

New Zealand Better Business Cases Evaluation Report

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About the author

Joe Flanagan is the architect of the 5 Case Model and the author of the international guidance materials. He is also the Chief Examiner for the Better Business Cases (BBC) programme, a member of the BBC International Steering Committee, the BBC International Standards Board and the BBC Joint Management Board. Joe is currently the Director of Investment and Appraisal for the National Health Service (NHS) in Wales, where he also supports the Welsh Government Finance Department. Joe has been a public servant for 43 years and supported many schemes across a wide range of departments.



Overview

Executive summary

This evaluation shows there has been a significant improvement in the application and use of the Better Business Cases programme and guidance in the New Zealand state sector over the past 18 months, which has resulted in more robust expenditure proposals.

Close examination of nine capital investment business cases shows the strategic, economic and management sections of business cases are being produced to the required level of technical competence. However further improvement is required in respect of many commercial and financial cases, which omitted some of the supporting detail.

Discussion with expert practitioners and reviewers included a number of concerns and challenges, none of which are insurmountable. Some practical suggestions for overcoming perceived issues are reported on the basis of the author's experience within England and Wales.

New Zealand is making significant progress against the APMG maturity model. Central government departments and their agencies meet the standards of level 1 (development), most of the standards for level 2 (implementation) and level 3 (review); but do not yet meet the criteria for level 4 (development of policy and strategy) and level 5 (continuous improvement).

This evaluation identifies a wide range of future challenges. There was a mature discussion and consensus on the need for continuing improvement, which indicated that business case development was now perceived as a "thinking", rather than "writing" exercise. This bodes well for the future.

Detailed analysis and findings are included in relevant sections of the Report.

Purpose of this evaluation

This report provides an assessment of the Better Business Cases (BBC) programme within the New Zealand state sector. It builds on an earlier report completed in 2013.

The purpose of this review was to assess how well a sample of New Zealand business cases met the Better Business Cases standards.

This report provides an assessment of where the New Zealand state sector is positioned within the BBC maturity model.

The Better Business Case Programme

The Better Business Cases (BBC) programme has been operating in New Zealand for four years.

The primary objective of BBC is to enable smart investment decisions for public value. The secondary objectives are to:

- ▶ reduce the costs of developing business cases
- ▶ reduce the time it takes to develop business cases
- ▶ meet recognised good practice.

The BBC framework is based on the 5 Case Model. It provides a common language and a systematic way for stakeholders to think and work together to give decision makers the information they need to invest with confidence. BBC is endorsed by the NZ Treasury for use in the preparation of business cases for investment purposes.



The NZ Treasury supports senior responsible owners (ie sponsors), business case developers and reviewers by providing:

- ▶ BBC Guidance
- ▶ Access to BBC Training
- ▶ Access to Endorsed BBC Experts
- ▶ BBC Clinics for investment intensive agencies

For further information see the Treasury website at: <http://www.treasury.govt.nz/statesector/investmentmanagement/plan>

Structure of this report

- ▶ Part A – Review of Business Cases
- ▶ Part B – Progress Between 2013 and 2015
- ▶ Part C – Expert Practitioner and Reviewer Forum
- ▶ Part D – Assessment against the BBC Maturity Model
- ▶ Part E – Key challenges.

Part A – Review of Business Cases

Approach

The New Zealand Treasury selected a sample of nine business cases for assessment from the list of all business cases used to inform capital investment decisions by Cabinet in 2013/14. The selection covered a range of business cases, including a programme business case, an indicative business case, a detailed business case, an implementation business case and single stage business case. The author reviewed these business cases on the basis of the materials provided.

The sample was assessed against the 5 Case Model and the BBC review criteria which are part of the NZ Treasury's BBC guidance.

Findings

The overall findings in relation to the 5 Case Model are summarised in Table 1 below.

The key areas for improvement are, therefore, the preparation of the financial and commercial case sections of the business case.

- ▶ In support of the financial case, this requires investments to make more detailed information available, which probably exists; but has not been included/attached to the business case.

- ▶ In support of the commercial case, this requires investments to focus more on the deal, particularly in relation to contractual arrangements for risk sharing and payment.

