment in TfL projects is underwritten by the Government so all appraisals use the Department of Transport required rate of return. The discount rate currently used and the relevant discount factors are shown in Appendix G. The base

financial year is normally taken as the first year in which cash flows will be affected by any of the options under evaluation. All costs incurred or benefits which accrue in future years should be discounted to their present value in the base financial year year 0. The effects on revenue: Many projects will alter the demand for TfL services, and hence the revenue received. Improvements to station lighting, for example, can make the service more attractive to passengers and hence increase the revenue generated. The effects of proposals on passenger demand and Version May 2013 24 Introduction revenues need to be calculated using consistent assumptions, which are discussed in 3.

4 below Financial effects Having calculated the present value of all cash flows, the financial effects of the proposal can now be calculated. The Net Financial Effect is the sum of the present values of the cash flows positive and negative. That is, PV of cost savings plus revenues less PV of implementation and other cost increases. If the Net Financial Effect is positive i.e. there is a positive financial return and there are no passenger disbenefits see 2.6.6 then the option passes the value for money test on financial grounds alone. However, any passenger benefits, if present, should still be quantified so that the contribution to the TfL objectives can be calculated. This is particularly important where there are winners and losers in the appraisal and the breakdown between different parties should be shown. The number of years after which the project becomes financially positive shall be stated. If the Net Financial Effect is negative, the benefitcost ratio see below shall be used to judge whether the social benefit justifies the net cost. If there are negative social benefits and a negative Net Financial Effect, then the scheme does not show good value for money using monetised cost benefit analysis and the reason for pursuing the project should be expressed. A breakdown of the winners and losers should be shown Passenger Benefits In addition to financial cash flows, TfL also considers the benefits or disbenefits which the options will give to customers benefits which are not necessarily recovered from fares. If the Net Financial Effect as calculated in is negative i.e. there is a net cost, the value of these benefits shall be compared with the net financial costs of the options in a cost benefit appraisal. Such benefits include benefits to passengers such as time savings, improvements to trip quality, and improved safety and security.

Any passenger disbenefits during implementation shall be taken into account Benefit to cost ratios The present value of costs, revenues and benefits for all options in comparison to the base option should now be presented to decision makers along with a recommendation on the proposed course of action. Decision makers will then have to determine the priority of each projects claim to the scarce resources available in the light of other competing projects. To do this they will need to know the benefit to cost ratio of each of the options. This is calculated by dividing the Net Present Value of passenger benefits by the Net Financial Effect see Section 4.3. Version May 2013 25 Introduction Authorising bodies will expect the benefit to cost ratio to be greater than one. Since most expenditure is capable of being funded by fares increases, the potential benefit per net pound of project expenditure should exceed the disbenefit per net pound of revenue gain from raising fares. When the effects of raising Underground and bus fares are compared, a higher elasticity for buses means that more passengers are deterred from travelling by a given fares increase. A fares increase on the buses therefore has a worse effect. If fare levels could be set independently for LUL and LB, then separate passmarks would be appropriate the LUL passmark would be 1.41 and the LB passmark 1.71. In practice LUL and LB fares have tended to move in parallel, and in particular are linked through Travelcard. The use of a weighted average of 1.51 is therefore recommended. This has the added advantage that it can be used for projects affecting both modes and for projects involving intermediate modes. A higher target may sometimes be set to avoid frequent changes in plans; e.g. in bus service planning, ratios higher than the passmark have been used to ensure that service levels are not increased and then decreased with shortterm fluctuations in demand.

On the other hand, lower targets may also be appropriate if a project provides benefits to the wider community see 5.2.2. The passmark can be academic when funding levels are limited, as at present,

since much higher benefit to cost ratios may be required for a project to be included in the investment programme

Incremental benefitcost ratio An incremental benefitcost ratio should be used to assess the extra benefit achieved by the extra cost of implementing a more expensive option or a more expensive project, where different projects are being compared. The assessment is carried out in the same way as described in the previous section, i.e. dividing the increase in benefits by the increase in Net Financial Effect both expressed in terms of Present Value. At one extreme a low incremental ratio could illustrate an increment in scope which is not justified, even though the project with this extra scope included has a satisfactory benefitcost ratio. At the other extreme a high incremental ratio could justify the increment in scope, even though the project without this extra scope added would have a higher benefitcost ratio the justification consists in the increment itself potentially having better value than many other projects in TfL's programme. However, note that the overall benefitcost ratio of the preferred option against the base option will be the one that represents the project's value.

2.7 Measures of success Characteristics of Measures of Success This manual describes the quantification of benefits using standard methodologies. However, it is also important for a business case to identify measures of success specific to that project, so that the Version May 2013 26 Introduction outcome of implementation can be evaluated. When reviewing the success of a project it is sometimes difficult to separate the project's impact from that of others completed during the same era.

In these circumstances projectspecific measures can be used to establish whether or not the intended effects have been achieved.

Train refurbishment New computer system

Station congestion relief Staff training scheme

Feasibility studies Measured over year following project, doorrelated delays reduce from current 50 per period to average of 35 per period

When system has been running for six months, average response time to standard query is less than 15 seconds where performance of local network is not a significant factor

Average time from leaving train to reaching UTS gates reduces by 45 seconds use median of 100 trips between 8.30 and 9.30 am. distributed over 5 different days

MSS score for Staff willingness to help increases by 15 points at stations where staff have participated in the training

Measures of success are particularly relevant when developing proposals for feasibility studies. Often, the benefits and costs of eventual implementation are only very broad estimates at this stage. One of the measures of success or deliverables, in this context of the feasibility study itself could be a detailed business case. Others could include review of options, looking at incremental approaches, phasing, etc.

The SAF is intended to ensure that option choices and funding decisions are informed by an assessment of the strategic impact of interventions against the MTS. A fundamental principle of the methodology is that the assessment is intended to provide evidence to help inform decision making, but should not be used in a mechanistic way to determine the answer. The SAF will reflect the latest information available, and where there is limited quantitative data available to inform an assessed score for a particular item, a more qualitative judgement will be made.

The template used for the summary assessment of contributions to MTS challenges and outcomes is shown in Appendix H3, and full information on the SAF is available at [For more information on the Strategic Assessment Framework please contact Elaine Seagriff on](#)

For Business Cases SAF can be of particular help in illustrating the strategic drivers and rationale for a project. A business case should show the problem or opportunity and explore the strategic outcomes that are expected as a result of intervention before analysing options in much detail. In this way the scope is defined based on the objectives that the project is trying to achieve. This process can help to reduce the number of options being taken forward from a long to a short list. It is recommended that a SAF is undertaken in the very early stages of a project and kept updated as the project evolves. Other multicriteria products and processes also exist that can help define a project such as Surface Strategic Outcomes which are linked at a higher level to the MTS objectives within SAF

For more information on Surface Strategic Outcomes contact Tanya Durlen on Sustainability Assessment [ay%20home.aspx](#) Follow the

link from the Pathway Product Matrix Version May 2013 28 Introduction For more information on Sustainability Assessment contact Helen Woolston It is acceptable that any level of strategic driver could be captured to illustrate why a project is needed. These can be global, national, Government departmental, mayoral SAF, organisational SAF, modal, or departmental or any other level necessary. It is helpful if from the organisational level and above that analysis is undertaken in a consistent form using SAF as this helps validate the credibility. We are currently working towards an updated SAF that will incorporate approaches within Surface that examine contributions to Surface objectives. 2.

<http://schlammatlas.de/en/node/15600>