

2018-19 BUDGET BUSINESS CASE TEMPLATE GUIDELINES

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Introduction

This document provides guidance for completing the 2017-18 Budget Business Case Template. Where this document cannot provide you with the answers that you need, you also have available to you a range of Treasury memoranda, guidance papers and templates that are published on the FABD SharePoint site, including the Budget Rules and costing templates. This site provides agencies with access to key information in relation to the administration and management of the Territory Budget, as well as central financial reporting processes.

Accessing the Budget Officers SharePoint site

The Budget Officers SharePoint site is protected to safeguard the information contained within it. To access it, you will need to be a registered user. Please contact the Budget Coordination Team to make arrangements for registration (#CMTEDDBudgetCoordinationTeam@act.gov.au).

Please note that access has been limited to CFOs, Budget Contact Officers and certain Finance Officers (who deal with FABD).

Proposals applicable to this template

This template applies to

- all expense proposals;
- all ICT proposals; and
- minor capital works and plant and equipment proposals (defined as “Tier 3” projects under The Capital Framework with an indicative total project value of less than \$10 million).

If you have a major capital works or plant and equipment project (Tiers 1 or 2), please use the template applicable Single Assessment Framework template (<http://www.procurement.act.gov.au/about/capital-framework>) which contains some additional questions pertinent to projects of this size.

Working with your Chief Finance Officer (CFO)

All budget proposals need to be costed and the costs preferably agreed with Treasury prior to submission to Budget Committee of Cabinet. You will need to work with your CFO to achieve this.

The Capital Framework

In addition to the requirements of this template, all capital works proposals need to follow the requirements of the Capital Framework. More information can be gained from <http://www.procurement.act.gov.au/about/capital-framework>.

ICT proposals

Before submission to the Budget Committee of Cabinet, all ICT proposals need to be

- costed in conjunction with the Quality Hub, Shared Services ICT (more detail on p21); and
- reviewed by the Digital Service Governance Committee (DSGC).

The DSGC is the most senior ICT committee in the ACT Government, providing strategic direction, leadership and advice on prioritisation on the development and management of the ACT Government's information and technology assets.

The DSGC seeks to strengthen the benefit realisation of whole of government ICT portfolio investment management across-government by taking a service-wide, citizen-centric approach and looking for ways to share information and resources. By taking a strategic approach to seeking opportunities for whole-of-government initiatives and prioritising service integration, economies-of-scale and/or other improvements to effectiveness and efficiency, the DSGC aims to maximise the value-for-money and benefits realisation derived from the ACT Government ICT investment.

The DSGC ICT Assessment sub-committee convenes to evaluate ICT proposals at concept stage and at business case stage. The sub-committee's evaluation framework is based on a set of criteria that provides a subjective assessment of the proposals. Criteria include the benefits of the proposals, such as alignment to strategy etc, and a constraints criterion to reflect limitations which may impact on the overall success of the initiative.

What makes a good business case?

You are preparing a business case on behalf of your Minister. The business case will be presented to the Budget Committee of Cabinet by your Minister. The purpose of the business case is to provide the critical information that the other Ministers of Cabinet will need to make a decision regarding whether or not to invest Government funds into your Minister's proposal. This template asks the questions designed to elicit that critical information.

Your Minister's business case will also be analysed along the way by the following officials:

- Treasury in all cases;
- in the case of capital proposals, also by Infrastructure Finance and Capital Works (CMTEDD); and
- in the case of ICT proposals, also by the Digital Service Governance Committee (the secretariat is the Office of Chief Digital Officer, CMTEDD).

A Treasury brief will accompany the business case when your Minister submits it to the Budget Committee of Cabinet. The Treasury brief will reflect the results of the analyses of the above officials and will be available to all Ministers to aid their consideration of the proposal. Treasury will also make the brief available to your directorate ahead of the Cabinet meeting, to assist you in briefing your Minister. The usual channel is liaison through CFOs.