Assessment criteria

The detailed findings supporting the above views are based on the following assessment criteria.

i Type of business case

The purpose of this criterion was to test whether the most appropriate type of business case had been prepared in the first instance. In the overwhelming majority of instances, this proved to be the case, with the exception of a investment which should have followed the three stage process but commenced with a single stage business case. The project subsequently discovered this for itself with the need for a further iteration of the case, which is an indication that the process is working.

Assessment: Excellent

Table: 5 Case Model

Case	Comment	Assessment
Strategic Case	▶ The Strategic Case is being prepared in accordance with the required standards.	Excellent
Economic Case	▶ The Economic Case requires more focus on services, rather than solutions; the appraisal of the "do minimum"; and the documentation of the evidence base for scrutiny and approval purposes.	Good
Commercial Case	▶ The Commercial Case requires more focus on the services to be provided, how they will be paid for and the allocation of risks between the public and private sectors.	Fair
Financial Case	▶ The Financial Case requires more information on the whole life cost of the investment, its impact on the organisational balance sheet and the funding of affordability gaps, if any.	Fair
Management Case	▶ The Management Case meets required standards, with the notable exception of the contingency plan (which appears to be the fault of the guidance rather than the preparers of business cases).	Excellent

ii Strategic alignment

The purpose of this criterion was to test strategic alignment. In other words, how well the project aligned with other projects and mapped onto the critical path for the programme, and the programme supported organisational strategies in support of government policies.

In the overwhelming majority of instances, this proved to be the case, with the exception of a project that provided insufficient details of the programme of which it was a part, whilst making the links with the organisation's strategic objectives and government policies. Adhering to the guidance and the template would have rectified this.

Assessment: Excellent

iii Case for change

The purpose of this criterion was to test whether a compelling case for change had been made.

In all instances, this proved to be the case. However, in terms of presentation, the amount of supporting text required could be significantly reduced if practitioners adhered to the guidance.

Assessment: Excellent

iv Investment objectives

The purpose of this criterion was to test whether the investment objectives were outcome focused and made SMART – specific, measurable, achievable, relevant and time constrained – for the purpose of post evaluation.

In over 50% of cases, the investment objectives provided a clear description of what the investment was seeking to achieve with performance measures suitable for post evaluation. Setting robust investment objectives is vital in terms of focussing and condensing the case for change.

Assessment: Good

Recommendation 1: Expert practitioners and reviewers, Treasury vote teams, and BBC trainers to focus on the need for robust investment objectives

v Critical success factors

The purpose of this criterion was to test whether the critical success factors agreed for the investment were sufficiently broad to enable meaningful appraisal of the long list. In all instances, this proved to be the case.

Assessment: Excellent

vi The long list

The purpose of this criterion was to test whether a sufficiently wide range of realistic and possible options had been appraised by programmes and projects; because a poorly selected long list leads to sub-optimal public value, regardless of net present values and related metrics.

The use of workshops comprising key stakeholders is recommended for this purpose. Workshops help to ensure that programmes and projects consider the range of options available for service scope, service solution, service delivery, service implementation and service funding, including the minimum and maximum choices where appropriate.

For programmes and major projects using the 3 stage process,¹ the number of recommended options is in the order of a dozen. For minor projects using the single stage process, the recommended number is four. In over 50% of instances, the recommended number of options had been explored and examined to a proportionate level of detail. In some cases, however, the options considered appeared constrained, both in terms of their numbers, content and the degree of examination provided.

More focus needs to be given to quality and quantity of the services to be provided (service scope), rather than the supporting infrastructure required (service solutions); because it should never be assumed assets need replacing and upgrading from the outset on the basis of the status quo.

Assessment: Good

¹ Indicative Business Case, Detailed Business Case and Implementation Business Case

Recommendation 2: Expert practitioners and reviewers and Treasury vote teams to encourage the continued use of the options filter in a workshop environment, with particular focus on service scope rather than solutions

vii The short list

The purpose of this criterion was to test whether a sufficiently robust short list of options was appraised.

