

Building the case for a PPM system – Public Sector perspectives

Business Case Information for PM3

Introduction

Bestoutcome have previously published a white paper giving an overview of developing business cases for Portfolio, Programme and Project Management (PPPM) systems. In this second paper there is a particular focus on content guidance for developing business cases in the public sector.

Increasing demand for public services creates ever more pressure on the available and future public resources, with stricter requirements to make better use of these limited resources. The challenge to those preparing and advising on spending decisions has never been greater. In this context, it is vital that spending and investment decisions are based on highly competent professionally developed proposals.

The UK Office for Government Commerce (OGC) published Best Practice Guidance and draft templates in the period 2008-2010, and the various national Treasuries and devolved Governments have developed and published their own versions based on the original OGC Green Book. These versions have been refined and tested over many years and provide clear frameworks for thinking about spending proposals. They also outline structured processes for appraising, developing and planning to deliver best social value for money: all of which should be captured through well prepared business cases to support objective, evidence-based decisions.

The requirements for organisational effectiveness in the public sector can be broadly grouped into the following themes:

- ✔ Deliver better value for public funds spent
- ✔ Improve quality and productivity at a better cost
- ✔ Ensuring efficiency and effectiveness
- ✔ Making better use of limited resources with the right skills
- ✔ Improving benefits realisation, both financial and non-financial

As part of its guidance the OGC set out a framework for business case content which is often referred to as “the 5-cases model”. The model lays out a recommended standard for the

preparation of business cases and is used extensively within central government departments and the public sector. The five elements of the model are:

- The Strategic Case which should set out the strategic context and the case for change, together with the supporting investment objectives for the scheme.
- The Economic case demonstrating that the organisation has selected a preferred way forward, which best meets the existing and future needs of the service and is likely to optimise value for money (VFM).
- The Commercial case section outlining what any potential deal might look like.
- The Financial case section highlighting likely funding and affordability issues and the potential balance sheet treatment of the scheme.
- The Management case to demonstrate that the scheme is achievable and can be delivered successfully in accordance with accepted best practice.

Depending on the scope, scale and value of the proposed investment some or all elements may be included in a typical business case template. Layouts and emphasis may differ, however the basic information required to enable decision making remain similar.

Each of these five elements is explored in more detail below, with an emphasis on providing information, context or questions to help PMOs and Senior Managers with creating successful business cases for the procurement of Portfolio, Programme and Project Management (PPM) systems such as Bestoutcome's PM3.

For each of the 5 business case elements examples of statements have been provided.

These are based on a fictitious public sector organisation with the following characteristics:

1. Context:

The organisation is medium sized with circa 4000 staff. Each year has a recurring cycle of cost improvement programmes with up to 120 schemes per year. In addition, there are 20-30 service improvement and quality improvement projects per year. The 3-year operating plan includes a multi-organisation partnership to deliver joint projects under the auspices of a steering committee with members from all organisations.

2. Strategic imperatives:

- a. Pioneering user-centered services with exceptional outcomes and excellent user experience.*
- b. Being at the leading edge of research, making new discoveries with our partners and service users.*
- c. Driving innovation through sharing knowledge and developing tomorrow's*

experts.

- d. *Key collaborators to shape national policy.*
- e. *Operating an infrastructure and culture that supports innovation.*
- f. *Having a sustainable financial model.*
- g. *Delivering benefits in efficiency and effectiveness through partnership working across the local economy.*

3. *Current PPM system and processes*

- a. *There is a small PMO team with dual roles of both Programme Office and Programme delivery.*
- b. *Project and programme management, reporting and governance are based on a manual process using MS Excel spreadsheets, workbooks and macros.*
- c. *There are evolving and increasing reporting requirements for multiple stakeholders*
- d. *Projects and programmes are managed by a mix of experienced interim PPM professionals and in-house employees with varied PPM experience and skills.*

The Strategic Case

When reviewing the business case templates from several public sector users of PM3 the most common areas covered in the strategic case section included:

How does the proposal align to the strategic needs of the organisation?