A good business case provides strong justification for the proposal, including considerations such as:

- what is the evidence to show that there is a problem;
- why is intervention by government necessary, citing any evidence for this, such as gaps in current service provision or evidence of market failures;
- statistical or other information that may quantify the demand for the product or service;
- the impact of the proposal on current service delivery;
- the consequences of not proceeding with the proposal, for example, social, economic, and/or environmental;
- whether the proposal would bring a net benefit to the ACT economy, bearing in mind that if funds are not spent on this proposal, these resources could be applied to an alternative use;
- the social, environmental and economic costs and benefits;
- whether investment in the proposal will offer an acceptable financial return and be cost-effective;
- whether there are suitable alternatives for government that have been considered, including those requiring a lower level of public funding;
- background information on whether the same or similar proposal has been brought forward in a previous budget process, and whether or not the proposal was successful; and
- how the proposal might be linked to other community activities, including information arising from studies undertaken in the sector or issues raised during the budget consultation process.

Completing the template

The template contains a number of questions in grey text. The questions are designed to guide the development of a convincing business case. They are drawn from many years of experience that Treasury has of the matters that the Budget Committee of Cabinet seeks to address in order to make budget investment decisions. They are applicable to all of the categories of business cases, unless directly specified to the contrary. Your business case will be strengthened if you answer those questions at a minimum.

The amount of detail expected in your answers will, in general, depend on the monetary size and/or risk of your proposal. The higher the cost or risk, the more justification Ministers will need regarding the potential benefits and more assurance that risks have been identified and can be mitigated.

Below is an expanded explanation of the information that is expected in each section of the template.

Cover Page

The Cover Page includes a number of key, quick facts about the proposal and should fit on one page – the cover page – of the whole business case. This is the page that Ministers are likely to most often refer to, so high quality, succinct information will help their decision making. Some of the information is for Treasury statistical or tracking purposes.

Proposal name

This should be an accurate reflection of the proposal. If this is an election commitment/parliamentary agreement item, it should use the same title.

Brief description

Provide a short, two line description of the proposal and its purpose.

Minister

Provide the name of the Minister who has portfolio responsibility for this proposal. Options are (in alphabetical order): Barr / Berry / Fitzharris / Gentleman / Ramsay / Rattenbury / Stephen-Smith.

Where a joint proposal is submitted for consideration, it must be endorsed by all parties before being submitted, eg if more than one Minister will be responsible, all must agree, and/or if a proposal is to be split between two or more agencies, both Directors-General must also agree.

Electorate

Provide the name of the electorate for the proposed physical location of this proposal. Put “All” for proposals that are generally accessible to the community (for example, most health proposals).

Government priority

Identify from the below list the *single* government priority this proposal most strongly aligns with:

- Health and education investment;
- Suburban renewal and better transport;
- Economic growth and diversification; or
- Enhancing liveability and social inclusion.

These are the government priorities which have been used in the last few Budgets – please choose only from these to keep consistency across Budget Papers (noting that they might be subject to change).

Offset

Please identify if any of the expense costs of the proposal are fully offset (“Yes”), partially offset (“Partial”) or not offset (“No”). This also applies to expenses associated with capital and ICT proposals, such as cost of capital.

Impact on Aboriginal and Torres Strait Islander People

Identify if there is a particular impact on Aboriginal and Torres Strait Islander people – Yes or No.

Funding category

For analysis purposes throughout the Budget process, information on the funding categories of proposals is needed. Please indicate as many categories as are applicable to your proposal:

- *Base Pressure* – proposals in this category relate solely to existing services in their current capacity, and not the expansion of such services or new services. They are likely to include increased input costs, increased demand for a particular service in a particular area, and increased compliance as a result of legislative changes. A description of the pressure should be included;
- *Election Commitment* – proposals in this category address a specific election commitment. A description of the commitment should be provided, including any reference to policy statements and reasons for any changes to the announced policy;
- *Parliamentary Agreement* – proposals in this category address a specific item outlined in the Parliamentary Agreement. A description of the commitment should be provided, including any reference to policy statements and reasons for any changes to the announced policy (note that while there will be broad alignment, the scope of an item contained in the Parliamentary Agreement may not necessarily align with that of the original policy announcement or election commitment costing request released/submitted by the ACT Greens during the 2016 election);

