

BUSINESS CASE GUIDELINES

Overview

This documents provides guidelines to completing and submitting a business case for authorisation, key responsibilities of those involved in the process, and key contacts should further information be required.

The high level process for authorisation of a business case is as follows:

1. Submit proposal to High Level Blueprint Forum
2. Develop a business case
3. Collect preliminary concurrences
4. Submit business case to the POLIC (or appropriate)
5. Budget & Benefits Tracking/PIR

1. High Level Blueprint Forum

Proposers (Project Lead) should initially complete a High Level Blue Print. [Contact Steve Redgers for further information and proformas] Prior to submission to the HLBP Forum, the appropriate Finance Partner and Business Solutions Manager should be engaged. The Finance Partner will provide high level financial analysis and a recommendation as to whether to pursue the proposal from a financial perspective.

The Finance Partner/HLBP Forum will advise whether a business case is required and should also highlight areas which may be significantly impacted and therefore where additional preliminary concurrences may need to be obtained (see section on Concurrences).

The Terms of Reference for the POLIC (Appendix A) detail when a business case requires POLIC authorisation. Where a proposal falls outside this criteria (e.g. budgeted spend <£250k), the HLBP forum has the authority to authorise delivery, provided that the Finance Partner and Sponsor have provided a recommendation to authorise expenditure.

2. Business Cases – Formats

For cases > £1m, the Group Investment Committee format should be used:



"Standard Business
Case Format 0708.doc

A Group Investment Appraisal Model must be completed for all cases over >£1m. The model will determine the key financials of the case and need to be assessed against the appropriate hurdle rates (see Appendix B).

This model is available from the Group Investment Lotus Notes database or by contacting the Finance Partner or POLIC Secretary.

For cases < £1m, the following summary format and a simplified model to determine key financials can be used (currently being developed), though the hurdle rates still apply.



"Summary Business
Case Format 0708.doc

[need to add simplified model currently with Group Investment]

The formats are a guide and can be adapted to a certain extent, however the key points to note are:

- Keep it simple
- Provide a clear and coherent request at the beginning of the case
- Articulate the problem and solution and any associated key issues.
- Complete the key metrics (or include non financial measures if financial measures are not relevant)
- Be concise (generally cases should be no more than 2 sides of A4) but include information relevant to the decision being made
- For consistency, do not change the font or general format of the case (e.g. metrics/request at the top).

3. Concurrences

For business cases requiring POLIC authorisation, the following concurrences should be obtained *prior* to submission of the case to the POLIC.

Operations	-	Andy Jones
Sponsor	-	the relevant ET member
Finance	-	the relevant Finance Partner

[Note: Operations concurrence should be requested at least 1 week prior to the POLIC meeting]

For certain cases, further preliminary concurrences may be appropriate and the Finance Partner will advise when these are required.

For example,

Agents Pay	-	Kevin Gilliland
P&BA	-	Rod Ismay
Group Property	-	via Sharon Bull
Procurement	-	Tam Curran

[For cases involving Legal costs, the Finance Partner should contact Deborah Holmes/Martin Elmslie regarding budget availability]

Other concurrences required are to be obtained through submission to the POLIC.

These are:

Marketing	-	Gary Hockey-Morley
Finance	-	Peter Corbett
Strategy	-	Sue Whalley
Sales	-	David Glynn
P&OD	-	Debbie Moore
Operations	-	Ric Francis
Network	-	Paula Vennells
Legal	-	Clare Wardle

3.1 Role of Signatory

The person authorising the concurrence is providing assurance that they have reviewed and understood the impact of the initiative. In particular, they are agreeing to:

- Expenditure (*the initiative can be delivered within the levels quoted*)
- Benefits (*quoted benefits can be realised and budget adjustments will be made where appropriate*)
- Operational Capability (*the appropriate resources are available to deliver the initiative*)

3.2 Format of Concurrence

There is no defined format for a concurrence (an email is sufficient), however, the following should be adhered to:

- The concurrence should include reference to agreed expenditure/benefits
- Any conditions of concurrence should be clearly stated
- A copy of the concurrence should be held locally by the relevant finance analyst with a copy of the case
- Dates and signatories obtained should be included in the relevant section of the business case.

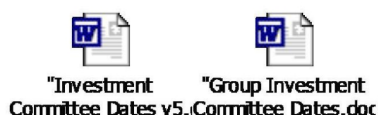
4. Submit Business Case

The POLIC Terms of Reference indicate when a business case is required to be submitted (Appendix A). Business cases should be submitted to the POLIC Secretary via the relevant Finance Business Partner.

In certain cases further authorisation from Group Investment may be required, however cases should always be reviewed by the POLIC prior to submission to Group Investment. Further details regarding authority levels, (particularly for Pay Awards, pricing, new products etc) are available in the Group 'Delegated Authorities' paper and should be referred to by the Finance Partner as appropriate.