The organisation is driving forward a complex improvement and efficiency programme for the next 3-year business cycle. A key programme over this period will be the cost and internal efficiency improvement programme to deliver £ 15 mill. of benefits. A second programme will be focused on the re-investment of £5 mill of the efficiency benefits into service improvement projects.

Three stated strategic imperatives for the organisation are:

- Operating an infrastructure and culture that supports innovation.
- Having a sustainable financial model.
- Delivering benefits in efficiency and effectiveness through partnership working across the local economy.

The intention is to move from the current manual programme and project management system (PPM) to a cloud-based software solution. This will deliver a more reliable and consistent

operating model for the management and governance of change delivery, improve tracking of both financial and non-financial benefit realisation, and also support coordination of multi-partner projects and reporting requirements through the ability to link projects to multiple reporting portfolios.

Why does the organisation need the change?

Although the organisation has been reasonably successful with past efficiency schemes, the inability to identify and action slippage early in the change delivery processes has led to management and organisational challenges, particularly for realising the benefits from the cost and internal efficiency improvement programme.

The scope and scale of the required programmes will also require a sophisticated level of reporting and oversight to meet the information needs of multiple stakeholders and the Board.

An independent external review of the current MS Excel manual project tracking and reporting system has identified operational and programme governance shortfalls which cannot be addressed with the current capabilities of the MS Office suite software.

The requirement to manage and report on the 20 system-wide projects running in the next year with the partnership organisations creates a requirement for a new and innovative approach to PPM in the organisation.

It is planned that the organisation will have a minimum of 25 staff in programme and project management roles within the next 3 months to deliver the agreed scope of project work described in the 3-year business plan.

What is the existing situation for PPM in the organisation, and the desired future state?

The organisation has a small PMO team, with dual roles of both Programme Office and Programme delivery. Projects and programmes are managed on a day to day basis by in-house employees with varied PPM experience and skills. Project and Programme Manager resources are supplemented by experienced interim PPM professionals.

The current project and programme management, reporting and governance are based on a manual process using MS Excel spreadsheets, workbooks and macros. The MS Excel functionality is limited in its capacity to handle a large number of projects. The spreadsheet system has also been shown to have a high risk of data input error and double counting of costs and benefits. These tend to occur when individual project reports are manually collated into programme updates for the Board and related committees. This has resulted in significant

PMO and Project Manager resource required to recheck and rework inputs and report outputs. There are evolving and increasing reporting requirements for multiple stakeholders.

A time and motion study has shown that each project manager spends an average of 2 days per month on updating spreadsheets and document rework to enable the PMO to collate and present up-to-date status reports to the Executive and other Boards.

Investing in a PPM software system will enable a step change in the organisation's ability to manage delivery, report on progress and evidence robust governance and oversight for programmes of change. Deployment of a new system will also support skill and knowledge development for internal PMs, underpinning the strategic imperative to operate an infrastructure and culture that supports innovation. A cloud-based system will also allow the organisation to:

- ✔ Standardise the approach to programme and project management
- ✔ Establish an objective, consistent project status reporting structure
- ✔ Significantly reduce the risks and resource drain associated with error-prone manual reporting
- ✔ Clarify and increase the ability to monitor project benefits after go-live
- ✔ Maintain a central repository for all project documents required for both monitoring and governance purposes
- ✔ Build a clear line of sight for managing inter-project and intra-programme dependencies
- ✔ Provide for Project Managers an easy-to-use tool to plan delivery, manage teams and coordinate tasks and actions linked to milestone achievement and benefit realisation.
- ✔ Operate a one version of the truth model through a consistent, automated project reporting tool

An overview of the available options.

As recommended in the Standing Financial Instructions three options have been evaluated.

1. Do nothing – the existing status quo and manual processes for managing programmes and projects remain unchanged, with the resulting negative impact on both PMO and Project resource costs to support the increase scope and scale of change required.

