Cabinet Office

Guidance for General Grants

Minimum Requirement Four: Business Case Development

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Important note

- This guidance applies only to general grants made by departments and their arm's length bodies (ALBs) using exchequer funding. It does not apply to formula grants or grant in aid, although guidance for the latter grant will be developed in the future. 'Managing Public Money' and local guidance within organisations will continue to apply until then.
- Organisations' primary concern when administering grants is to have due regard to the 'Grants Functional Standard' (GovS 015) and the key documents referred to within it including 'Managing Public Money'. Nothing in this guidance is intended to contradict or supersede these. Furthermore, this guidance is not intended to be an additional spending control - departments retain accountability for decisions on all grant expenditure.
- This guidance should be read in conjunction with the wider set of 'Minimum Requirements' guidance documents (including the Introduction). Further information about how to apply this guidance can be found in the following document: ***'Grant Scheme Readiness: a guide to designing and developing a new government grant scheme'***, available online through the 'Grants Centre of Excellence (GCOE)'. Further references and resources are highlighted throughout. It should also be read alongside organisations' internal guidance, where available, which will provide the departmental policy context.
- This guidance should be approached on a 'comply or explain' basis. It is important to consider flexibility and proportionality in adhering to the minimum requirements. As such there may be some specific instances where the requirements may not be met in full. In these instances, appropriate justification should be recorded within the business case or equivalent approval documents.

Contents

Minimum Requirement

A **robust business case**, proportionate to the level of expenditure and risk, shall be developed for all government grants. This should be scrutinised and approved in stages, as part of the grants approval process, in line with the guidance in **managing public money**.

Purpose

Minimum Requirement Four: Business Case Development and the associated guidance set out below aims to ensure that government grant schemes are developed in line with domestic standards and managing public money to ensure that funding is used as intended, outcomes are optimised and performance, expenditure and risk are managed effectively to maximise value for money (VfM).

Grants Functional Standard: Key References

Mandatory expectations ('shall') for management of grants related to this minimum requirement have been extracted from the 'Grants Functional Standard' (which can be accessed here on gov.uk). *Please note that in some cases the information has been paraphrased for conciseness, refer to the standard for the full version.*

Area	Requirement(s)	Context	Reference	Page
Governance Framework: Approvals	To facilitate governance and scrutiny, grant activity shall be justified and documented throughout the grant life cycle. Such justification should be in accordance with HM Treasury requirements (see Green Book). Justification may be documented either in the form of a business case or other proportionate format, which should be defined in the organisation's grant governance and management framework.	Decisions should be made, and approvals given in a timely manner, in accordance with the organisation's grant governance and management framework, financial management controls (including delegations of authority) and government policy.	4.2.2 Justification of grants Also refer to: 5 Grant life cycle Green Book [4] 4.2.1 Decision making	5
Governance Framework: Approvals	If required, subsequent approval [of the business case] shall be obtained in accordance with HM Treasury and Cabinet Office policy and spend controls.	[As above]	4.2.2 Justification of grants Also refer to: 5 Grant life cycle Cabinet Office controls, 2018 4.2.1 Decision making	6
Grant Life Cycle: General Grants Life Cycle	A robust business case (or equivalent document), proportionate to the level of expenditure and risk shall be developed.	To facilitate governance and scrutiny, grant activity shall be justified and documented throughout the grant life cycle. Such justification should be in accordance with HM Treasury requirements (see Green Book). Justification may be documented either in the form of a business case or other proportionate format, which should be defined in the organisation's grant governance and management framework.	5.2.1 Design and development Also refer to: 4.2.2 Justification of grants Green Book [4]	9
Grant Life Cycle: General Grants Life Cycle	Once a business case has been developed, it shall be approved where it meets the requirements of the organisation's governance and approvals process.	[As above]	5.2.1 Design and development Also refer to: 4.2.2 Justification of grants Green Book [4]	9

