London Cultural Improvement Programme

Heritage Change Programme
1. New Ways of Working
1.2 Business Cases for Heritage Services

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Introduction

The operating environment which local authority Heritage Services find themselves in has never been more challenging. With significant pressure on budgets due to the financial climate, Heritage Services are now having to making tough decisions on a day to day basis. From considering the future sustainability of services or submitting a Heritage Lottery Fund bid, the business case is the live road map that enables the desired outcome to be achieved.

From consultation and research undertaken by The London Cultural Improvement Programme as part of the Heritage Change Programme, the sector has expressed a need for simple and clear guidance on how to approach a business case and within it, an options appraisal.

This guide has been designed and adapted specifically for Heritage Services based on current practice being supported by Local Partnerships and prior to that, the I&DeA (now LGID - Local Government Improvement and Development).

It has been developed by practitioners who are currently supporting a number of local authorities in exploring options relating to management models, cross boundary collaboration, facility developments and prioritising services experiencing reductions in funding.

How to use this guide

This document has been designed to provide initial guidance for senior managers exploring options and supporting business cases for their Heritage Services including museums, archives and historic assets. Many of the principles contained within this document are equally applicable for other Culture and Sport services.

Developing a business case to achieve outcomes or benefits

A Business Case typically presents information necessary to support a series of decisions. These decisions, over time, commit an organisation to the achievement of the outcomes or benefits possible as a result of investment in business change.

Many Heritage Services organisations are involved in this process or planning to get involved and this guide aims to provide a framework of support.

The business case, which typically contains within it an options appraisal, supports the development of understanding on whether the investment is justified in value for money terms.

Typically, key areas assessed include: benefits, strategic fit, achievability, risk, affordability, options and commercial aspects.

Business Case Structure

The business case should demonstrate a logical approach to business planning and show clearly how the preferred option (i.e. the one that has been agreed by elected members to be taken forward) has been identified in the context of the resources available over the life of the project, programme or contract.

The following ten areas are usually covered in a business case:

1. Your vision
2. The needs, outcomes and objectives to be met
3. How that vision fits with wider council and stakeholder outcomes and objectives
4. Financial affordability
5. The long list of options
6. The initial options appraisal
7. The short list of options
8. The final options appraisal
9. The council's commitment to its preferred option
10. The implementation plan.

These elements are described in greater detail in the next section.

Depending on the size of the project or programme, you will need to determine the appropriate level of business case development required to support the scale of financial commitment being made by the Council and your own internal governance arrangements and processes.

The typical approach to the development of a business case is based on the stages in figure 1.

Figure 1: Business case approach
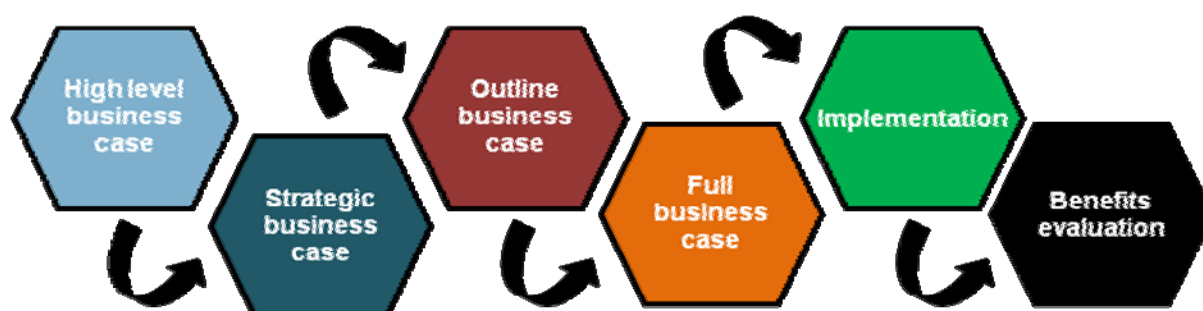
The business case is a live document and as such strict version control should be adhered to to ensure that contributors are all working on the right version. The diagram shows how a business case can evolve over time.

The business case should contain a live risk register and it should be kept updated on an ongoing basis. The potential impact of each of these risks should be considered, followed by mitigation measures for each. This will ensure that if these risks come to pass, the Council will be prepared for them and will have considered measures to reduce their impact.

As such, the business case should help provide a clear audit trail of how the preferred option has been reached and that it works best financially for the Council and for best meeting the aspirations and needs of the community. It should be viewed as a living document that will need to be adapted as the preferred option is identified and developed. At the point where a single option is selected, the business case should be developed in detail around the commercial elements of the option so that it evolves into a full business case to support the final decision made.

The ten key elements of a business case are described in greater detail in the next section.