2. Procure a standalone PPM system (System X) which is hosted internally on the organisations servers through a full competitive tender process, accepting the risks associated with procuring implementing system upgrade through the product life cycle of the software.
3. Procure a cloud-based PPM system, which might only require a short mini-tender process with a limited number of specialist service providers.

Option 3, the PM3 system from Bestoutcome, is the preferred option for the proposal. This cloud-based software option will be able to support a regular cycle of remote system upgrades which will enable our PMO processes to remain near to the leading edge of PPM system development. Included is the use of a mobile device application to allow the project teams to do real-time updates on actions, tasks and risk status. The forecast ROI period is 5-6 months after go-live.

Any interdependencies?

Although these will be unique to each organisation an example based on a real client scenario has been given below.

There will be a dependency on the external timeline for the establishment of a PMO to deliver a procurement process and criteria for a PPM system for the management of multi-partner programmes implementing across the local economy.

The preferred option (PM3) has the capability to host system level programmes and projects. It can scale up quickly, linking projects to multiple portfolios to enable reporting for multiple partner Boards and SROs. Using this option will eliminate the need for further time-consuming procurement processes, thereby reducing the set-up time for the joint PMO and programmes.

The Economic Case

The purpose of showing the economic case is to establish the relative Value for Money (VfM) for a given investment. Most organisations will have a local Financial Appraisal Model where financial and activity data should be provided, with summary, explanation and other relevant matters provided as narrative in this section.

Depending on the value of the investment or anticipated revenue cost the case may be required to compare the economic implications of at least three options, including a 'do nothing' scenario and some form of sensitivity analysis.

For the purposes of this example we have provided a description and evaluation of the preferred Option 3, a cloud-based PPM system. In this case we have evaluated Bestoutcome's PM3 system to give a degree of realism to some statements.

Evaluation of any other options would follow a similar structure to allow sufficient evaluation and challenge before the preferred option is confirmed.


Option description: Option 3

PM3 is a cloud-based 'ready-to-go' portfolio project management solution. It was launched in 2007 and was developed by experienced programme and project practitioners. The system is designed to help PMOs and users focus on outcomes and benefits, ensuring that project teams maintain focus on delivering the change. The system is used by private and public sector organisations, with a strong presence across the NHS.

The PM3 Data Centre is in Reading, UK. It is fully manned 24x7x365, and is a secure server environment with security systems including perimeter vibration sensors, CCTV and fire suppression systems.

During the evaluation of PM3 the following potential benefits were identified:

- ✔ PM3 is designed as the "single source of the truth" and provides consistency and visibility across the entire portfolio of projects and programmes
- ✔ The system supports informed decision making at all levels: senior management, key stakeholders and teams.
- ✔ PM3 allows senior leaders and managers to be more effective, see problems early, collaborate and take timely decisions before project costs spiral and benefit realisation is put at risk.
- ✔ PM3 allows our PMO to automatically run reports saving hours of time and effort.
- ✔ PM3 allows the organisation to link project milestones with benefits plans, ensuring that the timing of the benefit plans are valid even after key milestones are delayed.
- ✔ PM3 has an easy-to-use intuitive interface, and managers can update their plans and delivery status in less than 5 minutes.
- ✔ PM3 has over 200 pre-defined reports so that project managers can focus on delivery rather than producing reports in MS Excel or Word.

-  The system has a high degree of customisation available which enables the organisation's administrator license holders in the PMO team to localise the look and feel of the user interface.

Literature research has also identified other potential intangible benefits summarised in the table below.

Benefit Description	Benefit Owner	Benefit Measure
Maintaining management focus on delivering and maximizing the business value of all project investments	Senior Management	Annual business benefits realized
More projects delivered on time, scope, cost and quality due to following standard processes	Sponsor	Number of projects delivered on time, scope, cost and quality
Reduction in programme and project start-up times	Sponsor	Initiation timeframe
Improved decision making on projects due to accurate, up to date project information being available on-line	Sponsor	Number of Gateways passed
Improved communications due to consistent use of standard processes, procedures and progress measures	Programme & Project Managers	Number of deliverables approved first time
Improved accountability for tasks, deliverables and Work Packages	Delivery Team	Approval timeframe
Process improvements facilitated by increased use of standard processes and lessons learned reviews	Process Manager	Number of improvements identified
Fewer surprises for Operations due to earlier engagement in project lifecycle	Operations Manager	Number of project reviews participated in
Improved maturity of project and programme management capability, leading to increased capacity for change or ability to tackle more complex programmes and portfolios	Senior Management	P3M3® or similar maturity level

The evaluation team also looked at PM3 from a user and stakeholder perspective and the following points were highlighted.

