Long form business case guidance

**Note: All business cases must be accompanied by a *Business case cover sheet* (refer to Attachment B)**

**Use of this template**

* This template can be used for both capital and output proposals with modification as appropriate.
* It must be used for:
  1. – asset initiatives classified as high-value high-risk (HVHR);
  2. – all other asset initiatives over $10 million; and
  3. – large and/or complex output initiatives.
* For asset investments with a Total Estimated Investment (TEI) under $10 million and small, non-complex output initiatives, the short form template can be used.
* The extent of detail should be scaled to the relative complexity of the proposal and some sections may not be relevant for all proposals.
* Text in the shaded boxes is for guidance only and should be deleted when no longer required.
  1. To delete guidance notes, click the *Guidance* heading at the top and press the Delete key.
  2. 

**Changes to this template since *2017-18 Budget***

* Changes have been made to reduce duplication and improve clarity of instructions, guidance and resource references to assist users to complete the template. In addition, new policies or changes to existing processes have also been incorporated.
* While there have been a number of editorial amendments in the guidance notes, the more significant changes and amendments are listed below:

| Policy/change | Details/Further information | Business case location(s) |
| --- | --- | --- |
| *New policies and government considerations* | | |
| Value Creation and Capture (VCC) Framework www.dpc.vic.gov.au/index.php/news-publications/value-creation-and-capture-framework | The VCC Framework was endorsed by Government in late 2016 and focuses on getting better value for money from future infrastructure projects. It provides guidance on the ways government will generate more industry and skills development, affordable housing, open spaces, community facilities and energy efficiency from future projects.  The types of projects that would benefit from the framework include:   * precinct projects; * development of public land; and * capital investments that meet HVHR thresholds (not ICT).   If deemed appropriate by Government, business users will be required to submit a:   * statement of intent(a); * strategic VCC plan(a); and * detailed VCC plan).   *(a) approved by a relevant Government committee prior to the development of the detailed VCC plan* | *2.4 Consideration of the broader context*  *3.3 Value Creation and Capture (VCC)*  *6.2.4 Detailed costing (VCC included in table)* |
| Consideration of industry capacity and capability to deliver Victoria’s expanded capital program | In May 2017, Government endorsed DTF to update its investment guidance to require business cases for HVHR commercial projects, to assess construction market conditions.  The template has been updated to include a new section and guidance reflecting this requirement. | *6.2.1 Market conditions* |
| *General changes/amendments* | | |
| Budget impact and financial tables | Further disaggregation of costs to identify risk, contingency and maintenance allocations for capital projects. | *5.10 Integrated analysis and options ranking table*  *Appendix B –  Financial data presentation, B.3 Budget impact table* |
| Climate change | The *Climate Change Act 2017* commenced on 1 November 2017. Section 20 of the Act contains an obligation that any decision, policy, program or process made, developed or implemented by Government take account of climate change, where relevant, by having regard to the policy objectives and the guiding principles of the Act.  Guidance for the consideration of climate change impacts has been included, with more comprehensive guidance to be provided in future years following the release of the Climate Change policy. | *5.4 Environmental impacts*  *5.9 Uncertainties* |
| Real options | In the recently updated Investment Management Standard, DTF included a Real Options analysis.  This has been reflected (as applicable) in relevant sections. | *2.4 Consideration of the broader context*  *4 Response options*  *5.9 Uncertainties* |
| Staffing details | This section is new and requires an estimate of the number of VPS and non-VPS staff for the initiative. | *6.2.7 Staffing impacts* |
| Strategic interventions and response options | The language and guidance in this section has been amended to improve clarity and reflect recent changes to the ‘Response Definition workshop’ in the Investment Management Standard, which was refreshed in May 2017. | *4 Response options* |
| Summary statistics | A table has been added to the Executive Summary to allow for a high-level summary of the preferred solution. | *1.1 Summary statistics* |
| Uncertainties | This section has been expanded to include more guidance on how to address uncertainty across different stages of the project. | *5.9 Uncertainties* |

**Guidance documents/additional information and where to find them**

When completing this template, please refer to the *Investment Lifecycle and High Value / High Risk guideline*s and associated technical guidelines for more detailed explanations for capital and/or output with capital proposals. Links to information and guidance to assist in completing this template are provided in the following table.

| Guidance documents | Brief description |
| --- | --- |
| **DTF Information Requests**  [www.dtf.vic.gov.au/Government-Financial-Management/Budgeting/DTF-information-requests](http://www.dtf.vic.gov.au/Government-Financial-Management/Budgeting/DTF-information-requests) | This secure website provides government departments, PNFC and PFC’s information on budget submission and deliberations process and reporting requirements, including copies of this template and other budget guidance attachments.  Victorian Government users can request a login by contacting your Departmental Relationship Manager or the site administrator at dtfweb@dtf.vic.gov.au. |
| **Project Profile Model (PPM) form**  [www.dtf.vic.gov.au/Publications/Investment-planning-and-evaluation-publications/Gateway/Gateway-project-profile-model-form](http://www.dtf.vic.gov.au/Publications/Investment-planning-and-evaluation-publications/Gateway/Gateway-project-profile-model-form) | For asset initiatives with a TEI greater than $10 million, a Project Profile Model (PPM) is required to be completed and sent to the [Gateway Unit, DTF.](mailto:gateway.helpdesk@dtf.vic.gov.au)  The PPM is reviewed and used by DTF to inform the project’s risk assessment and recommendations to Government on whether the initiative should be classified as high-value high-risk and be subject to Gateway reviews. |
| **Investment lifecycle and high value high risk guidelines**  [www.dtf.vic.gov.au/Publications/Investment-planning-and-evaluation-publications/Lifecycle-guidance/Stage-guides](http://www.dtf.vic.gov.au/Publications/Investment-planning-and-evaluation-publications/Lifecycle-guidance/Stage-guides) | These guidelines provide practical assistance for each stage of an investment project’s development. |
| **High Value High Risk (HVHR)**  [www.dtf.vic.gov.au/Publications/Investment-planning-and-evaluation-publications/Lifecycle-guidance/High-Value-High-Risk-investment-framework-fact-sheets](http://www.dtf.vic.gov.au/Publications/Investment-planning-and-evaluation-publications/Lifecycle-guidance/High-Value-High-Risk-investment-framework-fact-sheets) | Under the HVHR Framework, infrastructure and ICT projects identified as being high value and/or high risk are subject to more rigorous scrutiny and approval processes. (This also applies to proposals presented to Government under its Market-led Proposals Guidelines). |
| **Technical guides**  [www.dtf.vic.gov.au/Publications/Investment-planning-and-evaluation-publications/Lifecycle-guidance/Technical-guides](http://www.dtf.vic.gov.au/Publications/Investment-planning-and-evaluation-publications/Lifecycle-guidance/Technical-guides) | The following guides provide detail on specific aspects of business case development:   * Economic evaluation guidelines * Preparing project budgets for business cases * Project Governance * ICT projects business case development * Procurement strategy guidelines for business case development * Risk Management * Sustainability Investment Guidelines. |
| **Investment Management Standard (IMS)**  [www.dtf.vic.gov.au/Investment-Planning-and-Evaluation/Understanding-investment-planning-and-review/What-is-the-investment-management-standard](http://www.dtf.vic.gov.au/Investment-Planning-and-Evaluation/Understanding-investment-planning-and-review/What-is-the-investment-management-standard) | The IMS is a process for applying simple, common-sense ideas and practices to help organisations direct their resources and achieve the best outcomes from their investments.  The IMS was refreshed in May 2017. |
| **Victorian Government Risk Management Framework**  [www.dtf.vic.gov.au/Publications/Victoria-Economy-publications/Victorian-risk-management-framework-and-insurance-management-policy](http://www.dtf.vic.gov.au/Publications/Victoria-Economy-publications/Victorian-risk-management-framework-and-insurance-management-policy) | This framework provides a minimum risk management standard for the Victorian public sector and applies to departments and public bodies covered by the *Financial Management Act 1994*.  It adopts the AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines, which provides a generic, internationally accepted basis for best practice risk management. |
| **Value Creation and Capture Framework**  [www.dpc.vic.gov.au/index.php/news-publications/value-creation-and-capture-framework](http://www.dpc.vic.gov.au/index.php/news-publications/value-creation-and-capture-framework) | Refer to the ‘Changes to this template since *2017-18 Budget*’ table on page 1. |
| **Alliance and traditional contracting**  [www.dtf.vic.gov.au/Infrastructure-Delivery/Alliance-and-traditional-contracting](http://www.dtf.vic.gov.au/Infrastructure-Delivery/Alliance-and-traditional-contracting) | This includes links to policy and guideline materials developed for infrastructure procurement models by the Inter-Jurisdictional Alliancing and Traditional Contracting Steering Committee. |
| **Budget Operations Framework (BOF)**  [www.dtf.vic.gov.au/Government-Financial-Management/Planning-Budgeting-and-Financial-Reporting-Frameworks/Budget-Operations-Framework](file:///C:\Users\vicp9mz\TRIM\Offline%20Records%20(PT)\2018-19%20Budget%20guidance%20(including%20information%20request)\www.dtf.vic.gov.au\Government-Financial-Management\Planning-Budgeting-and-Financial-Reporting-Frameworks\Budget-Operations-Framework) | The BOF includes mandatory requirements for departments on matters relating to a number of specific budget and funding topics. It also includes extensive guidance material. |
| **Performance Management Framework (PMF)**  [www.dtf.vic.gov.au/Government-Financial-Management/Planning-Budgeting-and-Financial-Reporting-Frameworks/Performance-Management-Framework](file:///C:\Users\vicp9mz\TRIM\Offline%20Records%20(PT)\2018-19%20Budget%20guidance%20(including%20information%20request)\www.dtf.vic.gov.au\Government-Financial-Management\Planning-Budgeting-and-Financial-Reporting-Frameworks\Performance-Management-Framework) | The PMF provides information to departments to support the annual service delivery statement between Government and departments for outputs purchased and funded, and the receipt of revenue for services delivered. |