Area	Requirement(s)	Context	Reference	Page
Principles	At all times, those directing and managing grants at scheme and award level shall ensure: 1. the application of the government functional standard for grants is proportionate and appropriate, and is reflected in the approach taken to governance, management frameworks and controls, having regard to an accepted level of risk 2. the activities being funded are appropriately aligned to the government's and other appropriate policy objectives 3. grants are made in the best interest of the public and the public purse, and with due regard to Managing Public Money guidance 4. funding is administered with optimum efficiency, economy, effectiveness and prudence to maximise value for public money 5. that responsibilities and accountabilities are defined, mutually consistent and traceable across all levels of management 6. public service codes of conduct and ethics and those of associated professions are upheld	The purpose of the government functional standard for grants is to set expectations and drive consistency in the management of grants and promote efficient and effective grant making to ensure funding is used as intended and provides value for money through high-quality delivery.	2 Principles Also refer to: Managing Public Money 1.1 Purpose of this government standard	1
Governance Framework: Assurance	The advice given by the [New Grants Advice Panel] is for consideration by the grant-making department; its acceptance is not mandatory, although if the advice is rejected, justification should be provided. Advice from the panel shall not detract from the accountabilities of those being advised.	The new grants advice panel (NGAP) is an independent, cross-government expert panel coordinated and chaired by the Cabinet Office. The panel should focus on and increase scrutiny and assurance in relation to government grant spend where that is defined as higher risk. The panel should meet regularly with the objective of: • increasing the efficiency of grant making • improving the effectiveness of grants • mitigating losses from fraud and error	4.3.2 New general grants Also refer to: 4.4.6 New grants advice panel	6
Grant Life Cycle: General Grants Life Cycle	When developing general grant models and criteria for assessing individuals and organisations for a grant award, consideration shall be given to combinations of risk indicators, which could affect the value of the award, or whether the grant should be awarded at all.	The purpose of design and development is firstly to define the requirement for the use of a general grant as the appropriate mechanism to meet the policy objective, and then to develop a grant model which is robust, proportionate and which will deliver value for money.	5.2.1 Design and development	9
Supporting practices: Risk and issue management	Organisations shall ensure effective risk management is established in their assurance and governance processes.	Risk registers should be defined, maintained and regularly reviewed by the organisation's senior officers who are accountable for grant activities. Risk registers should include key risks and associated mitigations.	6.1 Risk and issue management	14

Area	Requirement(s)	Context	Reference	Page
Supporting practices: Counter Fraud	The risk of fraud shall be considered in relation to grant awarding and management activities.	The purpose of a counter fraud strategy is to ensure that government funding and assets awarded through grants are awarded to appropriate organisations and are used for their intended purposes.	6.2 Counter fraud	14
Supporting practices: Counter Fraud	A counter fraud strategy shall be developed appropriate to the identified risks. This strategy should be reviewed annually and pro-active actions taken to improve the likelihood of identifying and preventing fraud.	[As above]	6.2 Counter fraud	14
Supporting practices: Document management and record keeping	Information shall be retained to meet statutory and government requirements in accordance with organisational information retention policies and legal requirements.	Document management and record keeping ensures necessary information, documentation, data and other records (both physical and electronic) are securely stored, distributed and retrievable when needed to support and evidence grant management practices.	6.6 Document management and record keeping	16

Overview

1. The business case, or another equivalent document for lower value schemes, provides justification for the funded activity and facilitates appropriate and proportionate governance and scrutiny. It provides consideration of the existing arrangements, the business needs and a proposal for change. It is a key means of demonstrating that funding is administered with optimum efficiency, economy, effectiveness and prudence to maximise value for public money – see sections 4.2.1, 4.2.2 and 5.2.1 of the grants Functional Standard.
2. The business case should be proportionate to the level of expenditure and associated risk (see further detail on proportionality below) and typically contains costs, benefits, risks and timescales against which continuing viability is tested.
3. Every business case, regardless of value or associated risk, should include information on the following at a minimum:
    - purpose
    - strategic context
    - case for change
    - options analysis
    - preferred option
    - funding and affordability
    - management arrangements
    - risks to delivery of the intended outcomes
    - justification for key decisions such as funding route, direct awards and referral to the New Grants Advice Panel (NGAP)

This business case should be:

a. raised during early grant development, at the policy formation stage – strategic development;
b. continually developed and used to inform each stage of the department's grants governance process;
c. approved in line with the organisation's governance and approvals process (refer to '*Minimum Requirement Two: Governance, Approvals and Data Capture*') prior to running an application process or awarding a grant; and
d. updated throughout the grant lifecycle to reflect material changes since approval, subject to re-approval as appropriate.