PM3 helps Senior Managers/Executives to:

- construct the optimal project portfolio (i.e. the portfolio that should achieve the highest level of payback for a given level of investment)

- focus on the Big Picture, by filtering out the 'noise' of project milestones, tasks, risks and issues that are not key to a programme's success as a whole
- understand the 'one truth' delivery status of projects and identify 'at risk' projects as early as possible (and so rescue, rescope or cancel them, thereby reducing the risk of 'good money being thrown after bad')
- review the ongoing viability of active projects
- measure and demonstrate project success
- evidence good leadership and governance through a clear gateway process and criteria being applied to every project in PM3.

For Project/Programme Management Offices PM3 provides:

- an objective, consistent status reporting structure
- a central repository for all project documents
- a reduction of error-prone manual reporting
- a mechanism for monitoring of project benefits after go-live

For Project Managers PM3 provides:

- an easy-to-use tool to collect all project documentation
- a consistent, automated project reporting tool
- a mobile application (Android and IOS) to enable real time monitoring of assigned tasks and actions, and the ability to provide updates without the need to log-in and access the system via a PC or laptop.

The provider, Bestoutcome Limited, has ISO27001 (Information Management Security) accreditation. Their data centre partner also has the following certifications:

- ISO 14001 Environmental Management System
- PCI DSS – Secure Hosting compliance documentation
- Information Security Management System ISO IEC 27001:2005
- Quality Management System ISA 9001:2008
- Certified to ISO9001 across all sites
- All PM3 data is encrypted over the internet.

ROI evaluation

The return on investment has been calculated based on the following assumptions:

- Most Internal project managers are on pay band 8, with a salary midpoint of £46 000 per year.
- For ROI calculation purposes the total pay cost per PM is circa £66 000 due an additional 15% cost of employment (NI, Pension contributions etc.).
- Interim and fixed term Project Managers will be on a similar total cost basis.
- Working days (excluding annual leave) are 220 per year.
- Using a cloud-based PPM system will release 2 days of admin time per project manager per month.
- There will be 25 project managers requiring user licenses plus an additional 2 Administrator Licenses.
- The contract time period is a standard 3 years.

The total Year 1 costs (excluding VAT) are shown in Table 1 below.

Licence Type	No. of users	Year 1 Price per user per month (£)	Year 1 Annual Cost (£)
PM3 Creator Licence (User)	25	30	9,000
PM3 Administrator Licence	2	95	2,280
PM3 Executive Portal License	3	30	1,080
PM3 Viewer Licence	0	8	0
Total			12,360
License Volume Discount		15.0%	- 1,854
Total annual license fee			10,506

Years 2 and 3 will incur the license fee cost only. The total PM3 license cost over the 3-year contract period will be £ 33 000.

