



# **OYO STATE INVESTMENT PROMOTION AND PUBLIC PRIVATE PARTNERSHIP AGENCY**

## **BUSINESS PLAN AND FINANCIAL PLAN**

## **1.0 A MODEL OUTLINE BUSINESS PLAN STRUCTURE**

The Outline Business Plan should provide all the relevant information for the Ministry Department or Agency (MDA) to make a well-informed decision on whether or not to proceed with the suggested PPP option for each project. It should incorporate all of the issues described in the Scope of Work. A model outline of the Outline Business Plan is provided below:

### **1. Introduction**

- i. Executive summary
- ii. Introduction
- iii. Project background
- iv. Approach and methodology to the Business Plan

### **2. Strategic and Local Context of Project**

- i. Policy context and strategic objectives
- ii. Needs analysis (including future sensitivity to economic/social factors)
- iii. Service objectives and performance measures

### **3. Value for Money Assessment**

- i. Base Public Sector Comparator (PSC)
- ii. Risk Adjusted PSC
- iii. Affordability
- iv. Procurement choice
- v. Information verification

### **4. Project Appraisal (Cost/Benefit Analysis) demand and**

- i. Technical cost estimation (capital, maintenance, operating)
- ii. Social and environmental impact costs and benefits
- iii. Traffic and revenue projections

### **5. Risk Analysis**

- i. Identification and categorization of risks
- ii. Risk register with risk analysis and quantification
- iii. Proposed risk allocation

### **6. Financial and Economic Appraisal**

- i. Financial model and sensitivity analysis
- ii. Assessment of economic and financial viability

## **7. Options Analysis**

- i. Assessment of alternative forms of both conventional procurement and PPP
- ii. Evaluation of PPP options considered
- iii. Recommendations on preferred option
- iv. Key contractual terms

## **8. Implementation Recommendations**

- i. Recommendations for further project preparation (feasibility studies, technical studies, due diligence, etc.)
- ii. Proposed project timetable

## **2.0 Recommendations on Procurement Strategy and Procedures**

2.1. The Business Plan: The purpose of the Outline Business Plan is to seek approval from the government for the preferred project and procurement options and to obtain funding if the project is not financially free standing. It also contains justifications for the preferred project and procurement options. It provides information regarding the expected value for money of the preferred project and procurement options. A typical outline business Plan consists of the following sections:

### **(I) Executive Summary**

The executive summary should provide a summary of the development process of the outline business case, and the key conclusions arising. It should be strategically focused and succinct, and should effectively convey the key messages arising from the appraisal process such that decision makers gain a good appreciation of the need for change, the appropriateness of the recommended option, and the implications of the decision to proceed. The following should be included in the executive summary of the outline business plan:

- A summary of the key conclusions and recommendations arising from developing the appraisal process, and an analysis of the next steps required for taking forward the project;
- A statement of the support and commitment of the public sector client (and other key stakeholders);
- An analysis of the strategic context in which the service is provided, the business need for the service (including details of the contribution that the service should make to the department's corporate strategy) and the synergies that exist between the service and the public sector client's corporate objectives;
- An overview of the existing services provided, including analysis of existing service strengths and weaknesses, key service standards, outputs, the condition of the current assets or infrastructure, and trends in public opinion about the service;

- A summary of the public sector client's objectives for the service, as used in conducting the appraisal of project and procurement options (and subsequently to be used throughout the procurement process);
- A brief description of the options appraisal process that was followed in order to identify the preferred project and procurement option (including a summary of the financial and non-financial outcomes).
- An assessment of the economic benefits, value for money, affordability and bankability of the preferred service delivery option. This should include confirmation that the private organizations expressed their in the preferred service delivery option.
- An overview of the public sector client's approach to developing and delivering the project, including consideration of contractual terms, the balance sheet treatment and project management arrangements.

## (II) Strategic Context and Business Need

The Business Plan should include a review of the public sector client's vision and objectives for the service, the key strategies and objectives of the public sector client. It should also provide the conditions of the existing services and projections of need or demand and highlight the insufficiencies of existing services, if any.

It is also be useful to summarize any evidence of public perceptions of the existing service. For example:

How the public perceptions have developed over time;

How they reflect demand for better quality or more efficient services, any public and community opinion surveys on trends in relation to the performance of the service;

The results of any consultation process in relation to the service;

Analysis of the numbers and frequency of requests for service and/or complaints;

Analysis of the requests for improvements to the service; and

The results of other surveys/initiatives where improvements to the service have been cited as a means of improving the efficiencies of other department's activities.

The business plan should demonstrate that there is a business need for the proposed project by showing that:

the current service fails to maximize its contribution to the public sector client's strategies;

the services delivered by the project can contribute to the broader strategies of the public sector client;

the project forms a logical and coherent part of the public sector client's strategies and plans; and

there is a fit of the project within the wider strategic and policy context.

### **(III) Service or Project Objectives**

The business plan should list the objectives of the proposed project. This provides the basis against which the government can assess on the suitability of the proposed project option recommended by the public sector department and to propose alternative options based on the objectives of the proposed project, if necessary.

