



Town of Cochrane Policy

Policy No.:	1702-01
Policy Title:	Third Party Business Case Review
Approval Date:	February 28, 2005
Revision Date:	
Department:	Corporate Services

Policy Statement

The Town of Cochrane will assess requests for capital and/or operating funding on an equitable basis utilizing consistent evaluation criteria.

1 Reason for Policy

One of the Town's core strategies is to encourage and promote sustainable growth.

To this end, Council may make available limited financial resources in the form of grants, subsidies, loans, and/or debenture financing.

This policy will ensure that all external project requests, and internal project requests at the discretion of the Town, which are greater than \$500,000 will be investigated by an independent third party to demonstrate the validity and feasibility of a business case, before being presented to Council for final consideration.

Projects less than \$500,000 may come before Council for consideration, but will not require analysis by an independent third party.

2 Definitions

- 2.1 Grants – refers to direct dollar payments to recipient groups or organizations paid out from the general revenue of the Town of Cochrane.
- 2.2 Subsidies – refers to assistance provided to recipient groups or organizations in lieu of direct dollar payments (i.e. donation of Town land).
- 2.3 Loans – refers to direct dollar payments to recipient groups or organizations that must be repaid to the Town of Cochrane (i.e. bridge financing).
- 2.4 Debenture Financing – refers to a debt that is secured solely by the general creditworthiness of the issuer and not by the collateralization or lien against specific assets.

- 2.5 Independent Third Party – refers to an impartial and objective business organization that is not involved in the development or preparation of the business case, and has no affiliation to the Town, or the applicant.

3. External Eligibility

In order to be considered for Town of Cochrane funding, the group or organization applying must:

- 3.1 Be a registered non-profit society or group.
- 3.2 Represent one of the following community sectors:
- social;
 - recreational;
 - cultural;
 - environmental.
- 3.3 Clearly indicate that they intend to use the requested funds to create or enhance projects available to any citizen in the Town of Cochrane.
- 3.4 Submit a business case that meets the pre-established evaluation criteria as set out in the procedures of this policy.

4. Expense

- 4.1 An external applicant must pay for any expenses associated with the investigation and/or analysis of the business case by the independent third party.
- 4.2 The Town of Cochrane will not compensate any expenses to an external applicant in association with the independent third party's review.

5. Responsibilities

- 5.1 Town Council to:
- 5.1.1 Approve this policy by resolution and any amendments to the policy.
- 5.2 Chief Administrative Officer to:
- 5.2.1 Approve and implement any procedures relative to this policy.
 - 5.2.2 Recommend to Council necessary policy amendments as required.
- 5.3 Department Directors to:
- 5.3.1 Ensure implementation of this policy and related procedures.
 - 5.3.2 Ensure that the application of this policy is reviewed periodically.

5.3.3 Recommend to the Chief Administrative Officer necessary policy and/or procedure amendments.

5.4 Employees to:

5.4.1 Understand and adhere to this policy.

5.4.2 Conduct any assigned duties in accordance with this policy and related procedures.

6. Appendix

6.1 Guidelines

7. End of Policy

Town of Cochrane Business Case Usage Guidelines



NOTE TO READER: This document has been developed in conjunction with and to support the use of the Town of Cochrane Policy & Procedures 1702-01, and the Town of Cochrane Business Case Template.

Town of Cochrane Business Case Usage Guidelines

What is a Business Case?

An effective business case is a multi-purpose document that generates the support and participation needed to turn an idea into reality. It explains what the idea, problem, or opportunity is about, how and who it will impact, what others are doing, each of the alternatives, the associated impacts, risks and cost/benefit of each alternative, and makes recommendations.

The complexity of a business case and time taken to prepare it depends on the nature of the business initiative. For instance, the extent to which an initiative has some or all of the following characteristics:

- multi-functional;
- multi-departmental;
- affects many stakeholders (internal or external);
- involves substantial changes to service delivery processes;
- involves high risk or possible impacts;
- highly visible to senior management, legislature;
- significant in terms of funding, resources, stakeholders;
- multi-year costs and multi-year return on investment;
- multi-year realization of benefits;
- contingent on timeframe;

The above characteristics will determine whether the business case may be developed in a few hours or take many months to develop. It may even be necessary to initiate a trial or pilot projects to test the feasibility of a particular approach before the business case is completed. In this case a separate business case will be needed to support the pilot project.

A business case is related to a business initiative. The business initiative could spawn multiple projects (e.g. feasibility study, request for proposals, development/construction, implementation, transition), each one may warrant their own sub-business case, for funding/resource allocation.

When is a Business Case Required?