[Business case / Initiative title]

**[Subtitle** (i.e. the publication title for the initiative if it were to be funded in the budget process)**]**

**[Department title]**

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* + 1. Executive summary
* The executive summary should highlight the overall story and key points of the full business case, including the proposed outcomes to be achieved and the drivers for this funding request. It should specify:
  1. – the problem or issue the initiative will address;
  2. – what the Government will be buying (what, when, how many units, etc.), and the benefits/outcomes of that investment;
  3. – the strategic merit of the proposal and how it delivers a critical need;
  4. – why government needs to be involved and relationship to relevant policies;
  5. – a deliverability assessment;
  6. – why this is considered to be the most effective and efficient way to deliver the proposed benefits/outcomes; and
  7. – any additional context (such as interface with other projects), and a broad descriptions of other options considered.
* For capital projects, the summary should include how the proposed investment aligns with the portfolio’s strategic asset management plans.

**Tips**

* The executive summary should be no longer than two pages.
* Government needs to clearly understand what is being delivered for the requested investment. Where possible, this should link to performance measures and outcomes. For example:  
    
  *‘This investment will deliver an additional xx trams, which will increase capacity on the tram network by xx. This will meet current and forecast demand by…’*
* Where a proposal faces considerable uncertainty, the executive summary and business case should convey options to flexibly deal with that uncertainty, rather than lock-in a complete solution too soon.
* At the end of the executive summary, insert the updated Investment Concept Brief (including Investment Logic Map) at Appendix A, if available.
* Provide reference to key supporting documentation, add any key documents or extracts as an Appendix(ces) of the full business case..
  + - 1. Summary Statistics
* This section provides a high-level overview of the key aspects of the preferred solution.
* Add and/or delete rows in the table below as applicable.
* Net output/asset funding sought should match Budget Impact tables, Appendix B. Deliverables should specify the key output(s) and/or assets to be delivered, e.g. 100 scholarships for program x, or xx trains, in the years delivery occurs.
* If there are multiple deliverables (refer to Benefits section 3) and performance measures, please add additional lines as necessary.
* Performance measure(s) should specify the performance impact of the proposed solution and should match Estimated impact on performance measures table in section 3.3. Please specify which measures will change.
* Staff impact should specify the staffing requirements and match the totals provided in the table at section 6.2.7.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Description | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5-year total | Ongoing |
| Net output funding sought ($ million) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Net asset funding sought ($ million) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | TEI | Total beyond forward estimates |
| Deliverables – specify |  |  |  |  |  |  |  |
| Performance measure impact – specify |  |  |  |  |  | n/a | n/a |
| Total new VPS staff | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | n/a | 0.0 |
| Total existing VPS staff | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | n/a | 0.0 |
| Total non-VPS staff | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | n/a | 0.0 |

|  |  |  |
| --- | --- | --- |
| Construction commencement date | Construction completion date | Financial completion date |
| Qtr X / 20XX | Qtr X / 20XX | Qtr X / 20XX |

Qtr 1 = Jul-Sep; Qtr 2 = Oct-Dec; Qtr 3 = Jan-Mar; Qtr 4 = Apr-Jun

* + 1. Problem
* *Stage 1: Conceptualise* and *Stage 2: Prove guidelines* may assist in characterising the ‘problem’.
  + - 1. Background
* Describe the context and background necessary to set the scene and introduce the problem and why it should be addressed by government.
* Outline the existing service-related outputs, previous/current/future funding allocations, existing asset base and resource commitments including lapsing status. This might include a discussion on the need for government intervention and the role of government, current service funding, service distribution and levels, and underlying drivers of those services.
* This section may also introduce all the key stakeholders relevant to the problem and how they may be impacted.
  + - 1. Definition and evidence of the problem
* Clearly state the problem(s)/service need(s) in terms of cause and effect. The focus should be to identify the existing gap to be addressed by this proposal and include evidence of the cause and effect of the problem(s)/service need(s), including the extent and nature of the need for investment.
* Provide details of how this service need is currently addressed and the impact this proposal will have on service levels, such as:
  1. – What approaches have been taken to address this problem in the past?
  2. – Are similar or related services currently being delivered? If so, by who and what are the services (consider both government and non-government service providers)?
  3. – How are these services currently provided?
  4. – If the proposal is a lapsing program, what is the current service level? Will there be any change in service level if this proposal is funded?
* Justify why the State should be delivering this as opposed to private sector/market solution, Commonwealth or local government.

**Tips**

* Explain in plain English the problem(s) to be solved.
* Present the cause of each problem, who and/or what is affected, and how they are affected.
* Describe the nature of the problem, for example, whether it is immediate, transitory, ongoing or escalating.
* A ‘problem’ can include a service need, community/social issue or lost opportunity.
* Provide evidence of both the cause and effect of the problem(s). Evidence might include:
  1. – demand forecasts with assumptions;
  2. – key performance indicators (KPIs) on current performance levels; and/ or
  3. – facts/examples of the problem.
     + 1. Timing considerations
* Describe why the problem needs to be solved by government as part of this budget. Explain the implications of delaying a response to the defined problem, such as:
  1. – physical or capacity limits will be reached;
  2. – significant reductions in the level of service (quality/quantity) will be experienced;
  3. – failure to meet specific government commitments or legislative requirements;
  4. – requirement for urgent action at additional cost due to asset failure, system overload etc.;
  5. – lead time for investment to become operational; and
  6. – any critical dependencies with related service requirements.
* Any connections to long-term planning documents, policy commitments (e.g. election commitments), or Strategic Asset Management plans should be noted here.
* Explore whether the problem is suited to a staged response, and consider the interface with other programs underway.
  + - 1. Consideration of the broader context

Explain whether similar needs or opportunities exist either inside or outside your organisation that might be addressed together with this proposal.

**Tips**

* Consider benefits of a wider sectoral approach.
* Discuss integration opportunities and pilot studies in other sectors that may impact the type of response.
* Any identified Real Options and/or VCC opportunities applicable to the initiative should also be mentioned here.
  + 1. Benefits

This section needs to clearly outline the benefits Government will receive for the requested investment. For both asset and output investments, it is necessary to outline the expected impact on performance and services provided to Victorians.