- *Expansion* – proposals in this category may relate to the expansion of existing services due, for example, to the broadening of target groups; a refinement or change in focus of an existing program requiring additional funding; or continuation of funding for pilot programs;
- *New* – proposals in this category relate to the implementation of new policy proposals.
- *Revenue* – proposals in this category relate to the introduction or expansion of revenue raising programs. A description of the proposal and a discussion of the target group should be included, as well as the basis and source of revenue to identify whether these are internal or external clients; and/or
- *Proposal Offsets/Savings* – proposals in this category relate to the identification of realistic and quantifiable efficiency or service offsets complementing each expense proposal and matching or exceeding the quantum of funding requested.

Existing program

Identify if the proposed proposal is linked to an existing government program – Yes or No. If yes, please provide the name of the existing program.

Year to cease funding

Identify the year funding will cease, or specify if “Ongoing”.

Link to Budget Consultation

Identify if the proposed initiative has a link to a Budget Consultation Submission. If yes, state the Budget Consultation Submission to which the proposal relates.

- Non-confidential Budget Consultation submissions can be found on the Budget Consultation website (<http://www.budgetconsultation.act.gov.au/input-received>).
- Confidential submissions are available to CFOs and nominated personnel via an intranet-based SharePoint site. Please contact your CFO unit for further details.

Costs agreed with Treasury

Please indicate whether the financial implications (the costings) have been agreed with Treasury – Yes or No.

This is not a mandatory process, but is highly recommended as Ministers prefer to discuss the policy content of business cases rather than argue the basic facts of the business case. You will need to work with your CFO/Finance team and Treasury Budget Analyst to achieve this.

Note that this step is not about seeking Treasury’s agreement to the proposal as a spending proposition. Rather, it is about reaching agreement that the proposed cost is an accurate reflection of the financial parameters and assumptions presented in your Minister’s proposal.

Financial impacts summary

The Financial Impacts Summary section is aimed at briefly identifying the impact on the Territory’s operating result and cash position should the Government agree to fund the proposal. Note the following when completing this section:

- all line items for all years should be completed. If there are no impacts for a particular line item or year, then a zero (0) should be entered;
- an increase in expense, or increase in revenue should be represented as a positive number;
- a decrease in expense, or decrease in revenue should be represented as a negative number;
- all impacts should be shown in thousands of dollars, rounded to zero decimal places. For example, the figures in the table below represent (left to right) \$100,000, \$1 million, \$10 million and \$100 million; and
- if a proposal is to be funded from existing resources, the cost of the proposal should be shown in the text of the business case, while the requested funding line should indicate zero.

To ensure consistency across Government, Treasury has developed a generic salary and on-cost model which agencies should use when costing proposals.

It is recognised that there may be individual cases that have distinct associated costs that are not included in the on-cost model. These may include items such as additional allowances, overtime, security clearances, additional travel requirements and fleet requirements specific to the proposal that are in addition to the general allowance provided for in the model. In such instances, agencies should ensure that proposals clearly separate out these unique costs, and provide full justification for their inclusion.

Financial Impacts Summary	2018-19	2019-20	2020-21	2021-22
	\$'000	\$'000	\$'000	\$'000
Capital Impacts				
Capital	100	1,000	10,000	100,000
Capital Provision				
Expense Impacts				
Expenses				
Expenses – depreciation				
Revenue/Savings/Offsets Impacts				
Revenue				
Savings				
Offsets				

Staffing impact

The Staffing Impacts Summary section should briefly identify the impact on overall staffing levels if the Government were to fund the proposal. You should include a summary of the staffing impact of each business case by classification and function for each year and also complete the table in the template.

Staffing Impact	2018-19	2019-20	2020-21	2021-22
Total Additional FTEs (number)				

Business case contact officer

Provide the name and contact details for the officer who is best placed to discuss with Treasury any items that might need clarification. This need not be the head of a division or branch in all cases.

Part A: The Business Case

1. Proposal executive summary

An executive summary is not mandatory for shorter business cases, but can be included. All larger documents (roughly 10 pages or more), will need an executive summary.