- When a business decision is being made
- To demonstrate that the “thinking” was carried out
- Typically required to gain funding

In general terms, any initiative that will have a significant impact on either internal processes or the delivery of services to clients, particularly if it requires significant allocation or reallocation of resources, should be justified by means of a business case. Each municipality follows its own practice/guidelines, to establish when a business case is required.

When can a Business Case change?

The main business case is not a static document. Once an initiative has approval to proceed, the business case should be revised and updated at key decision points. Therefore, the business case is a

dynamic document throughout the life of the initiative, until the business benefits are realized. The business case evolves as additional and more accurate information is gathered.

1. An initial business case will likely be high-level and based on “ball-park” estimates and initial judgments.
2. The high-level business case is adjusted/refined, as further facts and figures are obtained after a feasibility study and/or detailed needs assessment.
3. Again, the business case can be refined further after a design estimate or request for proposals.
4. Even at implementation stage, the final development costs will be known, the operational costs can be refined, the benefits can be refined and the specific operational risks and impacts can be anticipated.

The following table illustrates the dynamic nature of a business case:

Initiative Life Cycle		Business Case	Characteristics
Business Idea	→	Opportunity Statement	Brief one page description of idea
	↙		
Gain Support	→	High-level Business Case	Contains general alternatives, potential costs and benefits (usually a range), high-level impacts and risks, good environmental analysis
	↙		
Feasibility Study/Detailed Needs Assessment	→	Revised Business Case	Alternatives are refined based on needs, costs and benefits are revised
	↙		
Pilot	→	Revised Business Case	Impacts and Risks are fully explored, costs are more precise
	↙		
Implementation Plan	→	Revised Business Case	Specific alternative is defined and costs are known
	↙		
Implementation	→	Finalized Business Case	Costs are based on actual, benefits are finalized
	↙		
Review	→		Finalized Business Case is used to evaluate the success over the life span of the project

The business initiative and business case do not end when the implementation project ends, the business initiative usually has a schedule of benefits to realize over the coming months and years.

To benefit from the business case methodology, a rigorous, objective and honest attitude is required in applying it. To do otherwise is to risk making a poor investment on behalf of the business area and public.

How much time to spend on one?

- It could be very short – but contain all aspects (costs, benefits, risks, mitigation etc)
- It could be completed in a few hours – and contain all aspects (costs, benefits, risks, mitigation etc)
- It may required a comprehensive analysis which could take a few months to complete

A business case is scalable to the nature and impact of a decision, although the complete template (thinking) should be covered and documented. The number of pages of a business case varies, based on the subject matter of the case. It may be a brief 1-2 page document or an extensive evaluation that takes 75-100 pages. However, the length of the business case should be kept to a minimum, ensuring it stays on topic, presents relevant information in a clear and concise manner that is focused on supporting management in making decisions.

General Rule of thumb => Business case time = approximately 5-10% of anticipated implementation project time.

Example – An anticipated:

- 3 month project to implement the initiative = 9 days to put together an appropriately detailed business case
- 3 year project to implement the initiative = 3 months to put together a comprehensive business case
- 1 year project to implement the initiative = 1 – 1.5 months to put together a detailed business case
- 25 day project to implement the initiative = 2 days to put together a complete but straightforward and simple business case

This time should be allocated to the various business case sections, based on the nature of the initiative and project.

- A highly risky initiative with a number of potential impacts might warrant more time in the impact, risk and mitigation sections
- One that requires relatively significant funding from a number of areas, will require more effort for the costing areas in Cost/Benefit Analysis
- One that requires analysis into “what other jurisdictions did”, will require a larger balance of work in the Environment Analysis section
- One that has an important opportunity and/or impact for the municipality may require some extra time in the Strategic Alignment section

Why would a Business Case not be approved?

A business case is a request for support for an initiative, usually involving a resource investment and financial commitment. The final decision requires judgment and consideration of issues perhaps not contemplated in the business case. It is quite possible that the business case is well written and compelling, but Council may decide that other priorities will take precedence. It may also be that the decision making body (Council) is well informed by the business case but does not agree with the conclusions.

There are other common reasons a business case is not followed up on:

- An unconvincing argument – limited benefits
- Gaps in the evidence supporting the argument
- The methodology used to assess the options is not understood or accepted
- The costing lacks rigor
- The requirements set out in the business case template have not been met
- Other business priorities take precedence

When the recommendations of a business case are not followed, the reasons for departure should be documented. The explanation is necessary to ensure that the basis for the deviation can be understood, and that any deficiencies in the business case are recognized.

What are the characteristics of a good Business Case?