**Tips**

* Use the ‘SMART’ test to confirm benefits (specific, measurable, attainable, relevant and time‑bound).
* Quantitative benefits can include (but not be limited to) impacts on public performance measures, new performance measures, economic evaluations and benefit-cost ratios (BCR).
* Qualitative benefits can include (but not be limited to) links to Government policy commitments.
* For agencies using the [Investment Management Standard](http://www.dtf.vic.gov.au/Investment-Planning-and-Evaluation/Understanding-investment-planning-and-review/What-is-the-investment-management-standard) to map benefits, note that not all benefits identified as part of an investment logic mapping process will be suitable for inclusion in the economic evaluation of an investment proposal.
* Commentary should include analysis of the BCR and all assumptions.
  + - 1. Benefits to be delivered
* Explain the key benefits achieved if the problem is solved. (These can be drawn from the investment logic map and benefit map if available and included at Appendix A)
* List key high-level economic, social and environmental benefits the initiative will deliver.
* Any unrealised benefits or negative consequences resulting from not addressing the problem must be outlined clearly.
* Baseline, interim and target measures, dates for the KPIs and the person/position responsible for delivering the benefits should be included in a benefit management plan (attach at Appendix) or equivalent, which has been updated to reflect the recommended option. Reference or include the benefits management map.

**Tips**

* Economic benefits suitable for inclusion in economic evaluations are typically specific, tangible and able to be monetised, and can be clearly linked to the investment or activity. Assumptions should also be clearly outlined.
* Where the benefit is isolated to a specific cohort, this should be clearly outlined and relative need addressed.
* Where appropriate (as an alternative to a Benefit Management Plan) an evaluation strategy/framework should be included or attached. The table below can be used for each KPI.

|  |  |
| --- | --- |
| KPI |  |
| Baseline |  |
| Source |  |
| Interim target |  |
| Reporting forum |  |
| Start date |  |
| Frequency |  |
| End date |  |
| Responsibility |  |

* + - 1. Importance of the benefits to Government
* Demonstrate how this investment will help to advance the Government and/or organisation to meet its objectives. This might include reference to the size and timing of those benefits.
* Describe how this initiative connects to Government priorities and the department’s corporate, strategic and/or long-term planning documents (e.g. asset management strategy).
  + - 1. Value Creation and Capture (VCC)
* A project complies with the VCC Framework if it meets the value threshold for high-value projects (refer to the HVHR guidelines), involves the development of public land, precinct projects or has VCC potential (as per the VCC Framework).
* If a project complies with the VCC Framework, the following documents are required to be submitted with the business case:
  1. – Statement of intent (mandatory requirement);
  2. – strategic VCC plan (mandatory requirement); and
  3. – a more detailed VCC plan (mandatory unless exempted by Government as outlined in the strategic plan).
     1. Response options
* A response option is a combination of interventions that, when packaged together, form a response.
* Each response should seek to resolve the problems and deliver the benefits, KPIs and target measures. Examples could range from business as usual, do nothing, or stop investing, to complex multi-faceted responses that involve various interventions.
* The response options should represent a broad coverage and include a focus on changing demand, improving productivity and changing supply.
* Strategic interventions (i.e. high-level actions) consider the outcome to be achieved and should examine a range of capital, service delivery, legislative, and/or market-based solutions available.
* Once a strategic intervention is determined, this will form the basis for the project options (section 5) to be detailed and costed. The intent is to demonstrate the case for the preferred response option.

**Tips**

* Refer to the Investment Management Standard (IMS), in particular, the Response Definition workshop, and how it can assist to shape an investment. If a workshop has been conducted, include the Response Option Analysis Report at Appendix A.
* Consider Real Options and the VCC Framework in assessing potential benefits and a preferred response.
* If the response option is influenced by an asset management strategy(ies), an assessment of how the business case will deliver against these priorities should be included.
* The three core steps to identify the responses are:
  1. – What are the strategic interventions that could be taken to deliver the identified KPIs   
     (and respond to the problem)?
  2. – How can these interventions be packaged into a range of sensible response options?
  3. – Which response options are likely to be the most suitable (on the basis of the benefits delivered, cost, timelines and risks)?
     + 1. Method and criteria
* Outline the method and criteria used to select the response option. Criteria should include the extent to which interventions will achieve the proposed benefits and offer value for money.
* Identify assumptions and constraints used to inform the development of strategic options.
  + - 1. Strategic interventions
         1. Strategic interventions and response options
* Describe and provide evidence or reasoning as to why and how these interventions might have an impact.
* The number of strategic interventions that should be considered depends on the scale and complexity of the problem/investment.
* Explain how the strategic interventions can be packaged into response options.
* Provide evidence to support this high-level assessment.

**Tips**

* Strategic interventions are the high-level actions that could be taken as a response to the identified problems.
* Strategic interventions can include non-funding based solutions, such as legislative or regulatory changes, or behaviour changes such as mode shifts and governance reforms.
* The following table can be used and/or amended as applicable to outline the strategic interventions and evaluate the response options:
  1. – The range of interventions that could respond to the identified problem and deliver the KPIs for the expected benefits are listed in the left-hand column.
  2. – Against the listed interventions, a spread of response options are structured to provide genuine alternative approaches to the problem.
  3. – Response options should be titled to reflect the underlying strategy.

Table x: Strategic interventions and response options

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Response options | | | | |
|  | *Option 1* | *Option 2* | *Option 3* | *Option 4* | *Option 5* |
| **Interventions** | <Business as usual /  Do nothing> | <Option 2 title> | <Option 4 title> | <Option 4 title> | <Option 5 title> |
| Intervention 1 |  |  |  |  |  |
| Intervention 2 |  |  |  |  |  |
| Intervention 3 |  |  |  |  |  |
| Intervention 4 |  |  |  |  |  |
| Intervention 5 |  |  |  |  |  |

* + - * 1. Ranking of response options
* Evaluate the strategic options (high-level actions) to determine the proposed response option.
* Provide evidence to support this high-level assessment.
* The following table can be used and/or amended as applicable to evaluate the response options:
  1. – *Risks* – include up to four of the most significant issues that might result in the delivery of the benefits being significantly different from expectations). Include a high, medium or low rating(H, M, L).
  2. – *Dis-benefits* – these are the negative impacts that are likely to occur as a direct consequence of successfully implementing the option. Include a criticality rating (H, M, L).
  3. – *Interdependencies* – identify external factors that need to be in place if an intervention is to be successful. Include an impact rating (H, M, L).
  4. – *Timeframe* – from commencement of funding to date of full benefits realisation.
  5. – *Capital TEI* – range should be sufficiently reliable to provide an order of magnitude for the response.
  6. – *Output costs* – these may differ substantially between responses. These should be the incremental costs, directly incurred as a result of the investment, net of any expected savings as a result of the investment.
  7. – *Ranking* – considering all factors, which response option is the preferred approach to resolving the problem?

Table x: Evaluation of response options

|  | | | Response options | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | Option 1 | Option 2 | Option 3 | Option 4 | Option 5 |
| Benefits | | | <Business as usual / Do nothing> | <Option 2 title> | <Option 3 title> | <Option 4 title> | <Option 5 title> |
| *Percentage of full benefit to be delivered* | | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Benefit 1 | <Insert description> |  |  |  |  |  |  |
| Benefit 2 | <Insert description> |  |  |  |  |  |  |
| Benefit 3 | <Insert description> |  |  |  |  |  |  |
| Benefit 4 | <Insert description> |  |  |  |  |  |  |
| *Risks* | | | | | | | |
| Risk 1 | | |  |  |  |  |  |
| Risk 2 | | |  |  |  |  |  |
| Risk 3 | | |  |  |  |  |  |
| Risk 4 | | |  |  |  |  |  |
| *Dis-benefits* | | | | | | | |
| Dis-benefit 1 | | |  |  |  |  |  |
| Dis-benefit 2 | | |  |  |  |  |  |
| Dis-benefit 3 | | |  |  |  |  |  |
| *Interdependencies* | | | | | | | |
| Interdependency 1 | | |  |  |  |  |  |
| Interdependency 2 | | |  |  |  |  |  |
| *Cost (range)* | | | | | | | |
| Capital total estimated investment (TEI) | | | $0.000m – $0.000m | $0.000m – $0.000m | $0.000m – $0.000m | $0.000m – $0.000m | $0.000m – $0.000m |
| Net incremental output costs (annual) | | | $0.000m – $0.000m | $0.000m – $0.000m | $0.000m – $0.000m | $0.000m – $0.000m | $0.000m – $0.000m |
| *Timeframe for delivery* | | | | | | | |
| (Range) | | | mm/yy-mm/yy | mm/yy-mm/yy | mm/yy-mm/yy | mm/yy-mm/yy | mm/yy-mm/yy |
| *Ranking* | | | | | | | |
| 1-5 | | |  |  |  |  |  |

* + - 1. Recommended response option
* Present the recommended response option, summarising the rationale behind its selection. This will refer to the above section and outline how the chosen response will address the identified problem and deliver the intended benefits.
  + 1. Project options analysis
* Once a preferred response option is determined, this will inform the detailed project options to be considered. Project options are not limited to only one strategic intervention, but all data used must be detailed, accurate, verified and consistent to allow for options to be compared.
* This needs to be accompanied by detailed costings for each presented option (see section 6.2.4).
* Where estimates are used, methodology should be clearly presented alongside rationale/evidence, and sensitivities.