### **(IV) Preferred Project Option and Procurement Option**

The business plan gives recommendations on the preferred project option and procurement option.

#### **The Preferred Project Option**

The list of options that have been considered in the options appraisal stage should be described. The benefits, costs and consequences of each option and those options which are being progressed for further analysis should be included in the business plan. In general details of two or three options are included in the business plan. The two options which are most likely to deliver the desired outcomes and the ‘do nothing’ or ‘do minimum’ option are included. The impact on related services and assets and opportunities for integration with other government services demonstrating consideration of joined-up government can also be included.

#### **The Procurement Options**

The business plan should identify the procurement options that have been considered in the delivery of the preferred project option, give recommendations on the procurement option that create the best value for money to the department with justifications. It should also describe the evaluation framework upon which different procurement options are to be evaluated. These should include:

Comparison between the cost of delivering the preferred project option through traditional procurement method, the PSC, compared to that delivered through private delivery option, the PFP;

To demonstrate that the private parties have the capability to deliver the required services, within any constraints set by the public sector client, the service delivery would be sufficiently reliable, and that such delivery would provide value for money;

To justify that the risks and rewards inherent in providing the required outputs represent a genuine commercial opportunity;

To confirm that the finance market at the time will support the proposal; and

To illustrate that there are opportunities for cost effective risk transfer.

### **(V) Project Delivery Arrangements**

This section of the business plan should document the public sector client’s intended approach to the procurement of the project and set out the key issues that are to be addressed in the subsequent development, procurement and delivery of the project. The key elements to be included are:

**Output Specification:** The business plan should include a summary of the key elements of the draft output specification and commentary on how the output specification will be developed further.

**Proposed Performance Measurement and Payment Mechanism:** The business plan should identify the key performance indicators which will measure performance and the key components of the payment mechanism. Discussions should cover the relationship between payments from the public sector client and the related necessary level of performance.

**Indexation, Benchmarking and Market Testing:** The business plan should set out the public sector client's initial views on indexation, benchmarking and market testing, which will be included as part of the payment mechanism and contract for the services.

**Contractual Terms:** The business plan should set out how the public sector client will develop the contract for the project. It should indicate how the public sector client expects to deal with the key contractual issues associated with the particular type of project.

**Risk:** The business plan should identify all material risks associated with the project, specifying the external and project development risks for the public sector client, the project risks to be allocated to a private party, and those to be retained by the public sector client. It should also include any project transition risk, such as interest rate or planning risks that may be carried by the public sector client until allocated to the private party when contracts are operating. This is a key area of the business case, as optimal risk allocation is fundamental driver of value for money. For risks that are proposed to be retained by the public sector client, the business case needs to explain why the public sector client is considered better able to manage or mitigate these risks. The business case should include at least a preliminary view on the cost to the public sector client of the risks which are to be built into the PSC.

**Implementation and Project Management Plan:** The outline business case should document the public sector client's approach to the development of the project management arrangements if the project secures approval to go into procurement, and describe the arrangements that are in place, or to be put in place, to ensure an efficient procurement. It should identify the members of the project team, the delegations and reporting arrangements that have been agreed for the procurement stage, and the arrangements for involving stakeholders in the procurement process. The OBC should also set out the approval process required for the OBC, details of the commitment of members to funding the project, and evidence of the support of key stakeholders.

• **Project Timetable and Resourcing:** An indicative project timetable should show each of the key stages such as procurement stage, construction stage, and delivery of service in the whole process and the estimated time for service delivery to begin. Regarding the procurement timetable, indicative periods for each sub-stage, such as invitation to expression of interests, in the procurement process should be given. The procurement timetable will need to be updated as the procurement proceeds, and should serve as both project management tool, and as a means of communication. Discussion should also deal with the resources required to deliver the project, how they will be secured, internally or externally, and the expected costs of the procurement team.

**Report Out** The full business case will be developed in the same format as the Outline Business Case (OBC). Where there is material change between what was anticipated in the OBC and what is negotiated with the preferred bidder, this should be articulated and captured in the FBC. An FBC should include but not limited to:

- i. executive summary,
- ii. project objectives,
- iii. financial issues and affordability,
- iv. stakeholder consultation,
- v. procurement process and competition,
- vi. risk allocation and accounting treatment, and
- vii. contract and payment mechanism.

**(i) Executive Summary** - This section of the Business Case should provide a short summary of the key issues included in the detailed sections of the Business Case. It should include a succinct description of the negotiated project on the following issues:

- ❖ The Service Provider
- ❖ Terms of the Contract
- ❖ The estimated investment regime included in the Contract
- ❖ The expected economic benefits and non-economic benefits of the project
- ❖ The fit of the project with other public sector client's policies and strategies
- ❖ The quality of the service delivery arrangements and negotiated design against that envisaged in the OBC
- ❖ A summary of the performance standards and performance targets agreed with the Service Provider, including where appropriate how these fit with any statutory targets.