4. The Senior Officer Responsible for a grant (SOR) is responsible for justifying the grant and actively managing risks before and during the grant scheme's implementation. Monitoring and evaluation reports of the grant scheme should be owned by the SOR. Refer to *'Minimum Requirement One: Senior Officer Responsible for a Grant'*, which should be in accordance with HM Treasury guidance: The green book.
5. Business case development is likely to require input from a range of different professions including policy, finance and commercial, in addition to expert input from economists and analysts. You may refer to '*Minimum Requirement Ten: Training*' for further guidance on capabilities, training and support.

6. The GGMF has produced a *business case development toolkit* to support grant-making organisations, which can be found on the grants Centre of Excellence (CoE).
7. New, high risk and contentious grants should be referred to the NGAP. The decision as to whether not to refer to the NGAP, any advice from a referral and the department's response to the advice, should be recorded within the business case. Refer to *'Minimum Requirement Three: NGAP'* for further information.

Business Case Overview

Green Book Methodology

8. The Green Book methodology brings together: the approach to appraising public value with the Cabinet Office, the Infrastructure and Projects Authority (IPA) project assurance, and the latest commercial standards and procurement methodologies from the Crown Commercial Service (CCS). It also supports HM Treasury spending scrutiny and approval processes.
9. All grant business cases should, taking into account proportionality, adhere to the principles of the Green Book and to the evidence-based five case model.
    - **Strategic case:** provides evidence that the proposal is supported by a compelling case for change that provides a holistic fit with the relevant policy objectives.
    - **Economic case:** provides evidence that the proposal represents the best value for money.
    - **Commercial case:** provides evidence that the right funding mechanism has been chosen which is attractive to the market and commercially viable.
    - **Financial case:** provides evidence that the proposal is affordable.
    - **Management case:** provides evidence that what is required from all parties involved in the proposal is achievable.

Proportionality

10. The type and format of business case or equivalent document capturing the justification of the grant activity should be proportionate to the level of financial value and risk.
11. With proportionality in mind, below is an illustrative table setting out the type of information that might be included in a grant business case according to different values and levels of risk.

    Note: this is not intended to override or replace legislation or agreements which departments have in place with HMT in relation to delegated financial authority levels or HMT approvals required for grants.

Below £100k and Low Risk	£100k - £5milion and/ or High Risk	Above £5million
Approved by the Financial Business Unit.	Approved by senior staff (likely within finance and policy), with input from NGAP if appropriate.	Approved by HMT.
Specific requirements: • Named SOR/ Central approvals board • Rationale/ strategic purpose • Review of the scope • Basic individual/ legal entity checks • Financial viability • Payment model/ treatment of assets • Value for money • State Aid	Further requirements: • Allocative efficiency assessment • Affordability • Fit with strategic context • Economic appraisal • Optimism bias • Sensitivity analysis • Benefits realisation	Further requirements: • Green Book based business case, requiring more robust evidence

Funding mechanism

12. There are a number of different funding mechanisms available to organisations such as contracts, grants, endowments, loans and other financial instruments. It is important that these mechanisms are assessed, with the most appropriate selected at an early stage, in order to ensure that government funds are used effectively, efficiently and transparently to ensure compliance with Managing Public Money.

13. The most appropriate funding mechanism should be explored at the strategic outline case (SOC) and finalised at the outline business case (OBC) stage of business justification, with a preferred option identified. The determination will be made in advance of the final business case (FBC) put forward for funding approval, and the decision should be justified within this.

14. Key considerations include the policy aims and objectives and whether the chosen mechanism provides sufficient scope to deliver within available funding. For more detailed guidance on funding mechanisms, please refer to the ‘grants and alternative funding options' guidance note available on the CoE.

Early market engagement

15. Early market engagement is the process of contacting organisations outside of the government to gather information, which can help inform the design and development of grant schemes. This does not imply commercialisation of the grant process, but rather is there to raise awareness of opportunities with relevant organisations. Care must be exercised to avoid giving any form of competitive advantage to any organisation through this engagement - transparency is critical, for example, sharing the minutes of meetings or transcripts from discussions and ensuring the assessment criteria do not include unfair restrictions, which could rule out some organisations.