**Tips**

* The tables in this section are a guide only and should be used, modified or not used as appropriate. HVHR projects should include more detailed information to support assessment of robustness.
* Cost recovery, operational savings, offsets and cost avoidance should all be highlighted where available.
* For more information on completing this section see *Stage 2: Prove guideline* and the *Sustainability Investment Guidelines* (located under technical guides on the DTF website).
  + - 1. Project options considered
* Once a preferred strategic intervention is determined, this will inform the detailed project options to be considered.
* Project options need to include a ‘base case’ and at least one ‘market-based solution’. Aim for a maximum of around five.
* Refer to the Stage 2: Prove guideline (pages 23 and 24) for an explanation of the base case and market based solutions.
* Describe the method and rationale used in each project option, including:
  1. – Scope;
  2. – asset and output options (or combinations);
  3. – at least one market-based solution where possible;
  4. – potential for third party revenues;
  5. – critical assumptions or constraints (or windows of opportunity) of each option;
  6. – outline any project options considered but not evaluated, and state rationale for non-consideration; and
  7. – at a high level, the extent to which each of the feasible options conforms to Government and relevant agency legislation, policies, standards and strategies.
     + 1. Stakeholder identification and consultation
* At a broad level, provide an overview of the likely relative impact on key stakeholders of the various project options, and outline their position in relation to the project.
* This should include the relationship with other Ministerial portfolios and priorities and consultation undertaken if applicable.
* Where the initiative significantly involves the Aboriginal community, clearly state if and how the community has been consulted.
  + - 1. Social impacts

Outline the social impacts and opportunities of the proposal and identify any significant social issues specifically relevant to particular project options (i.e. differentiating between the project options).

* + - 1. Environmental impacts
* Provide a high-level overview of the relative environmental impact analysis of the options, including specific actions required to meet all relevant legislative requirements and likely community concerns.
* (If applicable) Consider potential climate change implications of the project options, including the potential impacts of climate change that are relevant to specific options and the potential contribution to the State’s greenhouse gas emissions associated with the options.
  + - 1. Economic impacts
* Provide a high-level overview of all significant economic impacts and opportunities of the options.
* Economic impacts refers to impacts on key economic variables, such as value-add, productivity, workforce participation, unemployment and investments.

**Tips**

* This could be done in a qualitative manner (e.g. by describing possible changes and their likely order of magnitude), or through actual economic modelling to come up with robust quantitative estimates. The latter should only be done where the magnitude of the project warrants this additional effort.
* A broad range of data is available from the Australian Bureau of Statistics and other sources, which can assist in this endeavour, particularly when providing qualitative descriptions of possible impacts.
* Where the magnitude of the project warrants providing quantitative estimates, then Computable General Equilibrium (CGE) modelling is recommended. Like all modelling, this needs to be based on robust assumptions/inputs that are transparent in order for it to be seen as reliable.
  + - * 1. Cost-benefit analysis (CBA) (economic evaluation)
* Identify welfare impacts on society, both costs and benefits, for each project option – these impacts include both market and non-market specific impacts in the areas previously described as social, environmental and economic.
* Describe the methodology to be used. In general, this will be a net present value assessment at an aggregate level relative to the base case.
* Quantify and monetise costs and benefits at the level of accuracy of ‘concept estimate’ to ‘developed concept estimate’. Note the level of accuracy should be determined based on the scale and complexity of this investment. Assumptions should be provided to justify estimates used.
* Once costs and benefits have been estimated, agencies should discount impacts back to present values and rank the project options. Note distributional impacts, while an important factor for government decision-making, are not included in the headline results (e.g. the net present value (NPV)) of the economic evaluation (which addresses welfare impacts to society as a whole).

**Tips**

* Outline the outcome of the economic analysis including BCR.
* Include commentary should the CBA be improved with ROA (return on assets (or investment)) calculation.
* For further information on completing this part see *Stage 2: Prove guideline*.
  + - 1. Financial analysis
* Provide an estimate of the capital and whole of life (output) costs of the project options and describe the process by which the estimate was derived (e.g. workshop, previous project). The analysis needs to allow decision-makers to consider the option that will deliver the best outcomes in line with Government objectives, including State budget considerations, and will have a demonstrable effect on output/service delivery performance.

**Tips**

* Costs need to;
  1. – be evidence-based, realistic estimates, but are not intended to be comprehensively constructed from first principles; and
  2. – provide sufficient detail to allow the NPV comparison of options.
* Refer to the *Preparing project budgets for business cases – Technical guide*.
  + - 1. Risk comparison
* The risk assessment for the purpose of this document needs to be sufficient to enable relative comparison of options.
* Describe the risk assessment process for the project options analysis. This may include a risk workshop. Risks identified should consider the financial, economic, social and environmental analyses.
* Provide a summary of key risks that are critical to differentiate the success of the investment in relation to the project options considered. Significant uncertainties may warrant a different approach to the investment to incorporate flexibility to manage the uncertainty.

For HVHR projects:

* provide a list of costed risks and the overall funding allocated in the project to risk; and
* identify and allocate risks in the risk analysis to relevant proponents involved in the project’s delivery, including mitigation solutions as applicable.

**Tips**

* In identifying the key risks to consider, the following is a (non-exhaustive) list of risk categories: project interface; change in law/policy; commercial; commissioning; completion/construction; contractual; demand; economic; environmental; financial; implementation; investment planning; management; obsolescence; operations; organisational; political; private sector; regulatory technological; residual value; and upgrade.
* Risks should be comparative, and benchmarked on, to similarly delivered projects.
* The development of any risk frameworks should be compliant with State, Victorian Managed Insurance Authority and DTF risk standards, and in accordance with the *Financial Management Act 1994*.
  + - 1. Interdependencies
* Identify key interdependencies and related project interfaces critical to benefit delivery (e.g. reliance on other projects or decisions). This includes projects currently underway and projects where funding is being sought. These may require a level of flexibility to be built into the proposal.
  + - 1. Uncertainties
* Uncertainty is defined as an event or change in conditions that can impact investment success. It usually relates to the investment need or problem, and is driven by external factors outside the project team’s control, which can impact the need for an investment or the benefits that are likely to be realised.
* Consider the extent to which the initiative may be impacted by uncertainty:
  1. – Identify potential sources of uncertainty – are there any factors outside the project team’s control that could impact demand for a service or problem need, or the Government’s ability to realise the intended benefits or the market’s capacity to deliver the investment?
  2. – Outline the likely outcomes if these uncertainties are realised on the investment.
* Consider how Government could deal with this uncertainty effectively and proactively respond to prevailing conditions:
  1. – Outline any opportunities to maintain flexibility that could be incorporated into the proposal to deal with uncertainty, including how:
  2. – Government’s obligations could be minimised in situations characterised by uncertainty and irreversibility;
  3. – decision making can be delayed or staged to allow for greater certainty before committing Government to further expenditure;
  4. – real options to expand, contract or switch inputs/outputs could be used to add value to an investment or lead to enhance benefits; and
  5. – assets can be future-proofed to ensure they are resilient to changing conditions and can meet evolving service delivery requirements.
  6. – Define the trigger points that would prompt Government to consider taking any flexibility options.
* If the project’s success is likely to be impacted by climate change (e.g. flooding, bushfire, storm surge and heatwaves), it is important to incorporate the uncertainty associated with the timing, size and extent of those potential impacts and to consider a range of possible future climate conditions.

