

WELSH HEALTH CIRCULAR



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Trusts, Local Health Boards

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For Information to: See attached list

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Enclosure(s): Annex 1: BJC cost forms
Annex 2: Process for the scrutiny of Business Cases

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DEVELOPING AND DELIVERING THE CAPITAL INVESTMENT PROGRAMME

1.0 Summary

This circular is an update to those policies set out in WHC (2006) 001. It updates NHS Organisations on changes affecting capital planning and includes the following:

- An update of the development of the capital investment strategy and production of Strategic Outline Programmes.
- Updated guidance of the preparation, structure and scrutiny of business cases

It comes into effect immediately

2.0 Background

WHC (2006) 001 set out the process for developing and delivering the capital investment programme, changes to Discretionary Capital allocations and initial business case guidance

3.0 Development of the Capital Investment Programme

Strategic Outline Programmes (SOPs) have now been completed across Wales. They have been an important step in translating Regional and Corporate Plans into the likely capital developments required to support the delivery of strategic change over a ten year period. They have enhanced the notion of programme management at a local level and encouraged joint working between organisations. Collectively they will enable the Capital Investment Board (CIB) to determine priorities for capital investment over the next ten years.

Following receipt of the SOPs, Capital Estates and Facilities Branch (CEF) has been working with the Regional Offices to place the content of the SOPs into a new All-Wales Capital Investment Programme. This process has involved schemes being prioritised with some schemes being taken out, reduced in size or spread over a longer time frame. The culmination of this exercise is a programme that contains the key capital investment priorities for the NHS in Wales over the next ten years. This has been approved by the Capital Investment Board, subject to much more work being done on the individual schemes themselves, via the production of Health Community based Capital Investment Plans and the acquisition of additional capital resources.

Although the SOPs have moved us forward they have not in many cases tackled some key issues, notably:

- Realistic profiling of capital investments (capital slippage in NHS Wales is far too high due to over optimistic profiling)
- Revenue costs and affordability
- Arrangements for effective programme and project management
- Integration of Primary Care schemes

In order to maintain momentum we do not envisage SOPs being revisited. Instead we will expect each SOP area to develop a Capital Programme Implementation Plan. This will set out at least the following:

- An update on any key changes to the SOP and a high level but specific analysis of the impact the All-Wales capital programme will have in enabling improvements to patient care, the NHS Estate and attainment of financial and performance targets.
- Profile of agreed capital schemes with identified timescales for SOC, OBC and FBC and BJC completion, start on site and scheme completion dates.
- A profile of revenue changes, including the impact of capital charges, for the whole 10-year programme clearly outlining changes in costs consequent upon the development and implementation of the agreed schemes, additional income and/or savings to offset additional costs
- The effect of the point above on existing SCEPs and overall financial performance.
- A clear statement from all parties committing to meet assessed additional income or savings targets.
- An outline of the programme and project management arrangements for delivering the capital programme and the associated business change.

- Where relevant, an assessment of the consequences of the developments upon Primary/Community Care provision and how these consequences are to be addressed.

At this stage a Healthcheck (Gateway Review) 0 should be undertaken by each Trust to provide assurance that the overall strategy is robust (Please refer to paragraph 6.3)

Capital Programme Implementation Programmes must clearly be consistent with the All Wales Capital Investment Programme.

4.0 Business Case Guidance

4.1 Business Justification Case

The Business Justification Case (BJC) provides NHS Organisations with a simpler, truncated approach for smaller and less complex investments. The shorter approach retains compliance with the major requirements of good corporate governance and details strategic context, case for change, option appraisal, procurement route, affordability and management. The BJC should be adopted as the standard approach for schemes under £5m, which are not novel or contentious. The BJC is **not** to be used for Designed for Life, Building for Wales projects. It should be used for single (one off) cases for an investment at a pre-competed price. The BJC should only be used in situations where price is relatively certain (i.e. not where a subsequent procurement could significantly affect price). If price is uncertain an OBC should be prepared prior to procurement and an FBC following procurement.