The guidance recommends in the order of 4 to 5 options, including the status quo/do nothing, the do minimum, the preferred way forward at long list stage, and more ambitious and less ambitious options to test this through the rigorous use of cost benefit analysis and multi-criteria analysis. In 50% of cases, the identification of the shortlist was satisfactory. In the remaining cases, more could have been done to identify the “do minimum” options, both to test the public value of the preferred option identified; and to provide a contingency on affordability grounds. The “do minimum” is mandated in the guidance for this purpose.

Assessment: Good

Recommendation 3: Expert practitioners and reviewers and Treasury vote teams to ensure that the “do minimum” for spend is always considered, alongside the status quo/do nothing and the preferred option

viii Economic appraisals

The purpose of this criterion was to test whether the short list had been subjected to the proportionate level of cost benefit analysis, cost effectiveness analysis for the quantifiable costs, benefits and risks; and the appropriate level of multi criteria analysis for the qualitative factors, incapable or inappropriate to measure.

In all cases, it was found that the net present values and net present costs were recorded for the investments. However, it was not possible to judge the efficacy of the findings; because the sources and assumptions underlying the evidence had not always been sufficiently explained, and (in all cases) the economic appraisals underpinning the findings had not been attached to the business case. Thus the evidence of public value in this regard appears to have been accepted at face value.

In all cases, it was found that multi criteria analysis was undertaken to the required standard. However, more attention is needed on recording how the weightings and the scores were derived and to keep a record of workshop attendance, again by way of an annex attached to the business case; particularly as multi criteria analysis is an inexact activity which can be skewed to demonstrate best public value through the cost per benefit point.

Assessment: Good/Fair

(Good because it is being undertaken. Fair, because the findings are not being sufficiently documented and attached to the business cases).

Recommendation 4: Expert practitioners and reviewers and Treasury vote teams to ensure that economic appraisals and details of multi criteria analysis workshops are attached to all business cases. This should be for both review and approval purposes

ix Procurement strategy

The purpose of this criterion is to ensure that investments are procured in accordance with NZ’s Rules for Procurement by Departments,² other rules and regulations and local best practice.

The investment’s procurement strategy is being considered and documented in the overwhelming majority of cases.

Assessment: Excellent

x Service requirements

The purpose of this criterion is to ensure that there is a clear understanding of the investment’s service requirements, both in terms of content, quantity, quality and timescales.

In most instances, these have been outlined; but not to the level recommended in the guidance, which requires a detailed specification that has been endorsed by the key stakeholders.

Assessment: Fair

² <http://www.business.govt.nz/procurement/for-agencies/guides-and-tools/procurement-toolkit>

Recommendation 5: Expert practitioners and reviewers and Treasury vote teams to ensure that a summary of requirements is provided in business cases in accordance with BBC guidance at both the review and approval stages

xi Charging mechanisms

The purpose of this criterion was to test whether organisations are thinking imaginatively about the ways in which they charge for services, and are building on best practice to motivate service providers to deliver to specification, cost and time.

In most instances, the charging mechanism for investments was outlined. However, there was little evidence of innovation and insufficient detail about how the charging mechanism will assist organisations to manage risk and reward in the pre-delivery, operational and extension phases of the contract.

Assessment: Fair

Recommendation 6: Expert practitioners and reviewers and Treasury vote teams to ensure that business cases provide a clear understanding of how payment will be made and assist to manage delivery risks

xii Potential risk transfer

The purpose of this criterion is to test whether organisations have given sufficient consideration to placing service risks with “the party best placed to manage the risk”, with due consideration to the likely cost.

In most instances, the apportionment of risk between the public and private sectors had been considered and the template table completed. However, in many cases, the analysis appeared superficial, given the absence of supporting detail, including the assigned percentages (%) for the sharing of service risks between the public and private sector, and risk costs based on the likely cost, impact and profile.

Assessment: Fair

Recommendation 7: Expert practitioners and reviewers and Treasury vote teams to ensure that business cases provide a clear understanding of the basis upon which the apportionment of service risks has been made

xiii Capital and revenue requirements

The purpose of this criterion is to assess whether organisations comprehend the capital and revenue costs of the investment over the lifespan of the programme and project.