The aim to writing a good business case:

- Outline all the relevant information
- Outline the argument for the recommended course of action
- Be clear, logical and comprehensive

The business case will be more convincing if the arguments are supported by hard data:

- If stakeholder views are cited, provide some evidence of the consultations
- For community or other benefits, provide evidence of the research conducted into the existing situation and expected improvements
- Provide the experience gained by other organizations in implementing the same kind of initiative – this provides a good reality check
- Accurate costing of alternatives and expected benefits, based on a thorough approach and using relevant assessment tools
- Reference material (articles, websites, libraries, books etc.) on alternatives

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Business Case – Relationship to Other Documents

Business Case Sections	<i>Typical Project Related Documents</i>				
	<i>Project Charter</i>	<i>Standard Contract</i>	<i>Project Status Report</i>	<i>Post Implementation Review</i>	<i>Business Initiative Review</i>
Executive Summary	✓			✓	✓
Background	✓			✓	✓
Project Description	✓	✓		✓	✓
Strategic Alignment		✓		✓	✓
Environment Analysis					✓
Alternatives					
Business & Operation Impacts	✓		✓	✓	✓
Project Risk Assessment	✓		✓	✓	✓
Cost / Benefit Analysis		✓	✓	✓	✓
Conclusion & Recommendations	✓				
Implementation Strategy	✓		✓	✓	✓
Review & Approval Process	✓	✓	✓	✓	✓

Information and text from the Business Case Sections will naturally flow into other documents related to the associated project(s).

Information from the Executive Summary, Background, Project Description plus the Conclusions & Recommendations sections will form the project description(s) to be used in the Project Charter(s) and eventually the projects' Post Implementation Reviews. Further, this project information will be used in overall Business Initiative Review documents.

The Impacts and Risk information and fostering / mitigation strategies will be required as part of Project Charters, projects' Post Implementation Reviews and in overall Business Initiative Review documents.

The Costs and Benefits information will be used for monitoring performance. The Cost information will be part of Standard Contract sections and if benefits can be interpreted as service levels these may also be part of the Standard Contract. Costs and benefits will be reported against as part of Project Status Reports, project's Post Implementation Reviews and in overall Business Initiative Review documents.

The Review and Approval process may be used within: a) Standard Contract; b) Project Status report; and will be reviewed and assessed during the Post Implementation reviews.

.....
[Applicant's Name]

[Applicant's Address]

Business Case Presented to the Town of Cochrane

[Project Name]



NOTE TO READER:

This document has been developed in conjunction with and to support the use of Town of Cochrane Policy & Procedures 1702-01. "Business Case Usage Guidelines" have been developed to accompany this template.

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[Project Name]**Purpose of an Executive Summary:**

The reason for writing an Executive Summary is to provide a concise summary of the key highlights of the business case. The reader should be able to understand what the project is about, the role of the project in the Town's plan/direction, and the business justification of the project. The reader should understand how the project improves the overall efficiency and/or effectiveness of the municipality.

Description:

While the Executive Summary appears at the beginning of a business case, it is written last.

The Executive Summary will describe the objective of the project, the current state of the problem and the resulting opportunity. It outlines the scope of the project in general terms, and briefly describes the competitive environment i.e., what other government jurisdictions and/or corporations are doing. The Executive Summary also provides a brief description of the business impact, and the risks of undertaking the project. Finally, it concludes with recommendations and the financial impact of the project. This summary should also be written with the media in mind

as this is often the only part of a report that the media read. The Executive Summary is also often used to prepare a press release.

The summary should be a maximum of 2 pages in length.

Checklist for Executive Summary:

1. Will the reader get a clear understanding of the reasons for the project and its outcome by outlining the “Why, What, When, Who, and How” of the project?
2. Does it contain any information that is not contained in the body of the business case?
(should not)
3. Is the Executive Summary less than 2 pages?
4. Can the Executive Summary be treated as a stand-alone document?

[Project Name]

Purpose of the Background Section:

The reason for writing the Background Section is to provide the reader with an introduction to the subject of the business case. This section describes the history and current state of affairs giving rise to or relating to the general business problem or opportunity that is the subject of the business case.

Problem / Opportunity

Description:

Provide a brief description of the business problem or opportunity that the project is trying to address.

Examples of general business problems are:

- Not meeting service level expectations
- Escalating service costs
- Change in business requirements
- Change in Legislation

Current Situation

Description:

This section provides a synopsis of what is happening currently within the Town of Cochrane, if applicable, what has led to the current situation, and what is likely to happen if the current situation is maintained. The current situation can be defined in terms of relevant legislative requirements, organization structures and responsibilities, human resources, processes, and technology.