Schemes below £2 million are expected to be funded from within a Trust's discretionary capital.

For schemes in the all – Wales Capital Investment Programme, the Head of Capital, Estates and Facilities Branch will be the final arbiter on whether the BJC or 5-case model is to be used. Prior approval to use the BJC format is essential.

The form attached at Annex 1 sets out the cost information required.

WAG will endeavour to scrutinise/approve the BJC within 10 working days.

We would encourage Trusts to use the BJC format for internal use in respect of schemes within their delegated authority.

4.2 Guidance on the 5-Case Model

Joe Flanagan, Director of IPAG and Paul Nicholls have developed detailed guidance for the development of business cases. *“Public Sector Business Cases using the Five Case Model: A Toolkit”*. This guidance is now recommended (by HM Treasury) best practice for the development of business cases by public bodies across the UK and has been adopted by the Welsh Assembly Government. Templates and further information can be found on the HOWIS website: <http://howis.wales.nhs.uk/sites3/page.cfm?orgid=460&pid=13067>. If you are unable to access HOWIS these can be obtained from Kate Cartwright in the Programme Management Unit: direct line – 029 2020 7622: email Catherine.cartwright@pmuw.wales.nhs.uk.

4.2.1 Strategic Outline Case (SOC)

The purpose of a Strategic Outline Case (SOC) is to:

- Agree the need for investment
- Identify the preferred way forward; and
- Agree the affordability envelope for the scheme.

Strategic Outline Case submissions will only be considered for approval for schemes which are identified in the All Wales Capital Investment Programme (CIP). The Head of Capital, Estates and Facilities (HCEF) will be the final arbiter on whether this is the case.

Wherever possible, major investments involving substantial service change should be disaggregated into discreet projects with overall co-ordination at programme level. Within the Programme, each capital scheme must be cost justified and managed as a discrete, self standing project and supported by an individual SOC. A project is defined as a unique set of co-ordinated activities, with definite starting and finishing points, undertaken by a Trust to meet specific objectives within defined time, cost and performance parameters.

If required, the HCEF will agree support as follows:

- Project Manager and Trust Cost Advisor support consultants (SCs) can be appointed from the Designed for Life: Building for Wales framework
- Use of IPAG or external consultancy from the IPAG framework for the preparation of SOCs and associated strategic development work
- Appropriate internal resources specifically employed on the project.

There is no confirmed scheme until there is an approved Strategic Outline Case and therefore Supply Chain Partners (SCPs) cannot be engaged until CIB has approved the SOC. As soon as an appointment has been made in conjunction with Welsh Health Estates, the Trust is required to agree with the SCP a resource schedule and programme of delivery and submit this information to WAG for approval before any commitment of funding.

Following approval by CIB, an approved scheme capital cost will be set. Trusts must ensure that during the more detailed planning stage and the development of the OBC, they work within this approved sum.

Trusts must ensure the succeeding Outline Business Case is submitted to WAG within a timescale agreed with HCEF otherwise the approval will lapse and the SOC would have to be updated or revised and re-approved before the subsequent submission is presented.

At this stage a Healthcheck (Gateway) 1 – Business Justification should be undertaken (Please refer to paragraph 6.3).

4.2.2 Outline Business Case (OBC)

The purpose of an Outline Business Case is to:

- Determine the preferred option;
- the procurement strategy; and
- to put in place the arrangements for successful delivery

Once SOC approval is received the use of the Designed for Life: Building for Wales process is mandatory for all NHS Trust construction schemes with a total value above £5 million. Failure to comply will result in allocated capital funds being withdrawn.

Support will be provided, subject to agreement by HCEF, for costs relating to the following:

- Use of the supply chain partner and support consultancy
- Continued use of external consultancy from the IPAG Framework to support development of the OBC and associated business change
- Appropriate internal resources specifically employed on the project

WAG will endeavour to scrutinise/approve the OBC within twenty working days or a period previously agreed with the Trust.