16. Early market engagement will be particularly useful in developing the business case because it will help:
    - increase understanding of and publicise the potential benefits of the scheme;
    - develop clearer requirements and criteria to inform potential applications;
    - increase understanding of the required value of the scheme and assist with funding optimisation;
    - increase understanding of the optimal delivery period;
    - manage the application and approval process, taking account of applicant needs;
    - identify innovative solutions to deliver the policy objectives; and
    - identify potential risks and issues of the scheme.
17. Further guidance on early market engagement can be found in '*Minimum Requirement Two: Governance, Approvals and Data Capture*'.

Responsibilities

18. The responsibility for developing the policy response and producing the business case must be retained by the organisation and owned by the senior officer responsible (SOR) in the case of significant grant schemes.
19. Each stage of business case development should be fully signed off by the senior officer responsible (SOR) before proceeding to the next stage. For example, the SOR will have to sign off the strategic outline case, outline business case and full business case stages in sequence (for more detail see the governance diagram found in '*Minimum Requirement Two: Governance, Approvals and Data Capture*').
20. It is the SOR's responsibility to ensure all appropriate information is included within the business case before submission to the relevant governance body and approval to move to the next stage.

Key Considerations

Value for money (VfM)

21. Good value for money is the optimal use of resources to achieve the intended outcomes. In this instance, optimal means 'the most desirable possible given expressed or implied restrictions or constraints'. Value for money is not about achieving the lowest initial outcome.[1] The principles of VfM should be considered throughout the grant lifecycle. It should be considered from the early stages of development, through performance monitoring, to final reconciliation and impact evaluation. In order to justify the funding, the business case should define expected VfM and set appropriate metrics and plans for monitoring and evaluating progress against these.

[1] www.nao.org.uk/successful-commissioning/general-principles/value-for-money/

22. It is recognised that defining, monitoring and evaluating VfM can prove challenging. However, it is important to note that without defining milestones or performance indicators (where possible) within the business case, and subsequently in the grant agreement, it becomes extremely difficult to measure or evaluate the impact of a scheme, which presents significant risks to delivering VfM. VfM calculations in the original business case should be revisited after the grant scheme begins to test whether the case was accurate. VfM metrics should be identified in the planning stages of a grant scheme to ensure the right data can be collected during monitoring.
23. Wherever appropriate and particularly for high value/ risk schemes, clear cost-efficiency measures and indicators should be outlined at the outset of a grant application, to enable a view on VfM throughout the programme lifecycle. The knowledge and experience of the policy teams undertaking the development of the business case needs to be appropriate to enable the drafting of the economic case. It is recommended that economists within departments are involved in the drafting of the economic case, including undertaking VfM calculations at the appropriate stages.
24. In cases where the extension of funding is being considered, the benefits achieved to date of previous activities should be assessed against their costs to inform the VfM of potential further funding. In cases where an award is heavily influenced by its perceived alignment to public policy the assessment of VfM should not be bypassed in the appraisal of alternative funding options. This will ensure that public expenditure is directed to achieving benefits in line with the policy in question, which are commensurate to its value.
25. In cases where grants have failed to achieve their intended purpose (and consequently failed to achieve VfM) adequate consideration should be given to identifying and learning lessons, for example, outlining a clear approach and disseminating these across the organisation to ensure that further awards do not similarly fail.
26. For larger programmes where delivery follows a standardised approach, a pilot phase should be initially deployed to understand the relative costs and benefits of the programme. This will enable more accurate quantification of the value of a potential longer-term award following the pilot phase.
27. Post-programme, scheme and award impact evaluation and monitoring reports, produced during the programme lifecycle, should directly refer to any VfM indicators that are outlined in business cases or following addendums. Impact evaluation should directly comment on this to ensure that suggested VfM strategies outlined at the outset of a programme are not ignored.

VfM case study

28. The case study below explains some of the challenges in identifying and monitoring VfM in the context of grants. Nonetheless, the organisations have sought to identify and articulate the VfM derived from the grant itself.

The Fund for Refuges, Specialist Accommodation Based Support and Service Reform to Help Local Areas Meet the National Statement of Expectations with regard to Domestic Abuse is an example of good VfM practice within a business case. The nature of the scheme would suggest its benefits are hard to quantify but, despite this, analysis based on external sources allowed for the cost of a domestic abuse victim in a refuge to be calculated. The scheme has been designed so that performance can be monitored and evaluated.