Checklist for Background Section:

1. Is the business problem or opportunity clearly defined in general terms?

2. Are the relevant facts outlined so that the reader has a clear understanding of the relevant history and current situation and the resulting problems or opportunities?
3. Where necessary, does the current situation include available statistical information?

Purpose of the Project Description Section:

The reason for writing the Project Description Section is to provide the reader with a clear definition of the what the project will accomplish (objective), what the project will and will not include (scope), what are the expected results (outcomes) and who are the players (stakeholders).

Project Description

This section provides an explanation of how the project will address the business problems/opportunity identified in Section 2.

Objectives

Outlines what the project will accomplish, in clear and measurable terms within a specified time frame. These objectives can be used in a post-implementation review to review and assess the success of the project. The objectives should be formulated broadly enough so that meaningful alternatives are not ruled out and narrowly enough so that only relevant alternatives are considered and that costs and benefits can be formulated. Objectives should be focused on goals, not operations, and on outputs, not production.

Examples of objectives include:

- Reduce processing time from 1 hour to 30 minutes, by March 2003
- Reduce administration costs from \$1.2 to \$1.1 million for the 2003 fiscal year

Scope

This section defines parameters of the project. Specifically, it describes the timeframes, department/organization, function and technology.

Timeframe: Explains specific details about when the project will start and end

Department/Organization: Details the specific locations/sites, if applicable and organizations or group of organizations who will be involved in the project.

Function: Describes what functions of the organization the project involves.

Technology: Defines the boundaries within which the project must work, i.e. use of existing systems, compliance with established standards.

Out of Scope

This section includes items that are specifically excluded from the project.

Anticipated Outcomes

This section itemizes specific and measurable deliverables of the project. Each outcome includes an estimated time frame of when the outcome/deliverable will be completed (in terms of elapse time from project start).

Outcome/Deliverable	Estimated Completion
Detailed Business Requirements Document	3 Weeks
Project Design Document	6 Weeks

Stakeholders

List all interested parties that may be impacted (positively or negatively) by the project. Categorize the parties between internal (a party within your organization) / external (party in the government) and primary (directly impacted and involved in the project) / secondary (impacted but is not directly involved in the project). For each party include an overview of their business requirements of the project.

Stakeholders:	Overview of Business Requirements
Primary – Internal	
Stakeholder 1	Requirement 1 Requirement 2 ...
Stakeholder 2	Requirement 1 Requirement 2 ...
Primary – External	
Stakeholder 1	Requirement 1 Requirement 2 ...
Secondary – Internal	
Stakeholder 1	Requirement 1 Requirement 2 ...
Stakeholder 2	Requirement 1 Requirement 2 ...
Secondary – External	
Stakeholder 1	Requirement 1 Requirement 2 ...
Stakeholder 2	Requirement 1 Requirement 2 ...

Checklist for Project Description Section:

1. Is it clear what the project will accomplish?
2. Is it clear what is not included in the project and what it will not accomplish?
3. Will the reader know all parties that will be impacted by the project?
4. Are the general requirements of each stakeholder clearly laid out?

5. Are the timelines of the project clearly outlined?
6. Does the business case mention consultation that has taken place with stakeholders?

Purpose of the Strategic Alignment Section:

The reason for writing the Strategic Alignment Section is to provide the reader with an understanding of how the project aligns with the overall business plan of the Town of Cochrane and how it may impact other initiatives.

Description:

Review the Town of Cochrane Corporate Strategic plan of the Town of Cochrane and identify specific goals that the project will help achieve. Identify the level of impact the project has on achieving the various business plan's goals by scoring the impact high, medium, or low, using the following guidelines:

High indicates that the project is critical to the achievement of the goal

Medium indicates that the project directly impacts the goal but it is not critical to its attainment

Low indicates an indirect impact to the achievement of the goal

Goal from Town's Business Plan	Level of Impact	Explanation (if required)

Checklist for Strategic Alignment:

1. For goals that have been assigned a high level of impact, is the project truly critical to achieving the goal?
2. Does the explanation support the evaluation of how the project impacts the goal?
3. Does the project align with the business plan? Will there be support for this project?

Purpose of the Environment Analysis Section:

The reason for writing the Environment Analysis Section is to provide the reader with an understanding of what other organizations (internal and external) have done or are doing to address similar types of problems. The reader can use this section to compare the proposed business case direction to that of other organizations and industry trends.

Description:

The Analysis should include what is happening in other jurisdictions and private industry, that directly relates to the scope of the project. Research may include such information as:

- *The length of their project*
- *Specific project outcomes*
- *Critical success factors*
- *Project Cost*
- *Benefits achieved*
- *What the organizations would have done differently*
- *Lessons learned*

This section includes any findings from research studies that identify industry trends and best practices.