At this stage a Healthcheck (Gateway) 2 – Procurement Strategy should be undertaken (Please refer to paragraph 6.3)

4.2.3 Full Business Case (FBC)

The purpose of the Full Business Case is to:

- Agree the proposed Deal; and,
- put in place the arrangements for the realisation of benefit and the management of associated risks.

Once an Outline Business Case has been approved by the Capital Investment Board the Trust must ensure the succeeding Full Business Case should be submitted to WAG within a timescale agreed with the HCEF otherwise the approval will lapse and the OBC will have to be updated or revised and re-approved by WAG before the subsequent submission is presented.

FBC approval is to be dependent upon Trusts obtaining as a minimum:

- An independently assessed AEDET score of no less than 5;
- An independently assessed NEAT score of "excellent" for new build or "very good" for refurbishment.

At FBC stage, increases in capital (adjusted for inflation) from the OBC Approved Scheme Cost of more than 5% will lead to a lapse in approval and a requirement to review the project to ensure it still provides best value.

The post-project evaluation stage should include a final reconciliation of how any remaining unquantified risk provision was used during the post-FBC stage.

Prior to submission of the FBC a Healthcheck (Gateway) 3 – Investment Decision should be undertaken (Please refer to paragraph 6.3).

4.3 Estates / Capital Cost Content of Business Cases

NHS Trusts and Local Health Boards can access updates on the requirements of the Welsh Assembly Government for the preparation of capital cost information and documentation to support BJs, SOCs, OBCs and FBCs via the Welsh Health Estates Intranet website at <http://howis.wales.nhs.uk/sites3/page.cfm?orgId=254&pid=17772> or Internet website at <http://www.wales.nhs.uk/sites3/page.cfm?orgId=254&pid=26762>.

4.4 Review Process

The effective delivery of the Capital Investment Programme will depend on minimising the time taken from initial scoping through to final approval. This will clearly depend on NHS Trusts, with their partners developing good quality business cases. IPAG will continue its work with both CEF, NHS Trusts and LHBs at all stages of business case development and scrutiny. It is important to ensure that the process for scrutiny of business cases is as efficient as possible, in accordance with accepted best practice on governance.

- The Capital Estates and Facilities Branch (CEF) to co-ordinate the process throughout the cycle of the scheme and maintain a central database on all schemes. Copies of all correspondence and business cases submitted should be sent to CEF branch in order to maintain a complete, single, central record of all schemes.
- The Regional Offices will continue to lead on SOCs, with CEF and IPAG input, and be involved in the scrutiny of the scheme at all stages with a particular interest in the Strategic and Financial Cases
- Director of IPAG to act as the chief adviser on scrutiny, working closely with CEF and ROs at all stages of the process.

There will be a full review of the business case at all stages by the Welsh Assembly Government and its partners. At SOC stage, these will be co-ordinated by the ROs and at OBC and FBC stage by CEF Branch. Those involved in the reviews include:

- Investment Policy and Appraisal Group (IPAG)
- Welsh Health Estates (WHE)

- Regional Office and Head of Finance (Director of Resources, Department of Health and Social Services, Welsh Assembly Government, for all-Wales cases) to consider in particular, the Strategic Case and the Financial Case.
- Officials from Economic Advice Division (EcAD) to consider in particular, the Economic Case.

A more detailed outline of the review process is attached at Annex 2

5.0 General Issues

5.1 Equipment

Due to pressure on the capital programme budget, from now on, the scrutiny process will seek to limit the amount of capital allocated to the equipment consequences of capital schemes.

In summary, equipment will only be supported by the capital programme for developments which:-

- Provide new services, e.g. new community hospital
- Provide different models of care, e.g. community based mental health services
- Provide additional physical capacity, e.g. additional theatres, consulting rooms

Equipment will not be allocated to schemes which are essentially upgrading or replacing existing services / infrastructure and/or are not contained within the respective SOPs.

This process will apply to all schemes that have not as yet received Full Business Case approval.