In all cases, the capital and revenue requirements have been referenced. However, in a number of cases the whole life costs of the investment had not been summarised as required by the guidance and the financial appraisals for the preferred option were not attached to the business case to assist scrutiny and approval.

Overall Assessment: Fair

Recommendation 8: Expert practitioners and reviewers and Treasury vote teams to ensure that financial appraisals are attached to business cases in order to verify the anticipated whole life costs of the investment at both review and approval stages

xiv Balance sheet treatment

The purpose of this criterion is to assess whether the impact of the anticipated spend on the organisation’s balance sheet has been fully understood.

In the majority of cases, “the impact” of the investment on the organisation’s balance sheet had not been adequately addressed. This maybe due to an oversight on the part of the guidance in relation to the Financial Case section. Paragraph 145, for instance, of the guidance for Detailed Business Cases is not sufficiently clear on the point.

Overall Assessment: Fail

Recommendation 9: The next version of the guidance is to address the assessment of the investment's impact on the organisational balance sheet

xv Funding and affordability

The purpose of this criterion is to ensure that the investment is fully fundable and affordable.

In the majority of cases, the business case confirmed the funding streams for the investment and affordability; in some cases with supporting letters from the sponsoring organisations. However, more detail is required in terms of the timing and amounts involved. This should be adjudicated in conjunction with the financial appraisals for the preferred option.

Overall Assessment: Fair

Recommendation 10: Expert practitioners and reviewers and Treasury vote teams to ensure that funding gaps are fully understood and accounted for

xvi Programme, project management arrangements

The purpose of this criterion was to assess whether investments were delivered in accordance with recommended best practice: for programmes and projects. In my view, best practice refers to Managing Successful Programmes and Projects in Controlled Environments (PRINCE2).

All investments confirmed this in principle. However, in 50% of instances, this was unclear in practice given named individuals had not been assigned to key roles and responsibilities and detailed delivery plans provided.

Overall Assessment: Good

Recommendation 11: Expert practitioners and reviewers and Treasury vote teams to ensure that key roles and responsibilities are accounted for with named individuals, with the requisite training and skills, at the Implementation Business Case stage; together with robust delivery plans

xvii Benefits realisation

The purpose of this criterion was to assess whether investments had taken into account the identification, measurement and realisation of benefits and the need for a benefits realisation plan and/or register, in accordance with the guidance.

All the investments reviewed had undertaken some assessment of the expected benefits, with over 50% of them fully meeting the requirements of the guidance. In the remaining cases, there was insufficient attention to the preparation of the benefits register/benefits realisation plan, without which the danger is the benefits will not be delivered as planned. The benefits register/benefit realisation plan should be attached to programme, detailed and implementation business cases.

Overall Assessment: Good

Recommendation 12: Expert practitioners and reviewers and Treasury vote teams to ensure that the benefits register /benefits realisation plan is attached to business cases, as required, at the review and approval stages

xviii Risk management

The purpose of this criterion was to assess whether investments had taken into account the identification, measurement, mitigation and management of the risks associated with the investment, and the need for a risk register in accordance with the guidance.

With the exception of one of the nine business cases, all the investments had addressed risk management and had some form of a risk register in place for its mitigation. The risk register should be attached to programme, detailed and implementation business cases.

Overall Assessment: Excellent

xix Programme, project management assurance

The purpose of this criterion was to assess whether investments had appropriate arrangements in place for the independent and impartial assurance of their programmes and projects. This includes use of investment reviews such as Gateway, in addition to other arrangements for technical and quality assurance.

In all cases, the necessary programme and project assurance arrangements were in place, as required.

Overall Assessment: Excellent

xx Post evaluation

The purpose of this criterion was to assess whether investments had arrangements in place for post evaluation, including project implementation review for the evaluation of programme, project delivery; and post evaluation reviews for the evaluation of anticipated benefits, including Gate 5 (benefit realisation) where required.

In all cases, the necessary post evaluation arrangements were in place, as required.