Checklist for Environmental Analysis:

1. Are the organizations chosen for the Environmental Analysis representative of your situation, specifically in terms of size and complexity?
2. Are the sources of the research reliable and has the data been verified?
3. Is the time period of the research study applicable to the current situation?

4. Have conclusions have been made from the research?
5. How is the research incorporated or considered in the business case?

Purpose of the Alternatives Section:

The reason for writing the Alternatives Section is to provide the reader with an outline of the realm of possibilities that are available to address the problem or opportunity. It provides the reader with rationale to why some have been eliminated as viable alternatives. Finally, it provides a detailed description of viable options that will address the business problem or opportunity. A viable option usually includes a 'do nothing' option (status quo).

Description:

List all possible solutions that may meet the business problem or opportunity. Based on a practical and common sense analysis, narrow the list to include only viable alternatives; stating the reason for excluding an alternative. Valid alternatives should not be simply excluded due to funding constraints. Only the viable alternatives will be further detailed and carried forward into following sections of the business case.

For each viable alternative, explain the key features including people, processes and systems. Discuss how each viable option addresses the business problems and meets the objectives of the project within the outlined scope as stated in Section 3 – Project Description.

Each alternative must be defined in sufficient detail to enable identification of specific impacts (Section 7 – Business & Operational Impacts), project risks (Section 8 – Project Risk Assessment), and benefit and costs (Section 9 – Cost Benefit Analysis). Include partnership and shared service opportunities that may enhance the business outcome of an alternative.

Include any detailed requirements analysis in an appendix.

Checklist for Alternatives

1. Have all possible solutions been identified?
2. Have all viable alternatives been determined? Is there sufficient reason for the exclusion of possible solutions?
3. Are the alternatives truly distinguishable?
4. Are the viable alternatives defined at a sufficient level of detail to define costs and benefits?
5. Where possible, do alternatives take advantage of partnerships and shared service opportunities?
6. Have any critical success factors been highlighted for each alternative?
7. Have all constraints for each alternative been identified?

Purpose of the Business & Operational Impacts Section:

The reason for writing the Business & Operational Impacts Section is to provide the reader with a list of all business and operational impacts for each stakeholder. Each impact is described and analyzed for each viable alternative.

Description:

For each stakeholder (outlined in Section 3) identify all business (strategic, longer term focused) and operational (procedural, detailed focused) impacts that may arise from the project.

Examples of business impacts are:

- Change in service and/or products being provided
- Change in focus or direction of the organization

Examples of operational impacts are:

- Staff training required
- Reduction of staff resources

For each impact identify the magnitude of impact (high, medium, low, or none) for each alternative using the following guidelines:

High indicates that the magnitude of impact is significant and stakeholder support and preparation is critical to the alternative's success

Medium indicates that there is a manageable impact to the stakeholder

Low indicates the alternative will have a minor impact to the stakeholder

None indicates that the stakeholder will not be impacted by the alternative

If necessary, document the rationale for the evaluation.

Impact & Description	Alternative 1	Alternative 2	Alternative 3
Stakeholder 1:			
Impact 1 – a description of impact 1	High	Medium	High
Impact 2 – a description of impact 2	Medium	Medium	Medium
...			
Stakeholder 2:			
...			
...			

Checklist for Business & Operational Impacts

1. For each stakeholder, have all business & operational impacts been identified?
2. Has the magnitude of impact been accurately evaluated for each alternative?
3. Have all stakeholders been considered?
4. Have risks that specifically relate to each alternative been included?

Purpose of the Project Risk Assessment Section:

The reason for writing the Project Risk Assessment Section is to provide the reader with an understanding of the risks that are related to the project and how these risks may vary by viable alternative. This section includes a risk mitigation strategy for each risk.

Risk of Project and each Viable Alternative (Not including Status Quo)**Description:**

Identify all project risks that may relate to the project. A risk is a factor or event that may jeopardize the project from achieving the anticipated benefits or increase the cost of the project.

Examples of project risks are:

- Legislative changes
- Insufficient training
- Inadequate communication
- Conflicting priorities
- Inability to free-up critical business resources

For each project risk, identify the probability of the risk occurring and the impact it may have on each alternative, using the following guidelines:

Probability of Risk

High indicates that the event is high likely to occur

Medium indicates that the event is likely to occur

Low indicates that the event is not likely to occur

Impact of Risk

High indicates that the event has a significant impact to the project

Medium indicates that the event will impact the project

Low indicates that the impact is relatively minor to the project

None indicates that the risk will not impact the project

If necessary, document the rationale for the evaluation.