- The fiscal cost of a case per year is at £8,500; total cost including estimated fiscal, economic, and social costs is of around £37,000 per year.
- There are 1,300 cases untreated a year which would equate to a total cost of £48m.
- The annual fund of £7m will cover the untreated cases, therefore offering good VfM.

The business case explains that further analysis cannot be done due to the limitations of the data at present but this does support a push towards greater data capture.

Cost benefit analysis

29. The purpose of the economic dimension of the business case is to develop a scheme that delivers the best public VfM, including wider social and environmental effects. Demonstrating public value requires a wide range of realistic options for the grant scheme to be appraised (the long-list), in terms of how well they meet the spending objectives and critical success factors for the scheme; and then a reduced number of possible options (the short-list) to be examined in further detail. These options should then be subjected to cost benefit analysis (CBA) to identify the option that offers best public value to society.
30. The CBA should provide a net present social value (NPSV) which demonstrates the present value of a stream of future costs and benefits to UK society that have been discounted over the life of a grant scheme by the social time preference rate.
31. The concept of proportionality should be considered when undertaking CBA for grant scheme options.

Optimism bias

32. Optimism bias should always be considered when developing a business case. It is the term used to explain the demonstrated, systematic tendency for project appraisers to be overly optimistic, thus leading to unrealistic or even unattainable objectives being set.
33. To redress this tendency, scheme owners should make explicit, empirically based adjustments (based on data from past or similar projects) to the estimates of a project's costs, benefits, and duration. This should provide a better estimate of the likely capital costs and the duration of the works. The Green Book guidance document provides further information on optimism bias.

Grants benefits management

34. Consideration should be given in the design stage of the grant making process to clearly identify the intended policy outcomes, how these will be measured and evaluated, and what success and failure looks like. This will ultimately enable the department to determine (and demonstrate) the overall effectiveness of a grant and will provide valuable information to support subsequent decisions such as whether to continue to fund a scheme or recipient over a multi-year period and whether to award additional grant funding.

35. Any benefits should be clearly identified at the design and development stage, with owners assigned to plan and manage their realisation. Specific benefits should be captured in the business case, which should also set out plans for monitoring and evaluating the benefits (refer to the '*Minimum Requirement Eight: Performance and Monitoring*' for further information).

36. While it will not always be possible to define measurable outputs or outcomes, there are a number of issues that can contribute to a grant failing to deliver its intended benefits. These could include:
    - business cases focused on target savings instead of expressing intended benefits or outcomes in a manner that can be clearly understood and implemented;
    - business cases that contain high level aspirational goals, or poorly defined goals, rather than specific, measurable and achievable benefits or outcomes;
    - too much emphasis on deliverables, or capabilities, which on their own do not result in specific benefits or outcomes; and
    - a lack of plans in place for managing and realising benefits or outcomes.

Monitoring and impact evaluation

37. Plans for monitoring and impact evaluation should be part of the development of a grant scheme business case from the start. They are important to ensure successful implementation and the responsible, transparent management of funding. Guidance on conducting impact evaluation is contained in the Magenta Book.

38. Further guidance on monitoring and impact evaluation is available in Minimum Requirement Eight: Performance & Monitoring.

Competition

39. The default position for government general grants is to offer the opportunity to apply for funding via a competition. Competition is vital to maximise value for money and cost effectiveness as well as to reduce risk. Within procurement the benefits of competition are proven to outweigh the costs, with studies showing that increasing competition results in a 2-15% reduction in cost for the same output. However, competition is not always appropriate for grant funding and exceptions can be approved, subject to a robust rationale.

40. Further guidance on competition is available in '*Minimum Requirement Five: Competition for Funding'*.

Risk management

41. Risk management is defined as a structured approach to managing risks that are identified and assessed when designing an intervention or that materialise later in its lifecycle. To optimise social value, risk must consciously and proportionately be managed and a risk management approach should be outlined in the management case of the business case.

42. In relation to risk management, the business case should:
    - identify potential risks in advance and put controls in place to minimise the likelihood of the risks materialising;
    - display identified risks and controls in a risk register;
    - include the costs of risk avoidance, transfer and mitigation; and
    - provide an assessment of how specific risks may be avoided, minimised or managed and by whom.

