



## A MODEL FULL BUSINESS CASE (FBC) STRUCTURE

### 1. Introduction

This document is prepared by any Ministry Department or Agency (MDA) and it aims to establish all the information needed to support a decision to award a contract and commit actual funding, as well as provide a basis for the necessary project management, monitoring evaluation and benefits realization. The FBC captures all activities leading to negotiations with the preferred concessionaire.

Key contents include;

1. Value for Money Testing
2. Bidding process
3. Draft PFP Agreement
4. Financing Term Sheets
5. Details of Ownership & Shareholder Structure of the Preferred Bidders

A Full Business Case (FBC) is prepared for seeking approval prior to subsequent award of contract.

The Full Business Case should:

- Outline the report on the conclusions of the Request for Proposal and set out the full scope and cost of the project;
- Be a supporting document to a public sector client's submission once a preferred bidder has been selected;
- Include the qualitative assessment of the preferred bidder and a Public Sector Comparator (PSC) and
- Provide government with an indication of the public sector client's forward plan for proceeding with the project and finalizing a contract with the preferred bidder.

### 2. Report Out

The FBC will be developed in the same format as the Outline Business Case (OBC). Where there is material change between what was anticipated in the OBC and what is negotiated with the preferred bidder, this should be articulated and captured in the FBC. An FBC should include but not limited to: (1) executive summary, (2) project

objectives, (3) financial issues and affordability, (4) stakeholder consultation, (5) procurement process and competition, (6) risk allocation and accounting treatment, and (7) contract and payment mechanism.

### ***(1) Executive Summary***

This section of the FBC should provide a short summary of the key issues included in the detailed sections of the FBC. It should include a succinct description of the negotiated project on the following issues:

- The Service Provider
- Terms of the Contract
- The estimated investment regime included in the Contract
- The expected economic benefits and non-economic benefits of the project
- The fit of the project with other public sector client's policies and strategies
- The quality of the service delivery arrangements and negotiated design against that envisaged in the OBC
- A summary of the performance standards and performance targets agreed with the Service Provider, including where appropriate how these fit with any statutory targets.

### ***(2) Project Objectives***

The FBC should set out how the proposals in the negotiated Contract meet the objectives developed as part of the OBC, and if there are departures from those objectives, the reasons for the departure should be stated.

If the objectives have been developed further since the OBC was approved by members, or if new requirements have come to light during the procurement of the project, such as successor standards to those envisaged at the time the OBC was prepared, appropriate commentary should be included in the FBC.

### ***(3) Financial Issues and Affordability***

This section of the FBC sets out the negotiated position on each of the following topics:

- Value for Money: an estimate of the value of money savings anticipated from procuring the service through a PPP arrangement would have been included in the OBC. This should be updated with out-turn costs of the PPP scheme. In addition, if there have been material changes to the assumptions used in determining the PSC at the OBC stage, appropriate commentary should be included on these with an updated PSC calculated and included in the FBC.
- Affordability: The public sector client will have made an assessment of the affordability of the project at the OBC stage. This computation should be updated using out-turn figures for the negotiated PPP contract. Commentary should be

included on how any material changes since the OBC was prepared are to be dealt with.

#### **(4) Pre-Contract Project Monitoring and Stakeholder Consultation**

The FBC should capture site visits undertaken to determine market sounding in terms of projected expectations and the peculiarities that may be a cause of setback to the project. It should also outline how the relevant stakeholders have been consulted throughout the procurement of the PPP project. This commentary might refer to each of the following:

- Internal stakeholders: Outlining how the project has been developed by the procurement board, in consultation with members, the strategic/stakeholder board, relevant departments and other internal stakeholders.
- Community and Staff: outlining how the local community and relevant staff have been consulted throughout the process.
- The FBC should also explain post PPP Contract consultation arrangements for the concession period.

#### **(5) Procurement Process and Competition**

The FBC should include a summary of the competitive process followed to select the Service Provider and the decisions taken at each stage of the procurement process. As a minimum, it is suggested that appropriate commentary be included in the FBC in respect of the following stages:

- Evaluation Team-selection & approval
- Evaluation criteria & grading
- The Invitation to Expression of Interest/ Request for Qualification
- Pre-qualification and short-listing
- Request for Proposal
- Bidders conference
- Selection of Preferred Bidder
- Negotiations to Financial Close

#### **(6) Risk allocation and accounting treatment**

A section should be included in the FBC summarizing the negotiated position as regards the allocation of key risks in the PPP project. In particular, there should be appropriate commentary on those areas where there has been departure from the risk allocation position envisaged at the time the OBC was prepared.

#### **(7) PPP Contract and Payment Mechanisms**

The FBC should set out the position on whether any statutory processes still have to be completed, such as planning permissions, and if appropriate, how and when those statutory processes will be progressed and where the risk and responsibilities for completing that work lie.

The FBC should include a summary of the key contractual issues negotiated as part of the PPP contract. A copy of the negotiated contract should be submitted with the FBC. Commentary should also be included in this section of the FBC on pertinent aspects of the payment mechanism agreed with the Service Provider, such as the key components of the payment mechanisms, and how the performance of the Service Provider will be monitored.

Commentary on the key commercial issues specific to this project, such as the followings, may be included as well. They are:

- The position agreed on the treatment of taxation
- The anticipated third party revenues included or anticipated in the Contract
- The proposals included in the Contract as regards any revenue sharing arrangements
- Any proposals for benchmarking and market testing.
- Risk sharing regime
- Conditions precedent for PPP Contract execution.