5.2 Commissioner Support

Commissioner support is an essential pre requisite of any business case where there is a significant change in service and/or revenue consequences which the commissioner is being asked to fund. Acknowledgement by the commissioners of revenue neutral and revenue saving schemes should also be obtained. Where a NHS Trust has multiple commissioners for a given scheme at least 90% of the increased support should be covered by commissioner support. There will be exceptions when this is impractical. Such cases should be discussed with the Regional Office in advance. For all major schemes an LHB Board minute outlining the nature of the support should be submitted. The usual public consultation procedures as outlined in WHC (2004) 084 will need to be followed.

Commissioner support should include at least the following confirmation:

- That the proposed development is consistent with the local healthcare plans and the Commissioner has been involved in the development of the proposals.
- That the Commissioner understands the business case and supports the preferred option
- That the Board accepts the assessment of affordability and agree to make provision for any identified revenue consequences that they are expected to contribute.
- Where activity shifts are planned, that the LHB/HCW have plans in place to support proposed changes.
- Any other salient points relevant to the individual case including public consultation
- Signature of the Accountable Officer.

At all stages and for a BJC, business cases will not be approved without Commissioners' explicit support or acknowledgement.

5.3 Accreditation and Delegated Limits

The approach to increasing delegated limits through Accreditation was set out in WHC (2006) 050. A description of the process was circulated recently (letter from Paul Nicholls dated 13th April 2007).

5.4 Discretionary Capital

Discretionary Capital is capital allocated directly to NHS Trusts and LHBs with provider functions. Strategic Capital is capital available for schemes which are included within a Strategic Outline Programme and funded from the all-Wales Capital Investment Programme. The use of strategic Capital is determined by CIB, the use of Discretionary Capital by the Board of the individual organisation. In considering the use of Discretionary Capital the Board will be expected to meet the following obligations as a priority.

- Maintaining and enhancing the fabric of the estate
- Meeting statutory obligations such as health and safety and firecode
- The timely replacement of equipment, including diagnostic equipment.

Having met these requirements, Discretionary Capital can be used for local schemes and initiatives.

6.0 Branch Structures

6.1 Capital, Estates and Facilities Branch

Activities relating to capital, estates and facilities are now under one senior manager who reports to the Director of Resources.

For business case purposes (including all capital scheme issues, preparation of Capital Investment Board papers etc) work in the Capital Planning Division is shared between three operational managers with coverage designed to reflect the Regional Office structure. The staff concerned (and their “patches”) are as follows:

- Joanna Morgan will cover North Wales (including the Ambulance Trust) and the All-Wales Projects, including IHC/Information and Radiotherapy. Joanna’s contact details are: direct line 029 2080 1438: email Joanna.morgan1@wales.gsi.gov.uk
- Rob Wilkinson will cover Mid and West Wales. Rob’s contact details are: direct line 029 2082 3278: email Robert.wilkinson@wales.gsi.gov.uk
- Anthony Beer will cover South East Wales. Anthony’s contact details are: direct line 029 2080 1020: email Anthony.beer@wales.gsi.gov.uk

Andrew Walker is the Head of Capital Estates and Facilities and his contact details are: direct line 029 2082 6359: email Andrew.walker@wales.gsi.gov.uk

6.2 Investment Policy and Appraisal Group (IPAG)

IPAG was formed in May 2005 to support the Capital Investment Board with the introduction of best practice, the scrutiny of business cases for capital schemes and to provide NHS Trusts and others with guidance and support on their investment proposals.

IPAG is located within the Programme Management Unit, which is funded by DHSS via an SLA with Cardiff and Vale NHS Trust.

IPAG’s overarching role is to support CEF in the delivery of the Capital Investment Programme for the NHS in Wales. Their main deliverables for 2007 are:

- The preparation and dissemination of best practice
- Scrutiny of business cases at all stages
- Providing Scrutiny Guidance to support Trusts Internal Reviews
- Training Programmes in respect of business case development and review, Investment Appraisal tools and techniques and Service Modelling and Planning.
- Support the development and assessment of Capital Investment Programmes.
- Identify “mission critical” projects and provide direct consultancy support on developing Strategic Outline Cases.
- Direct the NHS Wales Health Checks (OGC Gateway) Programme and develop it further.