43. Further guidance on risk and controls is available in '*Minimum Requirement Seven: Risk, Controls and Assurance*'.

Approvals

44. Approval should be provided in line with the department's governance process, management framework, financial management controls and government policy. Decisions should be taken by appropriate individuals or committees with the necessary delegated authority according to the complexity and the level of risk of the scheme and associated decisions.

45. While decisions may be made throughout the business case development lifecycle, it is expected that key approvals would take place prior to making significant commitments, such as deploying resource or awarding funding and exposure to risk. For example, a decision is likely to be made on completion of the Outline Business Case (or other justification) - prior to going to market.

46. Approval decisions should be based on accurate, up-to-date information with input from functional experts - such as policy, financial, commercial, legal, fraud - as appropriate and should be justified and recorded in the business case (or equivalent document). Further guidance on approvals is available in the Green Book guidance and also in '*Minimum Requirement Two: Governance, Approvals and Data Capture*'.

Dear Accounting Officer (DAO) Letter

47. A DAO letter, (01/16) was issued by HMT on 19 May 2016. This was as a result of a PAC/ PACAC recommendation into the Kids Company grant and dealt specifically with oversight of grant expenditure as follows: "A department asked by another part of government to pay a grant to an external organisation, such as a charity, from its own resources should ensure that its own Accounting Officer gives due consideration to the proposal before funding is committed."

48. Departments must take account of the content of this DAO letter at the business case development stage, when allocating grant funding under the conditions described. More information on DOA letters, can be found here:

    https://www.gov.uk/government/collections/dao-letters.

    The PAC DAO letter on Kids Company can be found on GOV.UK, here:

    https://www.gov.uk/government/publications/dao-0116-accounting-officer-oversight-of-grant-expenditure

Early Impact Analysis

49. It is advisable for departments to carry out some form of early stage impact analysis to go through the outputs and outcomes of the activities being funded. This will help develop the strategic element of the business cases and will also help ensure the objectives align with departmental policy goals and are ultimately realistic. It is recommended that departments use their social research teams (or equivalent) for advice on this area.
50. Impact analysis assesses the changes that can be attributed to a particular intervention, such as a project or programme, in terms of both the intended and unintended impacts.
51. In contrast to outcome monitoring (see '*Minimum Requirement Eight: Performance and Monitoring*'), which examines whether targets have been achieved, impact evaluation is structured to answer the question: how would outcomes have changed if the intervention had not been undertaken? Impact evaluations seek to answer cause-and-effect questions. In other words, they look for the changes in outcome that are directly attributable to a project/ programme.
52. It is worth noting that impact evaluation can and should be carried out at both the individual grant level and scheme level to ensure a holistic view.

Impact Evaluation

53. Impact evaluation helps answer key questions for evidence-based decision making: what works, what doesn't, where, why and for how much? It is an important tool to improve the effectiveness of public spending as part of the initial design of the grant making process.
54. The business case should use impact evaluation as a method of demonstrating there is a strong, evidence based case for change. Impact evaluation should be seen in the wider context of stressing the importance of evidence-based decision making and used for both monitoring and evaluating the results of grant awards. Managing for results means focusing on outcomes (what is being achieved) as well as outputs (what is being produced) and inputs (how much money is being spent).
55. A properly designed impact evaluation can answer the question of whether the project or programme is working or not, and hence assist in decisions about award and scaling up. A well-designed impact evaluation can also answer questions about programme design: which parts work and which parts don't, and so provide policy-relevant information for redesign and the design of future programmes.

56. By identifying if a grant scheme or project is working or not, impact evaluation is also serving the accountability function. Hence impact evaluation is aligned with results-based management and monitoring of the contribution of grant assistance toward meeting government objectives.

57. Evidence of the effectiveness and impact of projects and programmes can help make departments more accountable to the parliament and to the UK public and citizens and, where relevant, partner country governments & organisations. Impact evaluation takes place throughout the grant making process, commencing in the design and development phase. Impact evaluation and review should continue for an extended length of time (or take place much later on) following programme completion when perceived benefits are expected on a much longer-term basis.