Overall Assessment: Excellent

xxi Contingency planning

The purpose of this criterion was to assess whether organisations had contingency plans in place for the non delivery of services as planned.

In the overwhelming majority of cases, contingency plans do not appear to have been considered, although it seems likely that they have in reality. This lack of focus appears to be an oversight in the guidance in relation to the Management Case section, which does not address the need for contingency plans in the event of a failure to deliver.

Overall Assessment: Fail

Recommendation 13: The next version of the guidance to address the need for contingency plan arrangements

Part B – Progress Between 2013 and 2015

Background

In 2013 two members of the International BBC Standards Board, Joe Flanagan and Stefan Sanchez, reviewed 12 business cases. The 2013 Review identified seven common themes and conclusions. This Part B comments on progress made since the 2013 report.

Findings

1 The use of Business Cases

The 2013 Review concluded that the majority of investments had made use of the appropriate type of business case, noting the need to keep the type of business case under review given that the nature of the investment could alter over time.

The 2015 Review concluded that New Zealand continues to make excellent use of the appropriate business case; and since 2013 has increasingly used programme business cases.

The need to focus further on change programmes rather than delivery projects has been recommended. This will lead to increased use of the programme business case with reduced reliance and content for supporting project business cases.

2 The Case for Change and Investment Objectives

The 2013 Review concluded that the case for change was usually well articulated, which continues as a finding from the 2015 Review with some need for further improvement.

The 2013 Review observed, however, that investment objectives are often poorly defined, confused with benefits and are not always SMART.

While the 2015 Review calls for more attention to setting investment objectives, it should be noted that considerable progress was made in this area, and that investment objectives are increasingly outcomes based and capable of post evaluation.

3 Short list and Economic Appraisals

The 2013 Review concluded that the process of developing and short listing options was often unclear and that economic appraisal was rarely undertaken when it was proportionate and necessary to do so.

The 2015 Review notes considerable progress in this key area through widespread and better use of the options framework for the identification and short listing options.

More transparency is required, however, in terms of showing the present value and costs of investments. There is evidence that investments are paying more attention to what is required in the way of economic appraisal at the outset. This includes the proportionate use of benefits and risk measurement.

4 Financial Appraisals

The 2013 Review concluded that the focus was on short term affordability to the detriment of long term value for money.

The 2015 Review found that this issue had been significantly addressed in the past two years. More attention is needed on the preparation of the financial appraisals, however.

5 Commercial arrangements.

The 2013 Review found that more focus was required on the commercial arrangements, including risk allocation.

The 2015 Review concluded that this unfortunately remained an area for real improvement.

6 Programme and project management arrangements

The 2013 Review found that these arrangements were patchy and that a significant number of investments failed to make appropriate use of delivery assurance, including Gateway and similar reviews.

The 2015 Review reported a significant improvement in these arrangements, including the consideration and use of Gateway reviews from the outset of programmes and projects.

7 Benefits realisation

The 2013 Review concluded that more attention needed to be paid to these arrangements, including the preparation of benefits registers and delivery plans.

The 2015 Review found a significant improvement in this area. Further focus is still required on the preparation of the benefits register/benefits realisation plan, which needs to be attached to the business case for approval purposes.

8 Business Case Reviews

The main finding of the 2013 Review was that more resources should be made available to scrutinise business cases, prior to submitting the cases for approval, in order to address many of the issues identified above and help improve service outcomes.

The 2015 Review found that there was now increased emphasis on the review of business cases, particularly with the recent recruitment of BBC Expert Reviewers.

Overall Assessment

There has been a significant improvement in the quality of business cases since the 2013 Review, in particular the preparation of the strategic, economic and management sections.

The key finding of the 2015 Review is that more focus is now needed on the preparation of the commercial and financial cases.

Part C – Expert Practitioner and Reviewer Forum

Purpose

A special meeting of New Zealand's BBC expert practitioners and reviewers was held. This note briefly records the issues that participants raised together with some practical observations.

Executive leadership, strategy and policy

The Group raised the following issues:

- ▶ The lack of investment principles
- ▶ How policy and strategy fit with BBC?
- ▶ Executives' can lack an understanding of investment decision making.