1. **Your vision**

   Having a clear vision for your service, project or programme is vital. The Heritage Change programme has provided separate support on developing this vision in its Future Services Workstream. [For more information, click this link.](#)

2. **The needs, outcomes and objectives to be met**

   Establishing the needs of users, communities or stakeholders is fundamental to any business case. It needs to demonstrate why the service, project or programme is required. The business case should reference the evidence to support this need – often linked to a prior needs analysis exercise.

   In terms of what information to provide within the business case. Keep it simple and focus on the key elements of any needs analysis.

   Specifying the desired outcomes is vitally important. Be clear about what outcomes and impacts you want to achieve through your service, programme or project.

   Following on from this you may also have specific objectives you wish to achieve, which, when combined, will deliver the outcomes. Develop these in a logical manner and ensure your objectives are SMART – eg **S**pecific, **M**easurable, **A**chievable, **R**ealistic and **T**ime bound.

   Often the business case will be scrutinised independently, so ensure you are meeting the needs of the people appraising the business case. Put the detail in the Appendix to be kind to the reader.

3. **How that vision fits with wider council and stakeholder outcomes and objectives**

Providing a commentary to link the vision to the Council's and wider stakeholders' outcomes and objectives is very important to champion the role your Heritage Service will be playing in the bigger picture.

Use the right language to make it easy for the reader to understand the contribution your Heritage Service, project or programme will make. Avoid woolly statements – stick to the facts and provide evidence where possible.

4. **Financial affordability**

Ensuring you are developing this business case based on a clear understanding of what resources are available is crucial. Early on in the process, try to get as clear an understanding of the financial constraints you will be operating within. This is to avoid nugatory work and exploring options that are beyond your means.

Many Heritage Services are being challenged to develop a business case to support a service reorganisation and as such a specified budget reduction is a target that needs to be achieved. The different options to explore would be the various approaches that achieve the desired outcomes within the defined budgetary constraints.

There may be a bottom line in terms of costs or minimum outcomes that must be achieved for the Service to continue. There may also be a minimum or "do nothing" solution to consider. Be realistic in what minimum resources are required to deliver some element of the service. Don't forget to think laterally and creatively for alternative ways your services can be delivered. Talk to your neighbouring Boroughs to explore synergies.

Sometimes, the budget is not known – for example when outsourcing a service and procuring a provider. If this is the case, try to identify what the likely financial outcomes will be, based on any evidence available.

Seek to benchmark different types of options to establish the potential financial performance and to assist in any review of options.

5. **The long list of options**
When developing a long list of options, try to keep an open mind and include all potential options to achieve your outcomes at this stage. Ensure the team developing the options has access to information and support to enable a broad range of options to be developed. More detailed information is provided in the HCP Options Appraisal Guidance. For more information, click this link.

Options should be presented consistently to ensure it is easy to compare them against others.

Split the key features of any option up into a logical list. For example, a management option may have some or all of the following features described and explored:

- Governance
- Impact on service outcomes
- Financial performance
- Human resources
- Legal implications
- VAT implications
- Risks and sensitivity
- Impact on council control
- Impact on assets
- Impact on support services
- Timeframes for implementation
- Resource implications for implementation
- Costs for implementation.

6. **The initial options appraisal**

In many instances where there is a high value or complex choice to be made, there are two options appraisal exercises. The first options appraisal is used to reduce a long list to a short list. The second is to identify the preferred option.

In the HCP Options Appraisal Guidance we provide much greater detail in the ten stages of an Options Appraisal. For more information, click this link.

7. **The short list of options**

Keeping the short list down to two or three options is strongly recommended. At this stage, the organisation is likely to explore the options in greater detail, often with detailed financial models supporting them.

By being strict and only selecting a few options to fully evaluate, you will save time and keep your focus.

8. **The final options appraisal**

When down to a short list of two or three options it is good practice to invite more senior people to get involved in the final evaluation of options. They may be unfamiliar with the detail of each option, so it will be important for you to highlight the key features of each option: its advantages and disadvantages, the risks associated with the option and a detailed financial evaluation.

To ensure transparency and a clear audit trail, we recommend a weighted scoring system is used, as described in the HCP Options Appraisal Guidance. For more information on how to conduct the options appraisal, click this link.

9. **The Council's commitment to its preferred option**
Following the final options appraisal, the option selected would normally be presented for the Council to approve. Much of the information developed within the business case can support the committee report and demonstrate the reasoning behind the decision.

   At this stage, it should be very clear why this particular option has been selected over unsuccessful shortlisted options.

10. **The implementation plan**
Once the decision has been made to pursue a preferred option, it is really important to provide a "what happens next" roadmap to outline the key workstreams, activities, milestones and outputs to implement the selected option.

    This implementation plan needs to be carefully thought through, costed, where possible, and verified by experts, particularly for multi disciplinary projects or programmes. Often this is linked to a procurement or externalisation process, where the costs of change needs to be carefully managed.