#### **(8) Due Diligence Enquiry (DDE)**

In line with the ICRC DDE requirements, the FBC will capture a due diligence report of the preferred/successful bidder prior to negotiations. The due diligence (DD) exercise will be guided by the submitted ICRC DDE guide. The DDE model template is expected to be tailored in-line with the peculiar transaction dynamics of the specific project to allow an effective DD exercise.

### **THE FULL BUSINESS CASE: EXPLANATORY NOTES**

Before awarding the contract to the preferred bidder, there is the need to seek approval from government. A Full Business Case (FBC) is prepared for seeking approval prior to subsequent award of contract.

The Full Business Case should:

- report on the conclusions of the Request for Proposal and set out the full scope and cost of the project;
- be a supporting document to a public sector client's submission once a preferred bidder has been selected;
- include a qualitative assessment of the preferred bidder and a Full PSC comparison against the preferred tender to conform that best value for money is achievable; and

- provide government with an indication of the public sector client’s forward plan for proceeding with the project and finalizing a contract with the preferred bidder.

## **Contents of Full Business Case (FBC)**

The FBC should be presented in the same format as the Outline Business Case (OBC). Where there are any material changes between what was envisaged and presented at OBC and what is proposed to be agreed with the proposed Service Provider, this should be highlighted in the FBC. A FBC should consist of; (1) executive summary, (2) project objectives, (3) financial issues and affordability, (4) stakeholder consultation, (5) procurement process and competition, (6) risk allocation and accounting treatment, and (7) contract and payment mechanism. (8) Due Diligence Enquiry (DDE) Report

### **(1) Executive Summary**

This section of the FBC should provide a short summary of the key issues included in the detailed sections of the FBC. It should include a succinct description of the negotiated project on the following issues:

- The Service Provider
- Term of the Contract
- The expected investment regime included in the Contract
- The estimated economic benefits and non-economic benefits of the project
- The fit of the project with other public sector client’s policies and strategies
- The quality of the service delivery arrangements and negotiated design against that envisaged in the OBC
- A summary of the performance standards and performance targets agreed with the Service Provider, including where appropriate how these fit with any statutory targets.

### **(2) Project Objectives**

The FBC should set out how the proposals in the negotiated Contract meet the objectives developed as part of the OBC, and if there are departures from those objectives, the reasons for the departure should be stated.

If the objectives have been developed further since the OBC was approved by members, or if new requirements have come to light during the procurement of the project, such as successor standards to those envisaged at the time the OBC was prepared, appropriate commentary should be included in the FBC.

### **(3) Financial Issues and Affordability**

This section of the FBC could usefully set out the negotiated position on each of the following topics:

- Value for money: an estimate of the value of money savings anticipated from procuring the service through a PFI arrangement would have been included in the OBC. This should be updated with out-turn costs of the PFI scheme. In addition, if there have been material changes to the assumptions used in determining the Public Sector Comparator (PSC) at the OBC stage, appropriate commentary should be included on these and an updated PSC calculated and included in the FBC.
- Affordability: The public sector client will have made an assessment of the affordability of the project at the OBC stage. This computation should be updated using out-turn figures for the negotiated PFI contract. Commentary should be included on how any material changes since the OBC was prepared are to be dealt with.

#### **(4) Stakeholder Consultation**

The FBC can usefully outline how the relevant stakeholders have been consulted throughout the procurement of the PFI project. This commentary might usefully refer to each of the following:

- Internal stakeholders: Outlining how the project has been developed by the procurement board, in consultation with members, the strategic/stakeholder board, relevant departments and other internal stakeholders.
- Community and Staff: outlining how the local community and relevant staff have been consulted throughout the process.

The FBC could also usefully explain how the consultation arrangements are to continue throughout the term of the contract.

#### **(5) Procurement Process and Competition**

The FBC should include a summary of the competitive process followed to ultimately select the Service Provider and the decisions taken at each stage of the procurement process. As a minimum, it is suggested that appropriate commentary be included in the FBC in respect of the following stages:

- The Invitation to Expression of Interest
- Pre-qualification and short-listing
- Evaluation of Request for Proposal
- Selection of Preferred Bidder
- Negotiations to financial close

#### **(6) Risk allocation and accounting treatment**

A section should be included in the FBC summarizing the negotiated position as regards the allocation of key risks in the PFI project. In particular, there should be appropriate commentary on those areas where there has been departure from the risk allocation position envisaged at the time the OBC was prepared.

### **(7) Contract and Payment Mechanisms**

The FBC should set out the position on whether any statutory processes have still to be completed, such as planning permissions, and if appropriate, how and when those statutory processes will be progressed and where the risk and responsibilities for completing that work lie.

The FBC should include a summary of the key contractual issues negotiated as part of the PFI contract. A copy of the negotiated contract should be submitted with the FBC. Commentary should also be included in this section of the FBC on pertinent aspects of the payment mechanism agreed with the Service Provider, such as the key components of the payment mechanisms, and how the performance of the Service Provider will be monitored.

Commentary on the key commercial issues specific to this project, such as the followings, may be included as well. They are:

- The position agreed on the treatment of taxation
- The anticipated third party revenues included or anticipated in the Contract
- The proposals included in the Contract as regards any revenue sharing arrangements
- Any proposals for benchmarking and market testing.

### **(8) Due Diligence Enquiry (DDE). Due Diligence Report**