**Tips**

* Real options analysis is less relevant when the investment decision needs to be made upfront as an ‘all or nothing’ commitment, however, investments that lack flexibility despite facing significant uncertainty should generally recognise this cost when evaluating options.
* Practitioners are encouraged to use decision trees to set out project triggers or decision points that could lead to different project trajectories or pathways, and the investment outcomes that are likely if uncertainty is realised on the investment.
* The process diagram below may assist in considering uncertainty:

|  |  |  |
| --- | --- | --- |
| *Identify the primary sources of uncertainty that could impact the investment* | What externalities could impact the investment need or demand for a service, the preferred response, solution implementation or benefits realisation?   * Could any of the uncertainties materially impact the business case assumptions and assumed future state? | |
| *Identify how these uncertainties are likely to impact the preferred investment strategy* | What would your ‘preferred investment strategy’ look like under different conditions and future states?  Under what circumstances would the preferred investment strategy:   * no longer offer the best value for money? * no longer achieve the intended benefits? * be less effective than a different approach? or * be regretted? | |
| *Identify how to increase the investment strategy’s flexibility to better deal with uncertainty* | If conditions or assumptions do not turn out as you expect, what actions would you take to adapt the project to suit prevailing conditions?  For example:   * delaying or staging investment until there is greater certainty; * expanding or reducing capacity to suit changes in demand; * switching inputs /outputs to suit changes in demand or supply; * abandoning the investment; * increasing design flexibility to add greater resilience. | |
| *Identify trigger points that would prompt a decision to take a different course of action* | An event(s) or change of conditions e.g.:   * population increase or decrease * change to demographic makeup * economic downturn/upturn * failure of project interdependency | * globalisation/isolationism * climate change * switch in technology platform * new market participant |

* + - 1. Integrated analysis and options ranking
* Summarise, at a high level, the relative merits of the options considered.
* To the extent that costs, benefits and risks have been quantified and valued robustly, the preferred option is typically the one with the highest, risk adjusted NPV.
* As the headline result of the economic evaluation does not include distributional impacts or where a project option has significant intangible (or non-monetised) benefits, these impacts can outweigh the difference in NPV between alternative options. This can alter the choice of the preferred option and these trade-offs need to be clarified for decision-makers. Multi-criteria analysis (MCA) can be a useful tool to do this.
* Selection of options can be affected by the risk/uncertainty assessment. Where the NPV of an option is subject to significant uncertainty, it can be difficult to distinguish between alternatives. A low-risk, low NPV option may be preferred to an alternative with higher but more uncertain net benefits. The level of uncertainty may suggest that flexibility needs to be built into the recommended approach, for example, allowing decisions to be made progressively as more information becomes available.
* In a summary table (see example below), provide an integrated assessment of financial and non-financial impacts to arrive at a ranking of project options. Where a MCA is included in the integrated assessment, outline the relative weighting of the financial and non-financial components.

Table x: Presenting the results of the options analysis

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Project option 1:  Business as usual/ do nothing | | Project option 2 | Project option 3 | Project option 4 | Project option 5 |
| Analysis period (years) | |  |  |  |  |  |
| Capital costs ($m) | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Output costs ($m) | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Risk and contingency allocation ($m) (a) | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| *Cost-Benefit Analysis (of monetary costs and benefits discounted at the appropriate discount rate)* | | | | | | |
| Present value of benefits ($m) | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Present value of costs ($m) | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Benefit cost ratio | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Net present value ($m) | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| *Other important considerations (see the examples provided)* | | | | | | |
| Social, environmental and economic costs / benefits (e.g. small, medium, large) | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Distributional impacts (e.g. small, medium, large) | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| … | |  |  |  |  |  |
| *Multi-Criteria Analysis (ranking of intangible costs and benefits, if applicable)* | | | | | | |
| Criteria 1 | |  |  |  |  |  |
| Criteria 2 | |  |  |  |  |  |
| Criteria 3 | |  |  |  |  |  |
| *Preferred option* | |  |  |  |  |  |

*(a) this should be differentiated between capital and output costs*

* + - * 1. Testing the robustness of the options analysis
* Conducting a sensitivity analysis is a form of quantitative analysis to examine how NPVs, benefits, costs or other outcomes vary as individual assumptions or variables change. This approach may be used to test the robustness of the project options analysis, particularly for larger investments.
* The following table can be used to present this analysis.

**Tips**

* Examples of sensitivities may include increases in capital costs, wage cost adjustments; CPI growth; changes to revenue streams.
* Information should include a:
  1. – high-level summary of the key assumptions for the options assessment; and
  2. – description of the robustness of the options analysis in relation to key assumptions made.

Table x: Sensitivity analysis

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Project option 1: Base case(a) | Project  option 2 | Project  option 3 | Project  option 4 | Project  option 5 |
| No parameters adjusted |  |  |  |  |  |
| Sensitivities |  |  |  |  |  |
| Sensitivities |  |  |  |  |  |
| Sensitivities |  |  |  |  |  |

*(a) Refer to the* Stage 2: Prove guideline *for an explanation of the base case (page 23).*

* + 1. Deliverability of recommended solution
* This section should detail:
  1. – why the recommended solution is the most effective and actionable;
  2. – how the proposed solution is feasible and deliverable; and
  3. – how it is proposed to be managed throughout its lifecycle.
* Information should build on the material and analysis presented earlier in the business case, providing more detailed information on costing and scoping of the recommended solution, project assumptions, commercial and financial aspects of the project, management and governance of the project and project delivery.
* For HVHR projects, a high-level schedule, including stage delivery and timelines for individual elements (as applicable), and Gateway review points, should be included as an Appendix.

**Tips**

* To avoid duplication, refer to earlier sections where appropriate.
* Include evidence of similarly delivered projects where possible.
  + - 1. Details of recommended solution
* Clearly state which project option is the recommended solution, addressing the rationale for its selection in light of the integrated assessment, stating its details (including objectives and a project scope statement).
* If a major asset is required, provide a brief summary of the design and specifications to the extent they have been developed. Note: detailed designs are not expected at this stage, however, departments must provide enough information to support a rigorous costing.
* Provide details on:
  1. – output requirements associated with changes proposed to service delivery including VPS and non-VPS staffing implications;
  2. – where appropriate, a summary of key elements of the design feasibility study that demonstrates the long-term vision for the preferred option in the broader urban/environmental context;
  3. – a ‘Design Intent Statement’ to demonstrate the intended level of design quality and identify what design aspects of the project need special consideration;
  4. – preferred sequencing or staging of the project solution and justify why staging /sequencing is required or desired;
  5. – significant broader impacts specific to the implementation of the recommended solution, including locational details and service area impacts; and
  6. – how the solution is consistent with, or addresses, public interest issues such as equity, access, etc.
     + - 1. Performance measures
* Analyse how well the recommended solution addresses the problem and key benefits.
* Provide references to the evidence of benefit delivery identified in section 3 and provide further specific information on performance measures for the proposed project This should include a detailed description of:
  1. – how well the recommended solution delivers identified benefits; and
  2. – the specific KPIs that relate to the recommended solution.
* Refer to the appended benefit management plan (Appendix A) to inform this section.
* Most investments will affect output performance measures. The impact on existing outputs and performance measures should be specified indicating both the changes to output metrics relative to current levels and the timing of that impact.
* Measures not used in Budget Paper No.3, or proposed for inclusion, should be clearly outlined alongside a proposed reporting mechanism to Government.

**Tips**

* Refer to the Performance Management Framework and the *DTFIR 2018-19 budget process Attachment E – Additional information* for guidance.
* In assessing the impact of performance of a capital project, benefits may not be immediate and may only be realised once the asset is delivered. In these instances, the business case should specify the expected future impact on performance once operational. For example, if new trams are funded, this will increase capacity on the network and potentially reduce congestion, improving passenger outcomes. These benefits will only be realised once the asset is operational.
* Define the measures and key performance indicators that will show whether the benefits have been delivered. These benefits provide evaluation criteria and objectives for the development and selection of interventions and options. Where a public measure does not currently exist to adequately reflect the benefit of the requested investment, a new measure should be proposed for public reporting.

|  |  |  | Baseline | Change in target if proposal is endorsed | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Performance measures (as per BP3) | Existing / New | Unit of measure | 2017-18 published target | 20xx-xx | 20xx-xx | 20xx-xx | 20xx-xx | 20xx-xx |
| Output name: | | | | | | | | |
| Quantity |  |  |  |  |  |  |  |  |
| Quality |  |  |  |  |  |  |  |  |
| Timeliness |  |  |  |  |  |  |  |  |
| Cost |  |  |  |  |  |  |  |  |

* + - 1. Commercial and financial
         1. Market conditions

**Market conditions**

* Outline whether and how market conditions may pose a risk to the project’s cost, delivery timeframe or outcomes.
* Consideration should be given to:
  1. – Is there expected to be sufficient market interest in delivering the recommended solution?
  2. – Will other concurrent projects saturate specific markets. If yes – which ones?
  3. – Is there expected to be sufficient market capacity to deliver the recommended solution such that a competitive outcome is likely to be achieved?
  4. – Any constraints/issues experienced by similar projects, such as limited responses to tenders.
  5. – Anticipated cumulative effect of other known projects being delivered concurrently (within and outside of the same portfolio and jurisdiction where known).
* If any market sounding has been undertaken, summarise and outline key findings.