The executive summary should provide a concise overview of the entire business case and should not introduce any information that is not elsewhere in the business case. It should draw on the most significant points from each section, rather than providing just a description of the scope of the proposal. It is usual practice (and drafting officers may find it easier) to write the executive summary last.

Some principles that should be applied in drafting an executive summary are as follows:

- report the key issues and findings without going into detailed analysis;
- summarise concisely the argument for the overall recommendation;
- aim to write the executive summary so that it can stand alone, without the reader having necessarily to refer to the rest of the document unless they wish to “drill down” to find the underlying detail; and
- avoid using jargon (especially technology jargon) and spell out acronyms.

2. Objectives and needs analysis

You will enhance the business case’s chances of success if you:

- outline the objectives of the proposal;
- identify the problem or issue it is trying to address;
- explain why the problem needs to be addressed, including
 - why it needs to be addressed by the Government (are there other sections of the community that might address the problem more appropriately?); and
 - and why it needs to be addressed now;
- identify who the beneficiaries will be and elaborate on:
 - how they will benefit;
 - whether any sections of the community will be disadvantaged or might otherwise be opposed to the proposal; and
- support all of the above with appropriately referenced evidence.

You should also outline in this section how this proposal will impact upon the cost of living in the ACT.

Especially for proposals of higher value, you may wish to conduct a Cost Benefit Analysis (also known as Benefit Cost Analysis or Economic Analysis) to strengthen the justification for the benefits of your proposal. Include a summary of the analysis and its results in this section. For more information on this form of analysis, see *Attachment 1: Information on Cost-Benefit Analysis*. Also see The Capital Framework, at <http://www.procurement.act.gov.au/about/capital-framework>.

Capital works proposals

If an Investment Logic Workshop (ILW) has been undertaken during the preparation of your business case, this is the relevant section to include the results.

3. Description

This section is meant to capture information on the main features of the proposal, including

- location;
- summary timeframe;
- who will implement the proposal; and
- main outputs.

The description should make clear whether the proposal is new or if it arises from a base pressure or expansion of services.

The description should also identify if the proposal is part of a broader program or package. If it is, the description should detail what place this proposal has in the broader program, how it links to the other parts and what authority/ies might exist for the broader program (for example, has there been prior funding approval or in-principle approval for the total program?).

Particularly in the case of expense proposals, the description should also include a brief explanation as to why this proposal is not part of the relevant agency's core or existing activities (if that is the case).

Capital works proposals

For capital works proposals, the description should also include:

- the scope of works,(ie the capital works), including the location, nature of construction, (briefly) main issues and risks (there is a separate section on Risks in the template), and the nature of the work environment; and
- the scope of any services to be delivered by the project (eg health services to be delivered).

Infrastructure Finance and Capital Works will also need to assess the functional brief for the proposal and this should be appended to the business case. More information on the functional brief requirements is at *Attachment 2: Functional Brief – Capital Works Proposals*.

ICT proposals

For ICT proposals, it is useful to also describe:

- user access — who will use the service and what communication or access channels will be made available;
- the technology requirements, including ICT infrastructure, development technology and use of existing systems or data stores, noting, in particular, any new or non-standard ICT requirements; and
- the approach to project implementation, for example, managed service, internal hosting, use of commercial off-the-shelf software, tendered development and systems integration, partnering with other agencies, multiple vendors and cloud tenancies.

4. Policy alignment

An explanation as to how the proposal aligns to current Government priorities should be provided here, including:

- Have any government decisions or announcements been made about this proposal (for example, a previous Cabinet agreement, an intergovernmental agreement)?
- How does this proposal align with the strategic objectives and priorities of the Territory?
- Is this proposal associated with a Government election commitment, Parliamentary Agreement item or legislation change? and
- How does the proposal enhance existing Government policies or programs or deliver new ones?

You should explain the alignment of the proposal with the policies of your Minister's portfolio. In addition, there are a range of whole of government policies that may impact on the proposal. Some to consider are set out below, along with the area of Government that can advise further on the requirements.

