

Project Appraisal Guidelines

Unit 8.0 Business Case

August 2011

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Business Case

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1.0	August 2011	New Guidance

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Attachments to this PAG Unit:

- *Sample Business Case.pdf*
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1 Role of the Business Case

- 1.1. The Business Case document is the primary deliverable from the appraisal process. The Business Case (BC) is a single document that describes the proposed project, establishes the rationale for it, and informs a decision to proceed with it. In its final form, it encompasses not only the description, development and appraisal of the project but also the assessment of risks and an outline of proposed method of project implementation.
- 1.2. The BC will form the basis on which the National Roads Authority makes a decision to progress to the next stage of the project, ultimately, sanction its implementation. In this regard, the Business Case fulfils two functions:
 - It enables an understanding of the merit in progressing with the project, and the risks involved with its further development; and
 - Through the development of Business Cases using a consistent set of procedures, it enables Business Cases for alternative schemes to be compared, such that available funding can be allocated those the most advantageous projects.
- 1.3. These guidelines have been developed with reference to the “Guidelines on a Common Appraisal Framework for Transport Projects and Programmes” (Department of Transport, June 2009), which outline the approach to the preparation of Business Cases for transport infrastructure.

2. Project Management

- 2.1. The Business Case should be prepared at the following project phases:
 - Phase 1 Concept and Feasibility;
 - Phase 3 Design; and
 - Phase 5 Tender
- 2.2. Note that where Project Appraisal has not formed part of the Phase 1 activities, then a Business Case is required as part of Phase 2 Route Selection.
- 2.3. The Business Case is prepared by the Appraisal team, with input from the design team as appropriate.

3. Structure and Content shof the Business Case

- 3.1. The Business Case should be prepared in accordance with the structure outlined in Table 8-1. This structure is consistent with that guidance presented in the DoT Guidance (June 2009).

Table 8.1: Structure of Business Case

Section	Title	Content
1	Introduction	Presentation of the background to the project, including its origins, previous relevant studies and

		their findings, and the guidance documentation used in the preparation of the Business Case for the project.
2	Project Context	<p>A review of policy at local, regional, national and international level to outline the basis and need for the project. Based on this review, a set of project objectives should be defined. The project objectives should be clearly defined and independent of each other, and specifically relevant to the current project. They should be classed under the following headings</p> <ul style="list-style-type: none"> • Economy • Environment • Accessibility and Social Inclusion • Integration • Safety <p>The project objectives will inform the Multi-Criteria analysis at Phase 2 Route Selection.</p>
3	Analysis Tools	A description of the analysis tools used in support of the preparation of the business case. Such tools may include traffic models, economic models, emissions models and accessibility models. A summary of the development and validation of the models should be provided, with reference to technical modelling reports as appropriate.
4	Consideration of Options	<p>A description of the process of option development and testing. This section should cover the following:</p> <ul style="list-style-type: none"> • Identification of constraints • Defining long-list of options • Sketch Appraisal to produce shortlist of options • Detailed appraisal of options <p>A Project Appraisal Balance Sheet should be provided for each route option. Reference should be made to <i>PAG Unit 4.0: Definition of Alternatives</i> when considering the range of options that should be considered.</p>
5	The Preferred Option	Introduction to the preferred scheme option emerging from Phase 2 Route Selection. This section should provide information on the design standards used, and present demand forecasts for the preferred option. The chapter should also set out the detailed composition of scheme costs for the preferred option.
6	Scheme Appraisal	<p>An overview of the detailed appraisal of the preferred scheme, including the following:</p> <ul style="list-style-type: none"> • Cost Benefit Analysis • Financial Appraisal (where appropriate) • Project Appraisal Balance Sheet

7	Risk Assessment	Presentation of the key risks associated with the project that require consideration in any decision making, and in subsequent stages of the project. Risks should include cost risks, programme risks, funding risks, affordability risks and acceptability risks.
8	Procurement	A discussion on procurement options, or the preferred procurement strategy if such has been decided.
9	Implementation	Any relevant proposals for implementing the project.

3.2. The Business Case should be supported by and make reference to the following documents:

- Project Brief (PB);
- Traffic Modelling Report (TMR);
- Cost Benefit Analysis (CBA) Reports at Phase 2 Route Selection and Phase 3 Design Stage; and
- Project Appraisal Balance Sheet (PABS) at Phase 2 Route Selection and Phase 3 Design Stage;