**Resource availability**

* Outline any specific skills and/or materials required to deliver the project and the likely availability of these resources.
* Consideration should be given to:
  1. – Is there expected to be any constraints in sourcing these resources? If so, outline how this may pose a risk to the project’s cost, delivery timeframe or outcomes.
  2. – Where capability and capacity issues are identified, these risks and mitigation strategies should be outlined in section *6.2.3 Risk assessment and management*.
  3. – Anticipated cumulative effect of other known projects being delivered concurrently (within and outside of the same portfolio and jurisdiction where known).

**Tips**

* This section can be duplicated across like business cases within the portfolio where the same market conditions and resource availability will apply.
* If there are multiple projects that seek to draw on the same market and departmental resources, this interface relationship and impact should be outlined.
  + - * 1. Procurement
* Provide a summary of the procurement options analysis – method and process, showing ranking of options against criteria used to select recommended procurement strategy. (The table below may assist with this.) Analysis should consider:
  1. – any market feedback or constraints identified in section *6.2.1 Market conditions*;
  2. – how risks are allocated and managed under different models; and
  3. – the organisation’s experience and capability to deliver the preferred procurement method and manage the contract during delivery and/or operations.
* Detail the recommended procurement approach for this investment, justifying why it is the best value-for-money option, including:
  1. – an outline of the benefits (e.g. the model’s capacity to include flexibility or better manage risk) and any deficiencies of the recommended approach (e.g. time, cost, whole of life value and quality);
  2. – if deficiencies are identified, these risks and mitigations strategies should be outlined in section 6.2.3 *Risk assessment and management*; and
  3. – an outline of how price competition will be maintained at each procurement stage.

**Tips**

* Refer to Procurement strategy guideline for business case development for additional guidance.
* Outline the extent to which the preferred procurement approach aligns with the common procurement models (such as those outlined in the DTF Procurement Strategy Guideline). When using the Early Contractor Involvement (ECI) and Managing Contractor procurement models, departments should ensure they have met the requirements of the Alliance Guidelines, available on the DTF website.
* Where applicable, market sounding activities could be included as part of the development of procurement options.
* If a public private partnership procurement approach is being proposed, the Partnerships Victoria team at DTF can advise on the additional details required.
* If project alliancing is being considered, full business case requirements are different. Please contact the *Alliancing team* in DTF Commercial Division for further advice or consult the *National Alliance Contracting Guidelines*.

Table x: Evaluation procurement matrix sample

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Evaluation criteria | Importance of criteria (a) | Option 1 | Option 2 | Option 3 | Option 4 |
| Risk allocation and management |  |  |  |  |  |
| Organisational capability |  |  |  |  |  |
| Time to develop the project |  |  |  |  |  |
| Time to deliver project |  |  |  |  |  |
| Market interest |  |  |  |  |  |
| Value for money |  |  |  |  |  |
| Budget certainty |  |  |  |  |  |
| Flexibility (future scope changes) |  |  |  |  |  |
| Stakeholder management |  |  |  |  |  |
| Overall rating | 100% |  |  |  |  |

*(a) ‘Importance of criteria’ should align to the priorities, objectives and trade-offs of the proposed solution.*

* + - * 1. Risk assessment and management
* Provide a detailed risk assessment of the recommended solution, outlining key risks and management strategies.
* The risks may highlight the need for a flexible approach to the investment, e.g. where the uncertainties may be resolved at a point in time (e.g. success or failure of a pilot study), and flexibility can be built in to allow an informed decision at this time (e.g. whether to proceed with the full investment). Include an overview of proposed arrangements for ongoing risk monitoring and management (add the risk management strategy and risk register as an appendix).

**Tips**

* Asset projects – refer to the *Risk management guideline* for further information on how to implement and apply risk management in a project management context.
* Risk registers should include treatment plans for all significant and high-rated risks.
* Consider risks from similar projects previously delivered, particularly those associated with delay.
* Refer to the AS/NZS *ISO 31000:2009 Risk Management – Principles and Guidelines* (the Victorian Government Risk Management Framework).

Table x: Key risks to the success of this investment

|  |  |
| --- | --- |
| Risk | Management strategy |
| [Describe risk] | [Outline strategy for management] |
|  |  |

* + - * 1. Detailed costing

**Departments are required to consult with DTF to agree costings before submitting the business case for budget funding consideration**

* Provide a detailed overview of the costing for the recommended solution, including capital TEI and output costs. Include budget cash flow over a relevant period for both capital and output amounts.
* The project budget estimate, including base cost estimate, base risk allocation and contingency, should be based on a project scope statement at the preliminary design estimate level.
* Identify the impact on output funding and the breakdown of operating costs to key components such as staffing, maintenance, depreciation, Capital Assets Charge (CAC), etc. This detail should extend over a reasonable period of years to allow a whole of life costing perspective.
* Asset projects – refer to the *Preparing project budget for business cases – Technical guide* for specific guidance on development of the project budget. The tables below are based on this guidance and may be modified to incorporate appropriate details.
* For HVHR projects, the base cost estimate should be prepared to within a ±5 per cent level of reliability, as per the project scope statement (refer to page 20 of the technical guide).

**Tips**

* Other guidance that can be referred to includes the Budget Operations Framework (BOF), for CAC and depreciation and the *DTFIR 2018-19 budget process Attachment E – Additional information* for staffing and other policy and program specific costs.
* When calculating costs, it is important to include the rationale for how costs have been determined. Where available, benchmarks and past funding should be used as the basis for current cost estimates.
* Estimating project risk allocations
  1. – A base risk allocation is the most likely value of all costed project risks in delivering the project scope. These risks need to be clearly defined and rationale presented for why they are likely to exist/eventuate.
  2. – While risks are expected to be managed over the life of a project, it is expected that risk and uncertainty decreases as the project progresses across key milestones. This is also commensurate with the project’s complexity, and should be reflected in the cost estimates and phasings.
  3. – Contingency allocations should be based on a portion of these risks eventuating.
  4. – Price escalation of parts and materials is a common example of a project risk.
* Estimating project contingencies
  1. – A contingency is an allowance above the base risk allocation. While contingency is expected to be managed over the life of a project, it is expected that risks and uncertainty decrease as the project progresses across key milestones. This should be reflected in the cost estimates and phasings.
* Calculating Capital Assets Charge (CAC):
  1. – CAC is calculated as 8 per cent of the written-down value (Gross value less accumulated depreciation and impairment) of controlled non-current physical assets in the balance sheet.
  2. – Therefore, if a department’s written-down value of its controlled non-current physical assets is $1 000 000 the CAC will be 8 per cent of this, or $80 000.
  3. – CAC should not be escalated over the forward estimates.
* Calculating depreciation
  1. – Depreciation is calculated from the year that the asset is completed over the useful life of the asset. Depreciation will accumulate over this time as the asset is written down.