If you are aware of additional Government policies that agencies should be considering in the preparation of their budget business cases, please inform the Budget Coordination area of Treasury so that these guidelines can be updated. Contact Paul Hutchinson, Senior Manager – Budget Coordination and Reporting, CMTEDD at paul.hutchinson@act.gov.au or ph: (02) 6205 0068.

Table 1 Whole of government policies and contact officers

Government policy	Responsible area and contact/s
Aboriginal and Torres Strait Islander Agreement	Robyn Forester Director, Office of Aboriginal and Torres Strait Island Affairs Community Services Directorate robyn.forester@act.gov.au ph: (02) 6207 9352
Digital Canberra Action Plan http://www.cmd.act.gov.au/policystrategic/digitalcanberra/actionplan	Ian Cox Executive Director, Innovate Canberra Chief Minister, Treasury & Economic Development Directorate ian.cox@act.gov.au ph: 6207 2004
Digital Strategy http://www.cmd.act.gov.au/digital	Office of the Chief Digital Officer cdo@act.gov.au
Carbon Neutral Government Framework	Dr Stephen Bygrave Executive Director, Sustainability and Climate Change Environment, Planning and Sustainable Development Directorate stephen.bygrave@act.gov.au ph: (02) 6207 6357 Ms Heather Cook Senior Manager, Carbon Neutral Government Program Environment, Planning and Sustainable Development Directorate heather.cook@act.gov.au ph: (02) 6207 6537
Government Infrastructure Plan	Norman Fraser Senior Manager, Capital Works Chief Minister, Treasury and Economic Development Directorate norman.fraser@act.gov.au ph: (02) 6205 3176

Government policy	Responsible area and contact/s
Social Inclusion Statement	Sam Engele A/g Executive Director, Strategic Policy & Cabinet Chief Minister, Treasury & Economic Development Directorate sam.engele@act.gov.au ph: (02) 6205 0230
Women's Plan	Maureen Sheehan Executive Director Strategy, Participation and Early Intervention Community Services Directorate maureen.sheehan@act.gov.au ph: (02) 6207 9031
Strategic Service Planning	Each directorate
Transformational Service Advice	Each directorate

Capital works proposals

Capital works proposals, in particular (but not exclusively), may be affected by the Government Infrastructure Plan and the Carbon Neutral Government Framework. You are encouraged to consult with the relevant areas of government indicated above while you are preparing your business case.

5. Options analysis

A good business case will let the decision maker(s) know that alternative options to the proposal have been considered and explain why the option chosen is preferred over the others, that is, why is it the best value for money to tackle the problem.

Base case

You should always include consideration of the base case, that is the “do nothing” or the “do minimum”. For example, a building is at the end of its useful life and the proposal is to build its replacement. The do minimum option (that is, the base case) might be a combination of:

- building a limited extension to the existing building;
- enhancing a periodic maintenance program;
- refurbishing existing facilities; and/or
- modifying rostering and usage to enhance capacity.

The base case might involve a combination of interim and partial solutions that might have to be put in place if the proposed solution was not undertaken. The base case will have a cost implication. This may be more or less than the preferred solution.

If you are rejecting the base case, your business case needs to explain the reasons why the preferred solution represents superior value for money.

Strategic options and project options

It is helpful to distinguish between “strategic options” and “project/delivery, options”. Both need to be addressed.

Strategic options are different approaches to solving the identified problem. For example, the problem might be unacceptably long waiting times for a particular government service. The strategic options to solving this problem might include

- expanding the capacity of the service, both in terms of infrastructure and staffing; or
- stemming demand for the service through one or more demand management strategies; or
- changing the nature of service delivery, eg, moving services online.

Using the same example, the project or delivery options might include

- for expansion of the service capacity, a range of procurement options such as design and construct, design, construct, maintain (for more on these procurement options, see the Capital Framework, reference on p5);
- for demand management, the business case would describe the various strategies that are feasible (for example, extending the life of licences from single years to multiple years to reduce the number of renewals per annum); and
- for moving services online, optional methods of procurement would be relevant.