    Ensure this final stage is given sufficient time and consideration to get the implementation off to a good start.

Where to go for more support

New Ways of Working Signposting

The Heritage Change Programme has reviewed the available information for London Boroughs considering transforming their services and new management models.

The range of information can be quite overwhelming and as a response to requests by London Boroughs, we have highlighted the key publicly available documents here with weblinks.

The key areas covered are as follows

- Guidance on options appraisals and business cases
- Guidance on alternative management models.

Please note these documents should only be used as a guide and specialist advice should be sought as appropriate.

Guidance on options appraisals and business cases

Title	Author and Information	Weblink
Options appraisal, the business case and procurement (2010)	**Local Partnerships (Formerly I&DeA)** This is the one of three detailed guidance papers to support 'Understanding commissioning.' A guide for Local Authorities. It provides a clear ten stage approach for options appraisals and guidance on how to approach development of business cases. This is currently the most recent guide to approaching options appraisals and business cases for Culture and Sport organisations.	http://bit.ly/es7L5q
HM Treasury Green Book Guidance (2009)	**HM Treasury** HM Treasury has developed a series of guides to assist local authorities in developing business cases. These include: • Using the Five Case Model – for creating business cases. • A guide to assessing business cases.	http://bit.ly/eXiUvM
Rethinking Service Delivery (2003)	This guidance from the previous government provides some excellent advice and is still current. Making sure that you are mapping the right course, have buy-in from all stakeholders, assessing all options and having a viable business case are the essential steps for partnerships. These are areas that often lack proper consideration, which can lead to problems later on in procurement. "From Vision to Outline Business Case" explains how it should be done. Includes: • How to translate the vision into a Strategic Outline Case • How to conduct a business review • Tips when working with other authorities and other public sector bodies • How to prepare an Outline Business Case and what to include • Conducting an options appraisal • An overview of the structures for partnership - the different governance models and where each is appropriate • The overall project management approach • A technical advice note on appointing external advisors.	http://bit.ly/gTKrxb

Guidance on alternative management models

Title	Author and Information	Weblink
Exploring the trust option for museum services (2008)	**Renaissance Yorkshire** This is a practical guide targeted at local authority officers who have responsibility for, or who are involved in, a local authority museum service and who are considering the transfer of services from the local authority to a Trust. It is intended to be a practical document to help you to think about what might be involved in transferring a local authority museum service to a Trust. The critical focus of this guide is the first stage of the transfer process – the feasibility stage.	fhttp://bit.ly/gDsXEA
Moving to Museum Trusts: Learning from Experience Advice to Museums in England & Wales (2006)	**MLA** The Museums, Libraries and Archives Council (MLA) have developed a summary of the means by which museum trusts were set up, their reasons for doing it, their agreements for continued local authority or other public funding, and their experience as independent entities since they were set up.	http://bit.ly/g42ZUL
Pillars of the community: The transfer of local authority heritage assets (2011)	**The Development Trust and English Heritage** English Heritage in partnership with the DTA's Asset Transfer Unit and other organisations in the Heritage Sector, have pooled their knowldege together to produce this new guidance document on the transfer of heritage assets from local authorities and other public bodies to communities. Pillars of the community is a web based resource and only available to download.	http://bit.ly/dOZD4d
Delivering Public Services in the 21st Century (2010)	**Galleries Scotland** This piece of work has been conducted in response to the current climate of public service reform and spending cuts in Scotland. Museums Galleries Scotland (MGS) had seen various publications suggesting alternative methods of delivering public services. **Galleries Scotland** had also become aware that some Local Authorities were considering the move to trust status for delivering museum / cultural services. **Galleries Scotland** were concerned that Local Authorities should have as much information as necessary to inform decision making about potential changes to the way they deliver their services. **Galleries Scotland** was also aware that trusts are not the only model. The first step in providing support for Local Authorities was to conduct a systematic review of the literature. This was a piece of desk based	http://bit.ly/d8PSkt

Title	Author and Information	Weblink
	research, and the purpose was to present an overview of the literature available on the subject of public service delivery in the UK, identify gaps and present conclusions. There is some useful guidance in this document but reviewers should be advised that some aspects of this advice will only apply in Scotland.	
Choices for Change (2011)	**Galleries Scotland** *Choices for Change* has been designed to help public sector organisations in Scotland prioritise, assess and make decisions about service delivery in the current economic climate. It is predominantly aimed at museums and local authorities but the content is relevant and useful for a wide range of organisations. The *Choices for Change* website will provide: • Current news • Live research • Guidance and case studies • Toolkits • Contributions and discussion. There is some useful guidance in this document but reviewers should be advised that some aspects of this advice will only apply in Scotland.	http://www.choicesforchange.info/