- Implement the Accreditation Programme (leading to enhanced delegation limits within NHS Organisations).
- Continue to provide direct support to NHS Trusts and others in developing business cases.

IPAG have put in place a Framework Contract for the provision of management consultants. This Framework enables NHS Organisations to appoint external management consultants from the Framework Contract. . All costs will be charged to the capital scheme. Further information is provided in the letter dated 5th July 2006 a copy of which can be found at Annex 3.

For advice on the application and content of the 5-case model please contact Joe Flanagan and/or Paul Nicholls.

Joe Flanagan is the Director of IPAG and his contact details are: direct line 029 2020 7602: email Joe.Flanagan@PMUW.wales.nhs.uk . Paul Nicholls joined IPAG in October 2006 and his contact details are: direct line 029 2020 7622: email paul.nicholls@PMUW.wales.nhs.uk

6.3 Gateway Reviews

Following a risk assessment, all high risk programmes and projects must be subject to Healthcheck (based on OGC Gateway). This approach is also considered best practice for medium risk projects.

The Gateway Project Review Process was developed by the Office of Government Commerce and is designed to assist the successful delivery of investment programmes and projects. Gateway Reviews are conducted in advance of the key decision points within a programme or project. Each Gate looks at specific issues within a project:

- Gate 0 – Strategic Assessment
- Gate 1 – Business Justification
- Gate 2 – Procurement Strategy
- Gate 3 – Investment Decision
- Gate 4 – Readiness for Service
- Gate 5 – Benefits Evaluation

Until such time as Wales is accredited to undertake NHS Gateways, NHS Wales will be undertaking Programme and Project Healthchecks using the same system and gates as the OGC Gateway Project Review Process.

The Healthcheck Review Process comprises of a series of short, focused, independent peer reviews at key stages of a programme or project. They are designed to support the Organisation by highlighting risks and issues, which if not addressed, would threaten the successful delivery of the programme or project.

The PMUW will administer Healthchecks and provide funding for reviews. For further information please contact Jackie Bracey, direct line - 029 2020 7600: email Jackie.bracey@pmuw.wales.nhs.uk

Andrew Walker
Head of Capital Estates & Facilities
Department of Health and Social Services

Business Justification Case

Trust:

Hospital/Site :

Project Title :

Project No :

Prepared by :

Date :

Project Title

BASIS OF ESTIMATING

Healthcare Capital Investment document Version 2

MIPS Index Level FP/VP : ***

Equipment cost level : ***

Location factor : 0.**

Proposed start on site :

Proposed completion date :

Capital Cost Summary

Ref	Cost Centre	Net £	VAT £	Gross £
1	Departmental Cost (BJC2)	0	0	0
2	Oncosts (**% of (1))	0	0	0
3	Sub-total	0	0	0
4	Provisional location adjustment (0.**)	0	0	0
5	Works Cost	0	0	0
6	Fees (**% of (5))	0	0	0
7	Non-works Costs	0	0	0
8	Equipment Costs (BJC2) (**% of (1))	0	0	0
9	Contingency (**% of (5+6+7+8))	0	0	0
10	Forecast Project Outturn Cost	0	0	0

CAPITAL COSTS: DEPARTMENTAL AND EQUIPMENT COSTS

Accommodation	Functional Size	Space allowance		N/A/C	Departmental Allowance £	Equipment Allowance £
		m2	£/m2			

Total floor area

0

Less: Abatement for transferred equipment 0 %

Departmental Cost - to BJC1 Summary

Equipment Cost - to BJC1 Summary

PROJECT CASHFLOW FORECAST

Proposed start on site:
Proposed completion date:

	<i>Year</i>	0	1	2	3	Total
	<i>Financial year</i>	200*/**	200*/**	200*/**	200*/**	
Works Cost						0
Fees						0
Non-works Costs						0
Equipment Costs						0
Contingencies						0
VAT						0
Total		0	0	0	0	0

ANNEX 2

PROCESS FOR THE SCRUTINY OF BUSINESS CASES

The process for the review of business cases is as follows:

STEP 1: RECEIPT OF BUSINESS CASES

The submitting Trust or LHB will send copies (1 electronic and 3 hard copies) of the business case (SOC/OBC/FBC/BJC) to the Capital, Estates and Facilities Branch.