Observations

- 1 The guidance on Cost Benefit Analysis contains the investment principles for planning expenditure. The practitioners and reviewers may find a briefing useful at the next meeting of the forum.
- 2 *Managing Successful Programmes* explains how policy, strategy, programmes and projects fit together. The 5 Case Model is relevant to these aspects and BBC is designed to support the development of Programme and Project business cases.
- 3 Senior executives often face time constraints. Practitioners need to find more effective and timely ways to engage senior executives on the benefits to them from good business case development process. For senior executives this is likely to follow their appointment as a Senior Responsible Owner (SRO) for a programme/project. The process will add more value for executive decision making if practitioners can demonstrate to the SRO how the BBC framework can be streamlined to make it as effective as possible.

Capability development in the context of leadership development

The Group raised the following issues:

- ▶ Reviewers' capability and consistency
- ▶ Why not share knowledge across organisations?
- ▶ Public sector capability and capacity to manage the investment life cycle.

Observations

- 1 Competent and fully trained reviewers are essential to "policing" the system and maintaining quality standards. The BBC programme, therefore, needs to continue to focus on training reviewers. The Treasury vote teams are crucial in this regard. BBC training should form part of their induction training.
- 2 Experience in the UK demonstrates that reviewer training for HM Treasury vote teams is best undertaken in-house by experienced reviewers who have an in-depth knowledge of Treasury protocols and can relate learning to practical examples across a wide range of departments and agencies. This does not preclude developing a commercial course for accredited training in the future.
- 3 The key to sharing knowledge within the public sector and private sectors in England and Wales has been the formation of a Sector User Group and the BBC Whitehall Network for both sectors. These groups have proven essential for collaborating, sharing knowledge and helping to drive up standards across organisations.

Perception that the time and cost of BBC is prohibitive

The Group raised the following issues:

- i How do we incentivise better investment decision making?
- ii What's in it for the customer?

Observations

- 1 Most public servants want to do the right thing - we need to show them how. Most public servants are risk adverse – we need to demonstrate how BBC mitigates and manages risks.
- 2 What is in it for the customer? Achieving BBC objectives: reduced spend on the business case; a more efficient process leading to early approval of the business case; and improved service outcomes. We need to be able to demonstrate this; and so basic performance measures will be required. Key to this is streamlining the process wherever possible and using the tools and techniques as proportionately and appropriately, as possible.

Executives define solutions and retrofit BBC

Observations

- 1 There is a natural tendency for senior executives to retrofit on the basis of pre-conceived solutions. The fundamental purpose of BBC is to challenge this behaviour and to change the culture over time.
- 2 The principle ways of overcoming the tendency to retrofit are twofold in conjunction with supporting workshops; (1) assisting to frame the investment objectives correctly in the first instance; and (2) use of the Options Filter for the scoping of a wide range of potential, realistic options in the second.

Concluding Comments

In conclusion, I have the following comments:

- ▶ there is no need for more guidance, templates, workshops, briefings and workshops. What's needed is focus on making smarter use of what is available
- ▶ there is a need to accept that the world will never be

perfect and to make pragmatic choices which bring about incremental change and improvement

- ▶ Treasury vote teams need to keep pushing back on poorly constructed business cases which offer suboptimal value for money solutions
- ▶ the need to target where we deploy BBC for maximum gain and exposure
- ▶ the need to make better use of case studies that demonstrate the added value of BBC
- ▶ the need to ensure that people who review investments are well versed in the use of BBC
- ▶ there is an ongoing need to increase awareness of the international standard for the 5 Case Model, which the New Zealand Treasury has been instrumental in developing.

Part D – Assessment against the BBC Maturity Model

Approach

This part of the evaluation used the BBC Maturity Model to assess the current level of BBC capability in the New Zealand State Sector. The BBC Maturity Model was developed by the Association of Project Managers Group (APMG). APMG is the BBC Programme's private sector partner for the delivery of accredited training.