Another example would be a regional water shortage, with the preferred strategic solution to build a water pipeline. Project solutions could include building a water pipeline:

- from location X or Y to the region;
- with or without a local reservoir; and/or
- using material A, B, or C.

For each option, the discussion should cover:

- the evidence to demonstrate that the preferred strategic and project options are feasible;
- why the preferred strategic and project options are the most effective way to address the problem and deliver the benefits; and
- what the costs and benefits of each option are.

ICT proposals

For ICT proposals, you need to consider among your options:

- options that leverage existing software and services either online, from other parts of government or other jurisdictions;
- options for a service orientation, including 'as a service' sourcing models';
- relevance of online access and optimised access from mobile and table devices;
- standardisation, extensibility and interoperability of technologies and solutions; and
- relevance to sharing of data and the use of open data standards.

As services start to utilise the 'as-a-service' model, costs are likely to shift from capital to expenses. More information can be obtained from the Office of the Chief Digital Officer, CMTEEDD (cdo@act.gov.au) and <http://www.cmd.act.gov.au/digital>.

6. Stakeholders and consultation with other Directorates

Ministers will be acutely interested in the stakeholders on whom this proposal will impact. Stakeholders could include the community, or sections of the community, other Government agencies, non-Government bodies, and indigenous groups. Stakeholders include those impacted both positively and negatively by the proposal.

The key questions are

- What are the impacts on the various stakeholders and what is known at this stage of their position on the proposal?
- What stakeholder engagement has been undertaken and/or is planned?

Information should be provided on the impact of the proposal on other agencies. Where appropriate, agencies should provide details as to the level of seniority within the other agency from which agreement has been obtained. Where there are significant links with other agencies, the proposal should include details of what steps have been taken to consult with other agencies to ensure better integration and reduce duplication.

If this proposal has a direct impact on the Territory's Aboriginal and Torres Strait Islander population, this is the relevant section to provide further detail.

7. Communications

Ministers will be interested in the communications aspects of the proposal if it is approved for funding. It is a standard requirement of matters going to Cabinet that media and communications matters be addressed. You may find it helpful to draw on the Communications Plan template provided by Cabinet Office at [\\act.gov.au/apps/07/Templates/Cabinet](http://act.gov.au/apps/07/Templates/Cabinet). For significant proposals, you may need to attach a completed Communications Plan. You should consult your Communications/Media team to determine this and also to

develop the plan. Your Communications team will liaise with CMTEDD Communications, which coordinates communications across government for the annual Budget.

8. Further cost details

The cover page contains a summary table of the cost of the proposal to Government, that is, the amount of ACT Government funds are required for the proposal. (The total value of the proposal might exceed this amount if there are other funding partners or funding strategies involved.)

This section provides for further detail on the costs, particularly for ICT and capital works proposals. Treasury will analyse this section closely. As mentioned above, it is good practice, and will help the discussion of your Minister's business case in Cabinet, if you seek Treasury's agreement to the costings ahead of submission to Cabinet. As noted above, you will need to work with your CFO or Finance team to complete this section of the template.

In completing this section, agencies should also consider the following requirements:

- it is expected that agencies will undertake whole-of-life costing. For policy programs, this involves the systematic consideration of all relevant costs and revenues of program implementation, management and review. A breakdown of the whole-of-life costs should be included;
- it is expected that agencies will use an appropriate indexation factor for the costings in the forward estimates; this factor should be identified. Indexation factors are published in each major budget update;
- costings should specifically state any assumptions, such as client numbers, forecast changes in program specific parameters, implementation dates, and so on;
- costings, as a minimum, should make reference to the following:
 - number of employees;
 - number of contractors and their costs;
 - on-costs;
 - grant payments; and
 - administrative costs.
- proposals should be costed *exclusive* of GST; and
- you should address the ability of your agency to absorb all or a proportion of the costs within current resourcing and the forward estimates, or through the reallocation of resources from lower priority outputs.