Project Risk Assessment	Viable Alternative 1		Viable Alternative 2		Viable Alternative 3	
	Probability	Impact	Probability	Impact	Probability	Impact
Risk 1 – a description of risk 1	High	Medium	Low	Low	Medium	Low
<i>Risk 1 General Mitigation Strategy</i>	<i>Specific Strategy</i>		<i>Specific Strategy</i>		<i>Specific Strategy</i>	
...						
Risk 2 – a description of risk 2	Low	Medium	Medium	Low	Medium	Medium
<i>Risk 2 General Mitigation Strategy</i>	<i>Specific Strategy</i>		<i>Specific Strategy</i>		<i>Specific Strategy</i>	
...						

Risk of Not Proceeding with Project (Status Quo)

Project Risk Assessment	Status Quo	
	Probability	Impact
Risk 1 – a description of risk 1	High	Medium
<i>Risk 1 General Mitigation Strategy</i>	<i>Specific Strategy</i>	
...		
Risk 2 – a description of risk 2	Low	Medium
<i>Risk 2 General Mitigation Strategy</i>	<i>Specific Strategy</i>	
...		

Checklist for Project Risk Assessment

1. Have all general project risks been identified?
2. Have all risks specific to each alternative been identified?
3. For each risk has the specifics of each alternative been taken into consideration when evaluating the probability and impact?
4. Has a risk mitigation strategy been identified for unacceptable levels of risk?
5. Have the risks related to Status Quo been identified?

Purpose of the Cost/Benefit Analysis Section:

The reason for writing the Cost/Benefit Analysis Section is to provide the reader with an evaluation of the costs and benefits associated with each viable alternative. The reader can easily understand and compare the initial and on-going expenditures to the expected financial and non-financial benefits, for each viable alternative.

Quantitative Analysis – Financial Cost & Benefit:**Description:****Full Cost Analysis**

Where possible all costs and expected benefits resulting from this opportunity should be analyzed for each viable alternative (including the costs and benefits of status quo). This methodology provides the reader with a total cost picture and is much more informative than an incremental approach. Any detailed worksheets should be attached as an appendix.

Incremental Cost Analysis

If it is not possible or practical to fully analyze the entire cost or where the incremental project costs are relatively small to the entire cost, an incremental approach may be used. This methodology involves identifying the changes or differences between each alternative, using the projected benefits/costs of the status quo alternative as a basis.

Timeframe:

Identify an appropriate project timeframe over which both the cost and benefits will be analyzed. Timeframe should be appropriate to the expected lifecycle of the project, from incurring costs to achieving the anticipated benefits.

Costs:

Identify all relevant costs incurred by all stakeholders over the chosen project timeframe:

- Direct costs
- Indirect costs

- Initial costs
- On-going costs
- Capital costs

Consideration should be given to:

- When the costs will be incurred
- Who will incur the costs
- Certainty of costs

Benefits:

Identify all quantifiable benefits related to all stakeholders, over the chosen project timeframe.

Consideration should be given to:

- When the benefits will be achieved
- Who will be the recipient of the benefits
- Certainty of benefits

A sample of a Summary Cost Benefit Template:

Summary of Quantitative Cost/Benefit	Viable Alternative 1	Viable Alternative 2	Viable Alternative 3
Present Value of Total Benefits:	\$	\$	\$
Present Value of Total Costs:	\$	\$	\$
Net Present Value of Project	\$	\$	\$

Sample Costing Template for each Viable Alternative:

Quantitative Analysis – Viable Alternative 1	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Benefits:						
Revenue	\$	\$	\$	\$	\$	\$
Costs:						
Analysis	\$	\$	\$	\$	\$	\$
Design	\$	\$	\$	\$	\$	\$
Implementation	\$	\$	\$	\$	\$	\$
Ongoing Operational Costs:						
Human Resources	\$	\$	\$	\$	\$	\$
Administration	\$	\$	\$	\$	\$	\$
Net Benefit or Cost of Viable Alternative 1	\$	\$	\$	\$	\$	\$
Net Present Value (xx% Discount Rate)	\$					

Analysis:

A “Net Present Value” calculation is used to account for the fact that \$1 today is not worth the same as \$1 five years from now, due to inflation and interest rates. The use of a “Net Present Value” calculation should be used to take into account the time value of money, for regardless of whether the full or incremental cost approach is used.

If there are some assumptions that have a significant impact on the cost or benefit, a sensitivity analysis should be presented. Contingency allowances or interest rate premiums should be used to account for differences in certainty/risk. The cost/benefit analysis should be reviewed for reasonableness through the use of benchmarks, other organization's experience, industry data etc. This would include the use of a public sector comparator for public-private partnership projects.