There are five levels of capability. These are (1) development, (2) implementation, (3) review of the business case, (4) use in conjunction with policy and strategy development and (5) continuous improvement. A copy of the model is attached in the Annex.

Findings

Central government departments meet the standards for the development of business cases – Level 1

Business cases are developed using BBC processes and tools and techniques. This includes: a well documented process, decision making and stakeholder engagement and management.

Central government departments meet most of the criteria for the implementation of business cases – Level 2

Arrangements for governance, people capability (the training of practitioners and reviewers), resources (teams and funding) and the quality assurance of the business case are in place. Arrangements are being put in place to train reviewers. In the past, some basic briefings have been provided to Treasury vote teams.

The relationship to organisations' other management processes is not entirely transparent. It is, therefore, difficult to conclude that a whole systems approach has been developed in its entirety.

Central government departments meet some of the criteria for the review of business cases – Level 3

Arrangements are in place for the review of business cases, which include the completion of scoping documents and thus building a relationship with the reviewer and/or approving authority.

Arrangements are nominally in place for the post evaluation of investments. These include project/ programme implementation reviews (PIR's); and post evaluation reviews (PER's), including Gateway 5 Reviews of benefits. However, too few reviews have been conducted to conclude that this is leading to organisation learning and improvement at this stage in the development of BBC.

Central government departments do not meet the criteria for the development of policy and strategy (Level 4) and continuous improvement (Level 5)

Level 4, linking the policy development and strategic planning environments to BBC processes and tools and techniques, remains a future challenge, as does codifying arrangements to a recognised standard. Level 5 describes a journey on which New Zealand has taken significant steps in terms of putting in place the required systems and changing the culture.

The author found plenty of evidence to suggest that the New Zealand state sector had made some significant improvements since the 2013 review. Some notable examples included the University of Auckland and the Auckland City Council.

Part E – Key challenges

Introduction

The application of BBC is helping to justify the cost of projects and investment expenditure.

There is a need to continuously improve how to scope and plan investments and provide supporting evidence within business cases.

The assessment of nine business cases identified ten challenges that face the NZ BBc programme. Future success depends on overcoming these challenges. Prior to completing this report, these challenges were shared with several audiences in New Zealand. There was general and almost universal agreement to the suggested direction of travel within each of the challenges.

Main Findings

i Strategic Planning

Capital Projects – Change Programmes – Strategy

At present, the emphasis on the application of BBC is on capital investment mostly for the replacement and upgrade of existing assets.

- ▶ The BBC framework is applicable to social investment and operating expenditure as it is capital expenditure.
- ▶ The government's policies should continue to be delivered through well planned strategies that consist of change programmes and constituent projects. More focus needs to be placed on understanding how these outputs (through projects) will deliver better public service outcomes (through programmes) and support the delivery strategies of public sector organisations.
- ▶ More focus is needed on the revenue consequences and the whole life cost of investments, and explaining how or whether further investment will lead to reduced costs and/or more sustainable public services.

These observations will require more widespread consideration and use of programme business cases to support up-to-date business strategies for the successful delivery of departmental policies. The use of programme business cases has been developing in New Zealand since 2103 and reduces the requirements for multiple project business cases.

ii Timescale

Short term – Medium term – Long term

At present, the emphasis on the application of BBC is on the delivery of traditional capital projects.

- ▶ More focus needs to be placed on planning for the delivery of public services in the medium and longer terms, through well prepared programmes and strategies.

iii Scope

Products and Build – Enabling Infrastructure – Services

At present, the emphasis on the application of BBC is primarily on products and build.

- ▶ More focus needs to be placed on service demand and capacity planning and the enabling infrastructure in its widest sense (the factors of production: people, machines, materials and methods), rather than simply the underlying assets.
- ▶ The presumption should not be that further capital is required. But rather, are we making the most efficient and cost effective use of current resources?

iv Type of Change

Status Quo – Organisational Change – Societal change

At present, the emphasis on the application of BBC is often constrained to maintaining the status quo or replacing existing assets.