Table 1: Headline project cost element summary

|  |  |  |
| --- | --- | --- |
| Element | Estimate | Table reference |
| Base cost estimate | $0.000m | (Table 2) |
| Base risk allocation | $0.000m | (Table 3) |
| Project cost estimate | $0.000m |  |
| Value Creation and Capture option(s) | $0.000m |  |
| Contingency | $0.000m | (Table 3) |
| Project budget | $0.000m |  |

Table 2: Base cost estimate

|  |  |  |
| --- | --- | --- |
| **Base cost estimate (BCE)**  Effective date of BCE: dd/mm/yyyy  Estimated date of commencement of construction: dd/mm/yyyy | | |
| *1 Direct costs* |  | *$ million* |
| 1.1 Materials |  | 0.000 |
| 1.2 Labour |  | 0.000 |
| 1.3 Plant Hire |  | 0.000 |
| **Subtotal** |  | **0.000** |
| *2 Indirect costs* |  |  |
| 2.1 Recurrent overheads |  |  |
| 2.1.1 | Site facilities | 0.000 |
| 2.1.2 | Plant and equipment – site maintenance | 0.000 |
| 2.1.3 | Project management costs | 0.000 |
| 2.1.4 | Commercial | 0.000 |
| 2.1.5 | QA and safety | 0.000 |
| 2.1.6 | Staff (VPS) | 0.000 |
| 2.2 Non-recurrent overheads |  |  |
| 2.2.1 | Establishment and mobilisation | 0.000 |
| 2.2.2 | Disestablishment and demobilisation | 0.000 |
| 2.2.3 | Project insurances | 0.000 |
| 2.2.4 | Professional fees – design, legal, financial, etc. | 0.000 |
| **Subtotal** |  | **0.000** |
| *3 Owner’s cost* |  |  |
| 3.1 Contracted professional staff |  | 0.000 |
| 3.2 Investigations |  | 0.000 |
| 3.3 Land costs and resumptions |  | 0.000 |
| 3.4 Authority fees |  | 0.000 |
| 3.5 Owner supplied plant and equipment |  | 0.000 |
| **Subtotal** |  | **0.000** |
| *4 Contractor’s fee* |  |  |
| 4.1 Profit margin |  | 0.000 |
| 4.2 Corporate overheads |  | 0.000 |
| **Subtotal** |  | **0.000** |
| *5 Provisional sums* |  |  |
| 5.1 |  | 0.000 |
| **Subtotal** |  | **0.000** |
| Total of base cost estimate | | 0.000 |

Table 3: Project risks

|  |  |  |
| --- | --- | --- |
| Base risk allocation and contingency | | |
| *6 Base risk allocation* |  | *$ million* |
| 6.1 Escalation | (period between BCE and construction) | 0.000 |
| 6.2 Project risk A |  | 0.000 |
| 6.3 Project risk B etc. |  | 0.000 |
| **Subtotal** |  | **0.000** |
| *7 Contingency* |  | *$ million* |
| 7.1 |  | 0.000 |
| **Subtotal** |  | **0.000** |
| Total of project risk |  | 0.000 |

* + - * 1. Economic evaluation/value
* The NPV estimate should be recalculated based on the refined costs and a more developed assessment of the benefits for the recommended solution. Agencies may need to invest in valuation techniques such as:
  1. – market-based valuation;
  2. – revealed preferences;
  3. – stated preference; or
  4. – benefit transfer method;
  5. to better assess the monetary value of benefits. Note: this should only be undertaken if the additional effort and expense incurred in assigning monetary values reflects the likely size of those impacts.
* Based on the detailed costing of capital, outputs and benefits for the recommended solution, formalise the economic analysis (e.g. NPV and BCR) to demonstrate the investment’s economic impact.
  + - * 1. Funding sources
* Describe proposed funding sources and possible alternatives, including, but not limited to:
  1. – potential contributions from other levels of government, private sector, sale of assets, value capture, etc.;
  2. – a summary of the sources of funding requirement for capital and output costs, which will be required for budget deliberations;
  3. – revenue offsets or fee for service charges;
  4. – offsets, including savings;
  5. – the consequences of adopting a market based solution; and/or
  6. – other funds across Government, including, but not limited to, Growth Areas Infrastructure Charge, Victorian Property Fund, Community Support Fund, Sustainability Fund.
* If you are nominating a funding source outside your department it is expected that you have consulted with the relevant entity to ensure that the initiative meets eligibility criteria and that there is available capacity.
* This should be reflected as an offset in the detailed financial costings.
  + - * 1. Staffing impacts
* Estimate the number of staff that will be employed if this initiative is endorsed, numbers entered should be full time equivalents (FTE) to one decimal place.
* If this initiative has multiple components, please specify the staffing for each component separately. When completing the following table, insert additional rows where there are multiple components and/or VPS levels, as applicable.
* Specify if staff will be located in regional areas and, if so, where.

**Tips**

* *VPS staff* – please refer to *The State of the Public Sector in Victoria 2015-2016* report available on the Victorian Public Sector Commission (VPSC) website for more information (pages 36 to 37).
* *Non-VPS staff* – other workforce groups (e.g. doctors, police, firefighters, teachers).
* Refer to the *DTFIR 2018-19 budget process Attachment E - Additional information* for further details on costings.
* As a guide, staff are classified as follows:
* – *Front line* – client-facing roles, e.g. child protection practitioners (VPS), teacher (non-VPS);
* – *Back office* – non-client facing roles; and
* – *Contractor* – individuals engaged to undertake work that would or could be regarded as normally undertaken by an employee.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Functional category |  | VPS level | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Ongoing |
| New VPS staff | Frontline |  | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|  | Back Office |  | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|  | Contractor |  | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Existing VPS staff | Frontline |  | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|  | Back Office |  | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|  | Contractor |  | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-VPS staff (specify category e.g. nurse, teacher) | Frontline |  | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Back Office |  | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Contractor |  | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total |  |  |  |  |  |  |  |

* + - 1. Management
         1. Governance and project management strategy
* Outline the proposed governance framework and project management strategy, demonstrating its suitability and robustness.
* For HVHR projects:
  1. – include a detailed organisational chart for Stage 3 (Procure) and include a high-level organisational chart for Stage 4 (Implement) and an estimate of the resources (i.e. FTE requirements) required to develop and manage the project for Stages 3 and 4; and
  2. – DTF and the proposed delivery agency must be included in the project governance structure and a Senior Responsible Owner must be identified (or proposed) for all investments.
* For ICT projects:
  1. – the relevant departmental or agency Chief Information Officer should be included in the governance structure; and
  2. – a high-level project management plan is included (refer to Project governance - technical guide).
* Provide an assessment of the organisational capability, capacity, standards and methodology, which would allow the project to be delivered successfully:
  1. – What is the organisation’s experience in delivering and managing similar projects and for managing the preferred procurement method (in line with section 6.2.2)?
  2. – If gaps in the organisation’s capability and capacity are identified, these risks and mitigation strategies should be outlined in section *6.2.3 Risk assessment and management*.

**Tips**

* A project management plan can be submitted as an Appendix to the business case (refer to Appendix F in the Project governance – technical guide for an example template).
* For asset projects, each department’s governance framework should take into consideration principles of the *Asset Management Accountability Framework*.
  + - * 1. Stakeholder engagement and communications plan
* Provide detailed information about key stakeholders in relation to the recommended solution, including:
  1. – an outline of key elements of stakeholder and communications analysis describing stakeholders, their likely position on the project and plans to manage that; and
  2. – if available, attach as an Appendix a proposed high-level stakeholder engagement and communications strategy covering the approach to dealing with stakeholders both upon project announcement and ongoing during the project.
* Where the initiative significantly involves the Aboriginal community, include details on how the community has been, and will continue to be, involved.
  + - 1. Delivery
         1. Change management
* Outline the scope of organisational/process change management required to effectively deliver the benefits. This may involve process re-engineering, staff retraining, required to transition from existing arrangements to support the operation of the new investment.
* If change management requirements are significant, consider appending an outline of the change management strategy. Note this does not include management of proposed scope changes during implementation.

**Tip**

For ICT projects, a handover strategy from project team or proponent to end users is considered important.

* + - * 1. Timelines and milestones

List the major milestones and deliverables and their delivery timelines, including:

* an outline of the high-level project schedule;
* procurement steps and statutory approvals;
* key decision points for project progression, termination or otherwise (particularly for real options, if applicable);information on potential competing priorities, project interfaces and dependency analysis, skills, capabilities, availability of agency staff and specialist experience, etc.;
* risk and mitigation strategies for meeting milestones; and
* advice on public communication of project timelines (to be consistent with communications strategy).