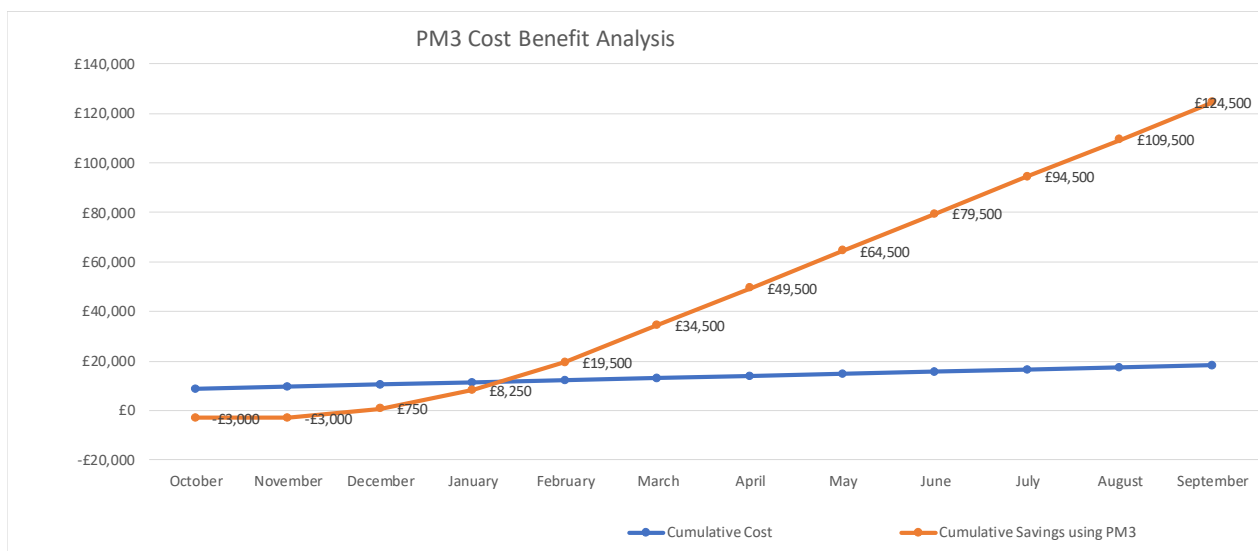
Note: With the forecast increase in programme and project activity “Option 1: Do nothing” would require the recruitment of 2 additional PMO analysts at pay band 4. Therefore, the Do Nothing option would incur a £76 000 cost over the same 3-year period, with no anticipated return on the investment.

Additional installation and training costs for PM3 are incurred in Year 1 only, and these are shown in Table 2. The total 3-year cost of the system is £41 000.

Installation, Training and Consultancy (assuming 25 Creator Users, 2 Admin,0 Viewers)

Installation, Training and Consultancy	Days	Cost per day (£)	Total (£)
Installation	1	2,500	2,500
Configuration & Setup	2	1,050	2,100
Admin Training, Support & QSG	1	1,050	1,050
Training	2	1,050	2,100
Total Implementation			7,750

Using a standard ROI calculation model the anticipated payback period will be 5 months after go-live.



With PM3 installed there may well be the opportunity to reduce the number of MS Project licenses, potentially making further savings not included in the ROI modelling.

The Commercial Case

This section outlines the procurement strategy for delivery of the project. The value of the contract described in the economic case may determine which procurement route is chosen.

The options that are normally considered are:

- *Direct procurement under terms of executive discretionary spend (with the appropriate level of Board oversight)*
- *Source one provider from a public sector framework such as the G-Cloud Digital Marketplace*
- *Run a mini-tender process from either a selection of framework providers or a small group of pre-qualified providers*
- *Deploy a full competitive tender process, normally required where the value of the contract will exceed competition guidance issued by any relevant regulators or government policy.*

Selection of PM3 as the preferred system has followed a User/PMO team evaluation of 3 similar systems from different providers. All systems were evaluated against a set of criteria derived from user and PMO requirements from a PPM system. A senior nominated representative from the IT function was part of the evaluation process to ensure that any system met the minimum requirements for data and information security.

A discount of 15% has been applied to the license fee as the first discount threshold of 25 licenses has been proposed. Further discounts are available should the organisation decide to procure more licenses. Discount thresholds are specified on the framework and in the relevant schedules of the contract document.

License fees are paid yearly in advanced. The payment schedule is based on the contract anniversary date. All other terms and conditions are determined by terms and conditions (T&C) of the contract. The contract will be reviewed by the Head of Procurement before proceeding.

The Financial Case

The finance case provides explanation of the implication to the finances of the organisation in order to provide understanding of the ongoing affordability of the project, including clearly the affordability of each option.