Further Resources

58. In line with this minimum requirement, and in addition to the references and resources highlighted earlier in this guidance, organisations may want to consider the following in particular:
    - Business case development toolkit The GMF has developed a toolkit to help departments and ALBs to produce high quality business cases. This can be accessed via the CoE via the link below. The toolkit:
        - provides an introduction to developing a business case;
        - helps policy and grant teams think through the process; and
        - provides links to further resources.
    - Green Book guidance documents:

Optimism Bias	www.gov.uk/government/publications/green-book-supplementary-guidance-optimism-bias
Green Book	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf
Developing Project Business Cases	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749086/Project_Business_Case_2018.pdf
HMT Checklist for Assessing Business Cases	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/190603/Green_Book_guidance_checklist_for_assessing_business_cases.pdf
NAO Guidance on Assessing VfM	https://www.nao.org.uk/successful-commissioning/general-principles/value-for-money/assessing-value-for-money/

59. Organisations should also make full use of wider resources available through the Grants Centre of Excellence and the Government Grants Academy.

Annex A: Glossary

This glossary has been drawn from definitions in various government publications including the Green Book and Managing Public Money.

Affordability	An assessment of the costs of an intervention to the public sector taking into account current and expected future budgets.
Allocative efficiency assessment	Defined as ensuring a good match between the requirements of the grant and the skills and experience, in terms of delivery, of the grant recipient.
Appraisal	The process of defining objectives, examining options and weighing up the relevant costs, benefits, risks and uncertainties before a decision is made.
Benefits management	The process for identifying, defining, tracking, realising and optimising benefits
Business case	A management tool that records the current state of evidence and thinking concerning the development approval and implementation of a proposal. It supports the processes of scoping, analysis, appraisal, planning, monitoring, evaluating, approval and implementation of a proposal and is the repository for the evidence base.
Business Justification Case (BJC)	A single stage business case, using the Five Case Model, for the delivery of relatively low level spend for which firm prices are available.
Cost Benefit Analysis (CBA)	Analysis which compares the costs and benefits of alternative options from the standpoint of society, including social values derived according to the principles of welfare economics.
Economy	Minimising the costs of inputs used while having regard for quality.
Effectiveness	The systematic assessment of an intervention's design, implementation and outcomes.
Efficiency	A measure of the extent to which a project, programme or policy's associated throughputs are increased.
Evaluation	Evaluation is the systematic assessment of an intervention, its design, implementation and resulting outcomes both during implementation and, most importantly, afterwards.
Five case model	A systematic framework for the development and presentation of the business case, comprised of the strategic, economic, commercial, financial and management dimensions of the Case.
Full Business Case (FBC)	The completed business case and third stage in the development of a business case for a significant project, which identifies the most economically advantageous offer following procurement, confirms affordability and puts in place the detailed arrangements for successful delivery.
Impact Analysis	Impact analysis assesses the changes that can be attributed to a particular intervention, such as a project or programme, both in terms of the intended and unintended impacts.

Impact Evaluation	Impact evaluation attempts to provide a definite answer to the question of whether an intervention was effective in meeting its objectives. Impact can in principle be defined in terms of any of the outcomes affected by a policy (e.g. the number of job interviews or patients in treatment), but is most often focused on the outcomes which most closely match with the policy's ultimate objectives (e.g. employment rates or health status).
Net Present Social Value (NPSV)	The present value of a stream of future costs and benefits to UK society (that are already in real prices) that have been discounted over the life of a proposal by the social time preference rate.
Optimism bias	The proven tendency for appraisers to be over-optimistic about key project parameters, including capital costs, operating costs, project duration and benefits delivery.
Options appraisal	The process of defining objectives, examining options and weighing up the costs, benefits, risks and uncertainties of those options before a decision is made.
Outline Business Case (OBC)	The 'intermediate' business case and second stage in the development of a project business case, which identifies the option offering best public value, confirms the Deal and affordability, and puts in place the arrangements for successful delivery prior to taking a procurement to the market.
Strategic Outline Case (SOC)	The 'early' first stage in the development of a project business case for a significant project, which makes the case for change and appraises the available long list to produce a short list of options.
Value for Money (VfM)	The concept of optimising social value (social, economic and environmental) in terms of the potential costs, benefits and risks.