CEF will undertake a preliminary review of the case to ensure that it meets the following criteria:

- It is consistent with previous cases e.g. for an OBC there is an approved SOC
- It is in the relevant Strategic Outline Plan (SOP) and all-Wales Capital Investment Plan
- It follows the prescribed format, includes the relevant costs forms and is complete
- It has been approved by the NHS Trust Board and has the signatures of at least the Chief Executive and the Finance Director
- There is evidence of commissioner support where required.

If these criteria are not met CEF will liaise with the submitting organisation accordingly.

STEP 2: BUSINESS CASE REVIEW

The extent of the review will depend on the complexity of the case. IPAG will advise on the requirements and provide templates for reviewers. These templates will be shared with NHS Trusts and LHBs so that they can undertake their own internal review prior to submission of the case.

For SOCs the RO will co-ordinate comments and queries and liaise with the submitting organisation and reviewers as required. For OBC/FBC/BJCs this will be undertaken by CEF.

As a minimum, cases will be reviewed as follows:

- **The Strategic Case** at each stage will be reviewed by the RO or the Diagnostics Programme Director (for imaging and pathology) or the Head of Information Services Division (for IMT) and where appropriate Policy Leads. For larger or complex cases IPAG may also commission a review of service models and assumptions from external specialists.
- **The Economic Case** will be reviewed by the Assembly's Economic Advice Division and IPAG. Welsh Health Estates will be asked to provide advice on costs used in the case to confirm that they are realistic. IPAG will commission further economic advice where required.
- **The Commercial Case** will be reviewed by IPAG and WHE (for compatibility with the new procurement model).
- **The Financial Case** will be reviewed by the RO and IPAG. WHE will provide advice on costs as required.
- **The Project Management Case** will be reviewed by IPAG with advice from the RO and WHE as required.

IPAG will be responsible for the overall efficacy of the case and will also ensure consistency in approach and in the quality of reviews.

Timetable

As a guide the following timetable will be in place for the scrutiny of business cases.

- SOC – 20 working days
- OBC – 20 working days
- FBC – 20 working days
- BJC – 10 working days

If there are any major issues, CEF with IPAG and/or the RO will meet with the submitting organisation to agree what is required and adopt a revised timetable for review and discuss a complete re-submission if necessary.

Once reviewers' recommendations/comments have been adequately addressed by the submitting organisation and no further comments remain the business case can proceed to STEP 3.

A business case will need to be submitted to WAG at least 6 weeks before the intended presentation to CIB by CEF (or RO in the case of SOCs). **If, following scrutiny there are any revisions to be made to the business case the timetable will need to be revised and consideration given to presentation to a later meeting of CIB.**

STEP 3: RECOMMENDATION TO CIB

For SOCs the Regional Director will recommend approval to CIB. For OBC's, FBCs below £25 million, the Head of CEF will be responsible for recommending approval to CIB. For business cases over £25 million the Director of Resources will recommend approval. The RO (for SOCs) and CEF (for OBC and FBCs) will prepare documentation for CIB using a standard format. Members of CIB will be offered the opportunity to see the business case at least one week in advance of the meeting should they wish.

The Head of CEF is responsible for the approval of BJCs. Only in exceptional circumstances will a BJC be presented to CIB for approval.

If a business case is approved by CIB, the CEF will write to the submitting organisation [and commissioners] setting out the decision of CEF.

If the business case is queried by CIB CEF/RO will liaise with the submitting organisation to answer CIB's queries. Any required re-drafting of the case will be subject to further scrutiny prior to submission to CIB for further consideration.