“With the forecast increase in programme and project activity “Option 1: Do nothing” would require the recruitment of 2 additional PMO analysts at pay band 4. Therefore the “Do nothing” option would incur a £76 000 cost over the same 3-year period, with no anticipated return on the investment.

Option 2: Procure a standalone PPM system (System X) carries a significant risk in terms of hidden costs for system development and upgrades. The system will also have a high dependency on supplier expertise as the localisation is driven and configured entirely by the supplier, with little or no skill transfer to the organisation. Any organisation developments to other associated IT software and hardware may have cost implications as the suppliers will need to be contracted in to ensure that any system compatibility issues can be identified and actioned.

Option 3: PM3 has a 3-year revenue cost of £41 000 with 25 user licenses for project managers. The licenses will be funded from the PMO operating budget. The current budget allocation would need to be increased to cover the planned license costs per year. Set-up and installation costs will be funded from the current contingency funds available to the Directorate of Strategy and Service Development.

As a cloud-based system PM3 will allow easy expansion to include partner organisations. The only additional costs will be to procure any additional licenses, and partners will just need have the capability to access the system through an internet browser. Partner license costs would be recovered under the terms of any Memorandum of Understanding or formal contractual arrangements.

The procurement of any additional licenses over the 3-year period will be governed and approved through the normal revenue funded procurement process, with executive authorisation required in order to proceed with roll-out and system expansion”

The Management Case

The final consideration is the management case which identifies the processes and structures that will support the delivery of the project.

Governance arrangements

The governance structure for the project will be managed through the Director of Strategy and Service Development. The director will provide monthly updates to the organisations Executive Team.

The SRO for the project will be the Head of PMO, and the operational day-to-day management structure for the project will run through the PMO team with a senior analyst being allocated a system Administrator license. The SRO will be accountable for the delivery of the project within the agreed timescale of full deployment go-live intended for 3 months after contract award.

The day to day decision-making responsibility will be with the SRO, however weekly reporting to the Director of Strategy will include any pending decisions or diversions from plan to ensure that they are consistent with the overall strategic direction of the organisation.

Any risks and issues arising from the implementation will be assessed against the organisations Risk policy and escalated as required.

Project plan

The time period for the installation, set-up and customisation of the system is anticipated to be 3 months from contract date.

Milestone / Task Name	Workstream	October	November	December	January
When PM3 Contract has been signed	Governance				
When the objectives of the implementation have been agreed and communicated	Governance				
When the live PM3 instance is available	Deploy PM3				
When Sponsors have been Agreed	Change Mgmt				
When the early-adopter projects have been agreed	Early Adopter projects				
When PM3 has been configured to the organisation's requirements	Deploy PM3				
When the communication strategy for PM3 deployment is PM3 launched	Change Mgmt				
When PM3 super-user training is complete	Training and Support				
When the Core training has been completed for Early Adopters	Training and Support				
Go live	Deploy PM3				
Mentoring is Complete	Training and Support				
When plans for full roll-out have been approved	Governance				
When the PM3 is actively used	Governance				

During the implementation period there will be a degree of double running for programme and project reporting as existing projects are transferred into the new system. Processes have been put in place to cover this short-term increase in PMO activity.

Benefit realisation

6 months after approval is given the Head of the PMO will present a benefits realisation of the case to the Business Case Review Group. The purpose of this step will be to ensure that the deliverables within the original case are being met as originally outlined. If this is not the case, or if there is evidence that the case has not progressed, the Group will have the authority to refer the case to the Management Executive.

Conclusion

As stated in our previous paper a PPM system will help senior management answer strategic questions like “are we still doing the right projects?” and “are we still doing them right?”, however the decision to invest in a PPM system or other tools always needs to be supported by a compelling Business Case.

We have many public sector clients who have followed the business case structure described in this White Paper and who have achieved a significant ROI and a payback of less than 9 months when implementing our own project portfolio management tool PM3.

If you would like advice on building a compelling Business Case for implementing PPM tools in your organization, or more information on PM3, please contact us at info@bestoutcome.com .