**Asset proposals**

Dates are required for the following six milestones. All projects published in *Budget Paper No. 4: State Capital Program* are required to report against these milestones for inclusion in the Major Projects Performance Report to Cabinet sub-Committee (refer to Major projects and capital program performance reporting guidance DTFIR for more details):

* 1. 1. *Business case completed* – date the full business case is expected to be approved by the Minister or most senior authorising officer. (This is required for business cases seeking funding for business case development.)
  2. 2. *Tender released* – date the request for tender is expected to be released to market.
  3. 3. *Contract signed* – date the contract is expected to be signed by both parties.
  4. 4. *Building commenced* – date the contractor is due to commence construction.
  5. 5. *Building completed* – date construction is due to be completed and the site handed to the department.
  6. 6. *Operations commenced* – date the asset is due to commence delivery of services.

**Tips**

For HVHR projects this section should also demonstrate that:

* timelines are consistent with or comparable to similar projects previously delivered;
* sufficient time and resources have been allocated for the required planning approvals and procurement activities (e.g. tender development, market response, evaluation and award); and
* a process to manage delays (e.g. contingency plan).
  + - * 1. Readiness and next steps
* Detail plans to transition the proposed investment to the next stage (i.e. *Stage 3: Procure*). This should include (but not be limited to) the following:
  1. – main areas of uncertainty to be resolved in the next stage;
  2. – on-boarding of staff;
  3. – land acquisitions;
  4. – engineering work (including site surveys, geotechnical assessments, etc.) to be further progressed; and
  5. – if cost and schedule assumptions and targets are expected to be refined further.
* A detailed schedule for the Procurement phase, which includes key milestones, is recommended to be submitted as an Appendix.
  + - * 1. Exit strategy
* Detail the exit strategy and the factors that could lead to wanting to exit either early, at term or if funding is not approved.
* Investments may be time limited or may involve pilot studies. This section allows for consideration of what termination rights are desirable at key review or decision points, e.g. lapsing programs.

# Appendix A – Investment Management Standard Outputs

Include the outputs from the Investment Management Standard (IMS) workshops as applicable:

* Investment Logic Map (ILM) defining the problems and benefits – output from Problem Definition workshop;
* Benefit Management Plan (BMP) – output from Benefit Definition workshop;
* Response Options Analysis Report (ROAR) – output from Response Definition workshop; and/or
* Investment Concept Brief (ICB) – output from Solution Definition workshop.

# Appendix B – Financial data presentation

* The following tables are a guide to data inclusion and should be used or supplemented as appropriate. Operating costs should be addressed over a reasonable period to allow a whole of life perspective.
* Modify tables as required (e.g. adjust period to capture output costs from commencement of the operation of new facility, add/delete rows).
* Detailed costing spreadsheets should accompany all business cases.

## B.1 Funding history

* Provide details of the funding history for this or similar/related initiatives. Include funding for:
  1. – an earlier stage in a multi-stage project;
  2. – business case development or scoping study;
  3. – a lapsing program; and/or
  4. – a related program that has broadly the same policy objective as this initiative.
* If applicable, include expenditure history (i.e. how much was spent on this or similar/related initiatives).
* The description should clearly articulate the source of funding (e.g. new budget/internal re‑prioritisation).

|  | ($ million) | | | | |
| --- | --- | --- | --- | --- | --- |
| Description of funding provided | 20xx-yy | 20xx-yy | 20xx-yy | 20xx-yy | 20xx-yy |
|  | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
|  | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
|  | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

## B.2 Existing funding base

* Provide details of the existing funding base that has been provided for this or similar/related programs, including funding that is in the department’s base and for any related lapsing programs.

|  | ($ million) | | | | |
| --- | --- | --- | --- | --- | --- |
| Description of funding provided | 20xx-yy | 20xx-yy | 20xx-yy | 20xx-yy | 20xx-yy |
|  | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
|  | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
|  | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

## B.3 Budget impact – capital

| Capital funding | ($ million) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| Estimated asset investment cash flow | 20xx-yy | 20xx-yy | 20xx-yy | 20xx-yy | 20xx-yy | TEI |
| (Component a) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| (Component b) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| (Component c) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Risk allocation | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Contingency allocation | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Subtotal (gross asset price increase)** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** |
| Funds from other sources  (e.g. asset sale proceeds, Commonwealth funding, GAIC, trust accounts) – specify | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| Net impact on capital appropriation | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

## B.4 Budget impact – operational

| Output funding | ($ million) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| Price change requested for provision of output | 20xx-yy | 20xx-yy | 20xx-yy | 20xx-yy | 20xx-yy | Ongoing |
| (Component x) gross output price | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| (Component y) gross output price | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Consultants | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Maintenance costs | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Subtotal (gross asset price increase)** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** | **0.000** |
| Offset from internal reprioritisation | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| Offset from revenue | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| Funds from other sources  (e.g. asset sale proceeds, Commonwealth funding, GAIC, trust accounts) – specify | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| Net impact on capital appropriation | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

## B.5 Budget impact – CAC and depreciation

|  | ($ million) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | 20xx-yy | 20xx-yy | 20xx-yy | 20xx-yy | 20xx-yy | Ongoing |
| Capital asset charge | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Depreciation expense | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

## B.6 Existing funding base over forward estimates

Existing revenue estimates for this initiative:

|  | ($ million) | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Existing revenue financial impact | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | Total | Ongoing |
| Existing revenue in the forward estimate | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

New revenue:

* New revenue should only be proposed if it is directly attributable to this initiative.
* Policy endorsement of any proposed changes to revenue policy will be considered separately.

|  | ($ million) | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| New revenue financial impact | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | Total | Ongoing |
| New revenue initiative 1 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Impact on existing revenue increase/(decrease) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Net revenue impact | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

# Appendix C – Checklist and sign-off

Signoffs are required by:

* Primary author;
* Senior Responsible Owner (or departmental Chief Financial Officer) on Gateway’s Project Profile Model (PPM) included to update proposal risks; and
* Department’s Secretary – required for full business cases to be considered by the Government.

In establishing the project budget estimate, the Senior Responsible Officer should sign off on:

* the statements of the service benefits and project scope;
* the adequacy of the project budget, including the base cost estimate, risk assessment, base risk allocation and contingency; and
* should be supported by additional sign offs from the:
  1. – base cost estimator; and
  2. – agency and its advisers on base risk allocation and contingency.

Details of any review process (e.g. for HVHR projects, Gateway reviews are mandatory) should be provided.

A quality assurance checklist such as the one set out below, should be included with business case submissions seeking endorsement from the Departmental Secretary. See *Stage 2: Prove guideline* for more details.

| Initiative title: | | [Business case / Initiative title] | Yes |
| --- | --- | --- | --- |
| Department: | | [Department title] |
| 1. | Has a *Business case cover sheet* been completed to accompany this business case? | |  |
| 2. | Have costings been agreed with DTF/DPC? | |  |
| 3. | Was DTF/DPC consulted during the preparation of the business case? | |  |
| 4. | Is the need clearly established (e.g. investment concept brief)? | |  |
| 5. | Are the links to Government policy(ies) and contributions explicit? | |  |
| 6. | Is there a clear statement of the service benefits and project scope, and are future implications noted? | |  |
| 7. | Are cost estimates provided for capital and operational phases? | |  |
| 8. | Have cost and risk estimators signed off on the adequacy of their work? | |  |
| 9. | Is the project budget including the base cost estimate, risk assessment, base risk allocation and contingency adequate? | |  |
| 10. | Do cost and benefit estimates and analyses demonstrate value for money? | |  |
| 11. | Are the project deliverables clearly stated? | |  |
| 12. | Is a benefit management or evaluation plan included? | |  |
| 13. | Are risk management processes in place and assumptions stated? | |  |
| 14. | Does the proposal assess the project schedule and readiness (including market appetite)? | |  |
| 15. | Are governance structures identified? | |  |
| 16. | Are stakeholder interfaces detailed? | |  |
| 17. | Are regulatory requirements identified? | |  |
| 18. | Has a Project Profile Model (PPM) been completed and sent to DTF? | |  |
| 19. | Is the project high-value high-risk? | |  |
| 20. | Have Gateway reviews been undertaken? | |  |
| 21. | If applicable, have the relevant VCC documents been completed and included? | |  |

This model checklist is designed for the project proponent’s endorsement.

|  |  |  |  |
| --- | --- | --- | --- |
| Prepared by: |  | Date: |  |
| Approved by: |  | Date: |  |

|  |  |  |  |
| --- | --- | --- | --- |
| Approving officer/ delegate name: |  | Date: |  |

|  |  |  |  |
| --- | --- | --- | --- |
| Secretary: |  | Date: |  |