Qualitative Analysis – Non-Financial Benefits & Costs:

Some of the costs and benefits may not be quantifiable (difficult to attach a dollar value). For example non-quantifiable benefits may be: increased customer satisfaction or increased staff morale. Non-quantifiable costs may be: reduced corporate image or adverse public perception. Where reasonable, these should be translated into quantifiable benefits ie. Increased staff morale, may lead to high productivity, which may lead to less over-time. However, the non-quantifiable cost/benefits that cannot be translated into quantifiable cost/benefits should be summarized in the following manner:

Viable Alternative 1

Qualitative Summary	Description	Stakeholder(s) Impacted
Benefits:		
Benefit 1	Description of benefit 1	
Benefit 2	Description of benefit 2	
Costs:		
Cost 1	Description of Cost 1	
Cost 2	Description of Cost 2	

Assumptions

All assumptions used to determine, both quantitative and qualitative, costs and benefits should be clearly documented. This would include general assumptions as well as assumptions specific to each alternative.

Checklist for Cost/Benefit Analysis Section

1. Have all quantitative costs and benefits been identified?
2. Have all qualitative costs and benefits been identified?
3. Is the timeframe appropriate considering the expected life span of the project?
4. Can any of the non-financial items be converted to financial items?
5. Are all the assumptions clearly identified?
6. Have all common/general assumptions been applied consistently to each alternative?
7. Have assumptions been reviewed to identify the sensitivity of their estimate on the impact of the results?
8. Have benchmarks, other organization's experience, industry data been used to validate costs and benefits?

Purpose of the Conclusion & Recommendation Section:

The reason for writing the Conclusion & Recommendation Section is to provide the reader with a selected alternative based on an overall evaluation of the alternatives in terms of impact, risk, and cost/benefit. Specific recommendations for moving the project forward are also presented.

Conclusions**Description:**

This section will recap each of the alternatives based on their Business & Operational Impact, Project Risk Assessment, and Cost/Benefit Analysis. Based on these results, a conclusion on which alternative should be chosen would be made.

Alternative	Business & Operational Impact	Project Risk Assessment	Cost/Benefit Analysis
Alternative 1	Describe overall assessment	Describe overall assessment	Describe overall assessment
Alternative 2	Describe overall assessment	Describe overall assessment	Describe overall assessment
Alternative 3	Describe overall assessment	Describe overall assessment	Describe overall assessment

Choose the recommended alternative based on the above recap, selecting the alternative that maximizes the effectiveness and efficiency while minimizing risk and cost.

Recommendations**Description:**

This section will make specific recommendations on proceeding with the project.

The extent of the recommendation may range from recommending approval for full project implementation to recommending a more detailed requirements analysis be done to validate some key business case components.

Project Responsibility

Description:

Recommend who should be the Project Manager and as such have responsibility for managing the implementation. This section would include any additional governance aspects related to cross-government funding/projects.

Project Accountability

Description:

Recommend who should be the Project Sponsor and as such have overall accountability to ensure the project is completed. This section would include any additional governance aspects related to cross-government funding/projects.

Purpose of the Implementation Strategy Section:

The reason for writing the Implementation Strategy Conclusion & Recommendation Section is to ensure that those approving the business case understand the resources they must allocate (people, dollars, time) to complete the recommended next steps of the project.

Description:

Outline the proposed implementation plan for the recommended next steps at a high level. Enough detail should be provided so that those approving the business case understand the resources they must allocate (people, dollars, time) to complete the recommended next steps of the project.

This section should include:

- Major project phases
- High-level work plan, deliverables and target dates for completion
- Costs (\$) required to carry out the implementation plan
- Personnel (departments, roles) required
- Proposed project structure
- Assign responsibility for implementing and monitoring the risk mitigation strategies (Section 8)

Section

12

Review Process

Purpose of the Review Section:

The reason for writing the Review Section is to clearly present the reader with who and how the business case has been reviewed. This section will also contain the final outcome of the business case.

Review Process

Description:

Internally and/or externally, who reviewed the business case

	<h2>Town of Cochrane Procedure</h2>
Policy No.: Policy Title: Department:	1702-01 Third Party Business Case Review Corporate Services

1. The Group or Organization shall

- 1.1 Follow the Cochrane Business Case Template and Guidelines in preparing an application for funding.
- 1.2 Forward application for funding to the Director of Corporate Services.
- 1.3 Attend meetings to clarify items or omissions in the application, if requested by Administration.
- 1.4 Provide any additional information as required by Administration, e.g. annual reports, audited financial statements, etc.
- 1.5 Pay for all expenses associated with the conduction of a consultant's review.
- 1.6 Provide a detailed final report to Administration illustrating the allocation of funds, once the project is complete.

