

Northern Devon Railway Development Alliance
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Business Cases

A Few Further Thoughts

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Business Cases: What is a Business Case?

- ‘Business Case’?
- A document?
- A process?
- Who is the intended audience?
- Highly challenging funding environment: the business case needs to be the best, not just ‘good’

Business Cases in Government

- The DfT and HM Treasury mandate the Five-Case Business Case approach for all centrally-funded investments, including in rail
- HM Treasury oversees overall guidance on business cases, including the specific guidance on economic appraisal in its *Green Book*
- Widely used in local authorities
- The Government published a review of the *Green Book* in June 2025

Business Cases: the three business case stages

- Strategic Outline Business Case (SOBC): the first formal stage, focusing on the strategic arguments in favour of an intervention
- Outline Business Case (OBC): informs a decision on whether to develop a detailed scheme design of the preferred option
- Full Business Case (FBC): forms the basis for a decision on whether to finance and deliver the project
- Often an initial stage – in our case ‘Preliminary Strategic Business Case’
- Often followed by a post-implementation review of lessons learned

Business Cases – The Five Cases

- “The Strategic Case - sets out a robust case for change that demonstrates how the proposal has a strong strategic fit with the organisation’s priorities, government ambitions and the area(s) in scope – the ‘strategic dimension’”
- “The Economic Case – demonstrates the value for money and the best choice for maximising social welfare through options appraisal – the ‘economic dimension’”
- “The Commercial Case – illustrates the commercial viability and supply-side capacity for the proposal – the ‘commercial dimension’”
- “The Financial Case – demonstrates the proposal is financially affordable – the ‘financial dimension’”
- “The Management Case – sets out the proposal’s deliverability through the effective development of plans, management and resources to oversee the project from outputs to outcomes – the ‘management dimension’.”

Business Cases: *The Green Book Review 2025*

- The *Review* asks how business case guidance could address this problem:
 - “There are large and persistent economic disparities between the different regions of the United Kingdom, and many places have simply not received the investment they need to grow and flourish”
- Key findings of *The Green Book Review 2025*:
 - “Insufficient emphasis on place-based objectives”: better joining transport, housing, etc
 - “Ineffectiveness at assessing transformational change”: further review of long-term benefits
 - “Continued overemphasis on BCRs in decision making”: arbitrary thresholds banned
 - “Overly long and complicated guidance”: new, simpler guidance
 - “Inadequate capacity and capability across the public sector”: more development and support
 - “Poor transparency of government business cases”: more business cases to be published

Business Cases: *The Green Book Review 2025*

- “The Green Book does not set government policy objectives. The Green Book makes clear that the government’s priorities should be established before officials begin developing a business case for a particular project. Officials will then use the Green Book to help them to appraise the social value of different options to achieve those objectives.”
- “The Green Book is not a ‘test’ that needs to be passed to justify a spending proposal. Nor is it an algorithm or a formula for making decisions. It is a framework to help officials to provide impartial and objective advice to ministers and other decision makers.”
- “The government gives proper consideration to unmonetisable benefits and costs when assessing value for money. The Green Book defines ‘value for money’ as a balanced judgement about the optimal use of public resources to achieve policy objectives. That judgement should not be based simply on monetisable benefits and costs, which can be captured in a BCR. It should also consider unmonetisable costs and benefits, as well as risk and uncertainty, and other significant unquantifiable factors.”