**(ii) Project Objectives** -The Business Plan should set out how the proposals in the negotiated Contract meet the objectives developed as part of the Outline Business Case (OBC), and if there are departures from those objectives, the reasons for the departure should be stated. If the objectives have been developed further since the OBC was approved by members, or if new requirements have come to light during the procurement of the project, such as successor standards to those envisaged at the time the OBC was prepared, appropriate commentary should be included in the FBC.

**(iii) Financial Issues and Affordability** - This section of the FBC sets out the negotiated position on each of the following topics:

Value for Money: an estimate of the value of money savings anticipated from procuring the service through a PPP arrangement would have been included in the OBC. This should be updated with out-turn costs of the PPP scheme. In addition, if there have been material changes to the assumptions used in determining the PSC at the OBC stage, appropriate commentary should be included on these with an updated PSC calculated and included in the FBC.

Affordability: The public sector client will have made an assessment of the affordability of the project at the OBC stage. This computation should be updated using out-turn figures for the negotiated PPP contract. Commentary should be included on how any material changes since the OBC was prepared are to be dealt with.

**(iv) Pre-Contract Project Monitoring and Stakeholder Consultation** - The FBC should capture site visits undertaken to determine market sounding in terms of projected expectations and the peculiarities that may be a cause of setback to the project. It should also outline how the relevant

stakeholders have been consulted throughout the procurement of the PPP project. This commentary might refer to each of the following:

Internal stakeholders: Outlining how the project has been developed by the procurement board, in consultation with members, the strategic/stakeholder board, relevant departments and other internal stakeholders.

Community and Staff: outlining how the local community and relevant staff have been consulted throughout the process.

The FBC should also explain post PPP Contract consultation arrangements for the concession period. (5) Procurement Process and Competition 76 The FBC should include a summary of the competitive process followed to select the Service Provider and the decisions taken at each stage of the procurement process. As a minimum, it is suggested that appropriate commentary be included in the FBC in respect of the following stages:

- ❖ Evaluation Team-selection & approval
- ❖ Evaluation criteria & grading
- ❖ The Invitation to Expression of Interest/ Request for Qualification
- ❖ Pre-qualification and short-listing
- ❖ Request for Proposal
- ❖ Bidders conference
- ❖ Selection of Preferred Bidder
- ❖ Negotiations to Financial Close

#### **(v) Risk allocation and accounting treatment**

A section should be included in the FBC summarizing the negotiated position as regards the allocation of key risks in the PPP project. In particular, there should be appropriate commentary on those areas where there has been departure from the risk allocation position envisaged at the time the OBC was prepared.

#### **(vi) PPP Contract and Payment Mechanisms**

The FBC should set out the position on whether any statutory processes still have to be completed, such as planning permissions, and if appropriate, how and when those statutory processes will be progressed and where the risk and responsibilities for completing that work lie. The FBC should include a summary of the key contractual issues negotiated as part of the PPP contract. A copy of the negotiated contract should be submitted with the FBC. Commentary should also be included in this section of the FBC on pertinent aspects of the payment mechanism agreed with the Service Provider, such as the key components of the payment mechanisms, and how the performance of the Service Provider will be monitored. Commentary on the key commercial issues specific to this project, such as the following, may be included as well. They are:

- ❖ The position agreed on the treatment of taxation

- ❖ The anticipated third-party revenues included or anticipated in the Contract
- ❖ The proposals included in the Contract as regards any revenue-sharing arrangements
- ❖ Any proposals for benchmarking and market testing.
- ❖ Risk-sharing regime
- ❖ Conditions precedent for PPP Contract execution.

**(vii) Due Diligence Enquiry (DDE)**

In line with the ICRC DDE requirements, the FBC will capture a due diligence report of the preferred/successful bidder prior to negotiations. The due diligence (DD) exercise will guide by the submitted ICRC DDE guide. The DDE model template is expected to be tailored in-line with the peculiar transaction dynamics of the specific project to allow an effective DD exercise.

**3.0 THE FULL BUSINESS CASE (FBC): EXPLANATORY NOTES**

Before awarding the contract to the preferred bidder, there is the need to seek approval from the government. A Full Business Case (FBC) is prepared for seeking approval prior to the subsequent award of the contract. The Full Business Case should:

- i. report on the conclusions of the Request for Proposal and set out the full scope and cost of the project;
- ii. be a supporting document to a public sector client's submission once a preferred bidder has been selected;
- iii. include a qualitative assessment of the preferred bidder and a Full PSC comparison against the preferred tender to confirm that best value for money is achievable; and
- iv. provide the government with an indication of the public sector client's forward plan for proceeding with the project and finalizing a contract with the preferred bidder. Contents of Full Business Case (FBC) The FBC should be presented in the same format as the Outline Business Case (OBC). Where there are any material changes between what was envisaged and presented at OBC and what is proposed to be agreed with the proposed Service Provider, this should be highlighted

Dated this 1<sup>st</sup> day of December 2025



**DIRECTOR-GENERAL**

**OGO STATE INVESTMENT AND PUBLIC-PRIVATE PARTNERSHIP  
AGENCY**