2. Responsibilities

- 2.1 The Director of Corporate Services shall:
 - 2.1.1 Receive all applications for funding relevant to this policy.
 - 2.1.2 Act as liaison between the applicant and Administration, and organize meetings with the group or organization to clarify any omissions or problems with the application.
 - 2.1.3 Notify applicant of Council's decision.
 - 2.1.4 Maintain and monitor financial records for the any funding allocated.
- 2.2 The Chief Administrative Officer (CAO) shall:
 - 2.2.1 Obtain legal advice for consideration if necessary.

2.2.2 Prepare formal agreements between the Town and the recipient group for signing.

3. Review

- 3.1 Administration will evaluate the applicant's business case using the criteria as set forth in these procedures, the Cochrane Business Case Template and Guidelines to ensure it meets the fundamental aspects of the application. Not all criteria will be relevant to all business cases.
- 3.2 Council will decide whether to send the business case to an independent consultant for review.
- 3.3 Once Administration receives the consultant's report, the CAO will prepare a second report with final recommendations on the business case for Council's consideration.

4. Pre-Consultant Assessment Criteria

- 4.1 The group or organization must demonstrate strong managerial responsibility, capability, program planning, organization and evaluation in carrying out its service to the community.
- 4.2 The organization must demonstrate effective and appropriate use of the requested funds and indicate how the proposed project will relate to other existing projects in the community or how the proposed project will create or enhance recreational, cultural, community activities or economic development.
- 4.3 The group or organization must extend its service to the general public in the Town of Cochrane and shall not exclude anyone and shall be accessible.
- 4.4 If the organization is operating under the auspices of a religious body, it must have a distinct line of separation within its programs and budgets between strictly religious activities and its service programs.
- 4.5 The group or organization shall show evidence that it has fully explored other sources of financial support, including other levels of government, foundations, private industry, churches, etc., and above all, that it has examined and weighed the financial ability of the people served, or to be served, to support the capital and operating costs of the proposed facility, or project.
- 4.6 A group or organization receiving financial assistance from the Town should not act in the capacity of a funding body for, or make grants to, any other group or organization nor should it be constructing or developing a facility to be used primarily to earn rental income from other groups or organizations.

- 4.7 The group or organization requesting assistance must illustrate that the private or non-governmental sector, including members and the organizations fund raising measures, has contributed a portion of the capital funding required.
- 4.8 Under normal circumstances, the Town will not contribute to deficits or funding shortfalls resulting from projects which were undertaken without prior consultation with the Town.

5. Post-Consultant Report – Assessment Criteria

- 5.1 Did the group or organization indicate what existing community resources are being utilized and how?
- 5.2 Is the governing body clearly responsible for program planning and implementation, and are they active in the operation of the organization?
- 5.3 To what extent have service users been involved in project planning?
- 5.4 Has the group or organization provided for the necessary recording and retrieval of information on which to base evaluation?
- 5.5 Does the group of organization have policies and procedures in place to ensure sound financial management and accountability?
- 5.5 Has the group or organization indicated a willingness to sign a formal agreement with the Town?
- 5.6 Will the programs and/or services to be provided in the proposed project be self-sufficient and not require on-going financial support from the Town or from other levels of government?
- 5.7 Does the proposed project fit into the Town's long range plan?
- 5.8 Will the proposed project directly benefit the residents of the Town?
- 5.9 Has the group or organization's proposal clearly identified the need for the project or gap in service in the community, which could be addressed only through the provision of the project?

6. Selection of Consultant

- 6.1 The Town will be responsible for the selection of an independent consultant to review the business case submitted by the applicant if so directed by Council.
- 6.2 The consultant must be able to provide independent and expert opinion on the business case.

7. Consultant

- 7.1 The business case will be forwarded by Administration upon agreement from the applicant, and it will be evaluated by the consultant.
- 7.2 The consultant will determine what criteria to use in the evaluation of the business case.
- 7.3 The consultant must invoice the organization or group for the cost of having their business case evaluated.

8. Decision

- 8.1 If the consultant views the project as a viable option, then the Town may consider the project for funding.
- 8.2 There is no guarantee that a grant application or business case will receive funding even if it is deemed viable by the independent consultant.
- 8.2 Council has the final decision on whether funding will be allocated to the applicant.

9 End of Procedure

APPROVAL



Julian deCocq, C.A.O.

JANUARY 10 2008
Date

Third Party Business Case Review Procedure Illustration

Start...