4.1 Dates

For business cases to be reviewed by either the POLIC or Group Investment, papers must be submitted in accordance with the deadlines below.



[Note: Group Investment require at least 2 weeks notice of cases]

5. Budget & Benefits Tracking/PIR

For all cases, it is important that any spend is monitored and remains within budget and benefits are tracked and realised. Relevant budget adjustments should be made within year, or in the planning round for future years.

For cases over >£1m a PIR will be required to be completed and is generally commenced towards the end of the project, whilst the project staff are still in post. A further PIR may be required within 6/12 months to review recurring benefits. Formats can be obtained from POLIC Secretary.

For smaller cases, expenditure and benefits should be tracked by the Finance Partner.

Expenditure only cases should be tracked through the usual performance/cost management process by the Finance Partner. At the time of submission of the case, key benefit measures should be detailed and held centrally by the POLIC Secretary in the following file:

Z:\Financial Analysis\Investment Appraisal\2007-08\PIRS\Benefits Tracking.xls

This should be updated regularly by the Finance Partner and a summary will be provided to the POLIC.

6. Responsibilities

The following outlines the key responsibilities of the stakeholders

6.1 Proposer (Project Lead):

- To write the business case using the correct format
- To obtain the relevant (pre-POLIC) concurrences
- To submit the case to the relevant Finance Partner
- To write the PIR

6.2 Finance Partner:

- To review (sense check) the case and provide relevant sensitivity analysis
- To complete the financials
- To inform Deborah Holmes/Martin Elmslie if any Legal costs involved
- To provide a recommendation (to approve or reject the scheme) and state whether funds are budgeted/unbudgeted/centrally held etc.
- To check the correct format has been used
- To check relevant concurrences have been obtained
- To submit to POLIC
- To track expenditure and benefits and update Benefits Tracking file

7. **Key Contacts**

Finance Partners:

- | | | |
|------------------|---|-------------------------------------|
| Sharon Bull | - | Operations, P&OD, Finance, Strategy |
| Laura Croft | - | Marketing |
| Damion Taylor | - | Sales & Network |
| | | |
| Michelle Andelin | - | POLIC Secretary |
| Adrian Terry | - | Group Investment Appraisal |

APPENDIX A

POST OFFICE LTD INVESTMENT COMMITTEE (POLIC)

1. Members

The Investment Committee members will be the members of the POL ET plus representatives from Group Investment Appraisal and Legal Services. The Committee will be chaired by Alan Cook. Attendance is expected by ET members who are sponsoring a business case, otherwise ET members are expected to use their discretion based on the items on the agenda and other priorities - substitutes are not required other than in the unavoidable absence of an ET sponsor for a case being reviewed..

2. Terms of Reference

POL Investment Committee is required to approve:

- Budgeted investments (or one-off spends) over £250k
- All unbudgeted spend (substituted spend can be deemed to be budgeted provided there is reasonable line of sight)
- Requests for centrally held (including POOC) activity budgets
- Commercial contracts and pay awards
- Price changes
- New products
- Significant changes to products
- Post Implementation Reviews
- Quarterly Review of Crown Office Programme and Agency Network Change (first one in July)
- All requests (inc <£250k) for Consultancy Spend (Terms of Reference & Deliverables to be included)
- Any increases in Headcount

[Note: Requests to spend funds of previously authorised cases (e.g. Crown Office Programme and Agency Network Change) can be authorised by the Finance Director and sponsoring Director].

3. Authority Levels

All cases >£250k are required to go to POLIC, however further authority is required for larger cases.

Authority Required	Investment
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Royal Mail Holdings Board	>£20m
Group Investment Committee	£10m - £20m
Group Finance Director	£5m - £10m
POLIC (Investment Model to Group Investment)	£1m - £5m
POLIC	£250k - £1m
POLIC	<£250k unbudgeted
Sponsoring Director & Finance Partner	< £250k budgeted

APPENDIX B

HURDLE RATES

IRR will be the primary success measure for investments with NPV and Payback being used as supporting measures. The following IRR hurdles apply:

	IRR%	NPV	Pay Back
(1) Compliance	N/A	N/A	N/A
(2) Replacement	10.5%	0	5 yrs
(3) (a) New Money – Capex & Opex	30%	Positive	4 yrs
(b) New Money – Peoplex	30%	Positive	3 yrs
(c) Acquisitions	20%	Positive	7 yrs

When the IRR of a case is over 12% but under the required hurdle rates (or below 10.5% for replacement investments) the Group CEO and Group FD shall be entitled to authorise cases up to a value of £20m. All such approved cases will be reported to the Holdings Board.