- ▶ More focus needs to be placed on programmes that deliver organisational and transformational change. This requires practitioners to scope investments and their supporting business cases from the standpoint of how they will improve people's lives through enhanced public services, rather than just meeting the operational needs of Government organisations and agencies.

v Public Value

Economy – Efficiency – Effectiveness

At present, the emphasis on the application of BBC appears to be on reducing operational costs.

- ▶ More focus needs to be given to improving the overall efficiency and effectiveness of public services and to monetising the benefits.
- ▶ Organisations are still relying heavily on multi criteria analysis (MCA) and the cost per benefit point in order to demonstrate public value.

vi Perspective

Organisation – Sector – New Zealand

At present, most business cases make the case for expenditure from the perspective of their own organisation; e.g. a Health Board for a new hospital.

- ▶ More emphasis is needed on making the case for change from the standpoint of the local and regional economy, and national perspective, as captured in the Cost Benefit Analysis guidance.
- ▶ This could lead to more collaborative procurements, capable of reducing resultant spend through critical mass and economies of scale.

vii Change

Invest to Save – Business Process Re-engineering – Transformation

At present, the emphasis on the application of BBC is on maintaining services and “investing to save.”

- ▶ More focus needs to be given to business process re-engineering and transforming the way in which services are provided, before making the case for maintaining and growing service provision.
- ▶ This requires practitioners to “think outside the box” and, with stakeholders and customers, consider the widest possible choice of realistic options, as set-out in the BBC guidance.

viii Rationale

Business Outcomes – Benefits – Business Needs

At present, the emphasis on the application of BBC is on the business outcomes which the expenditure is seeking to achieve.

- ▶ More emphasis needs to be given to expressing these outcomes in terms of SMART objectives; cost justifying the expenditure against measurable rather than qualitative benefits; and predicating the case for change on business needs.

ix Better Business Cases

Tools and techniques – Systems – Culture

There are sufficient products, processes, tools, techniques and guidance.

- ▶ BBC is adaptable and scalable. The challenge is to assist practitioners to use BBC more appropriately, in terms of the business cases required; the evidence base; degree of analysis required; and customising the BBC templates. The use of expert practitioners and reviewers is likely to assist with this challenge.

x Standards

Projects – Programmes – Strategic planning

There are internationally recognised standards for projects (eg. PRINCE2- Projects in Controlled Environment, Version 2) and programmes (eg. MSP- Managing Successful Programmes). Notwithstanding a plethora of literature, nothing similar exists to give effect to business strategies, which is increasingly being recognised as an area for potential improvement. The 5 Case Model within the BBC programme is relevant to robust strategy and policy development and could form the basis for addressing this gap in the future.

Annex: Developing BBC Capability in Public Sector Organisations

This document provides an indication of how the capability of an organisation using BBC systems,

processes and tools and techniques may be assessed over time.

Level of Capability	Criteria	Description
0/1	Development of the Business Case	<p>The business case is being developed using BBC processes and tools and techniques. This includes:</p> <ul style="list-style-type: none"> ▶ Decision process to develop a business case using BBC ▶ Decision making ▶ Stakeholder engagement and management
2	Implementation of the Business Case	<p>A whole systems approach is applied to the organisation's development of the business case. This includes:</p> <ul style="list-style-type: none"> ▶ Governance ▶ People capability ▶ Resources ▶ Quality assurance ▶ Relationship to organisation management processes
3	Review of the Business Case	<p>The business case is being used for post evaluation, both in relation to lessons learnt during the delivery of the investment and the realisation of the anticipated benefits, longer term. This includes:</p> <ul style="list-style-type: none"> ▶ Relationship with reviewer ▶ Organisation learning and improvement
4	Policy and Strategy Development	<p>The policy development and strategic planning environments are demonstrably linked to BBC and making use of recognised processes and supporting investment appraisal tools and techniques. This includes:</p> <ul style="list-style-type: none"> ▶ Documented Quality Management System to a recognised standard.
5	Continuous Improvement	<p>The ethos of the BBC programme is grounded in the culture, systems and processes of the organisation and subject to continuous review and improvement. This includes:</p> <ul style="list-style-type: none"> ▶ Evidence of regular periodic reviews and feedback. ▶ Impartial and independent assessment