ICT proposals

The Quality Hub in Shared Services ICT can assist with defining ICT-related costs from the very early stages of concept definition right through the business case process. All ICT costings must be reviewed by the Quality Hub whether it is for internally supplied services or externally supplied (vendor) services. This is to ensure that the approach to whole of life investment mapping remains consistent throughout the lifecycle of a proposal and is considered in the context of whole of government ICT investments (whether through the budget process or other means of funding).

For more information on the services provided by the Quality Hub, email [#Shared Services ICT Strategic Business Branch Quality Hub](#).

A checklist of commonly included cost components for ICT proposals is at Attachment 3: *ICT common cost components*.

If relevant, ICT proposals should also include information on how the cost of the service is modelled for a cost recovery service – subscription, shared hosting amongst directorates, amortised recovery on uptake etc.

Capital works proposals

Cashflow requirements

You are required to include in your business case an annual profile of funding that will be required to implement the project. If your Minister's proposal is approved by Budget Committee of Cabinet, be aware that you will be asked by Cabinet to develop a more detailed cashflow schedule in conjunction with Infrastructure Finance and Capital Works, CMTEDD (contact Rebecca Power, Manager, The Capital Framework rebecca.power@act.gov.au). This schedule will need to be agreed and the final appropriation amounts communicated to Treasury prior to the Budget being finalised. Your CFO will assist you with this process and provide you with the relevant timeframes once they are provided by Treasury.

8.1. Preliminary cost estimate

This section asks for a preliminary cost estimate for the proposal.

Capital works proposals

For capital works proposals, the preliminary cost estimate needs to separately detail:

- whole-of-life costs;
- contingencies;
 - the proposal's contingency amount is commonly based on the Risk Organiser figure from The Capital Framework. If another method has been used instead, provide details of calculations etc. Section 10 on Risks will also be relevant;
 - the contingency figures for design and construction stages should be shown separately – if need be, you can add rows to the table. Details should also be provided here on any associated assumptions for contingency allowances; and
- inclusive of the Infrastructure Finance and Capital Works management fee, which is four per cent of the capital cost of the proposal.

	Cost \$'000
Feasibility	<Please specify where funding in prior year>
Design and Supervision	<Please specify where funding in prior year>
Contingency (if any)	
Construction	
IFCW Fee of 4 per cent	
Insurance (Approximately 1per cent of construction costs)	
Other (specify)	
TOTAL	

8.2. Other funding sources

Detail if there are other funding sources or strategies proposed for this proposal that take the cost of the proposal above the amount of funds being requested from the budget. Include any in-kind contributions.

8.3. Offsets

All expense proposals and expense components of proposals be offset by corresponding savings or reallocation of resources. You will need to work with your CFO to identify relevant offsets.

8.4. Unit costs

Analysis of your business case will be enhanced if you include information on key unit costs in the delivery of the proposal. For demonstration purposes, some examples might be:

- cost per unit of service (eg customer service at shopfronts);
- the number and cost of park benches;
- number and cost per public barbeques;
- cost per kilometre of road of grade X,Y or Z
- cost per computer;
- program cost per user;
- cost per metre of footpath or cycle track; or
- (in the instance of a construction project) build cost per square metre, fit-out cost per square metre etc.

9. Implementation

This section is required to assure Ministers that the key aspects of implementation have been thought through and there will be no barriers to delivery if the project/proposal is approved.

9.1. Key deliverables and timeline

The template questions will lead you through the main elements that need to be included.

An important element is to identify if the proposal has arisen from current or future legislative requirements, or requires legislative intervention for its implementation. Details of relevant Acts should be included. Where there is new legislation proposed which involves extensive public consultation, the proposal needs to provide information on the timing of the public consultation and, where possible, the expected outcome.

A brief description should also be included, outlining key milestones in the implementation of the proposal and the expected timing of each milestone (eg a timetable for any legislative changes in respect of the agency).

The critical timeframes of the proposal should be outlined. You should address any factors that may impact on the timing and resultant financial impacts (eg the possibility of cost overruns). If the risks are major, they should be elaborated in the section on “Risks” (below).

Capital works proposals

For capital works proposals, attach to the business case a Project Program – refer to The Capital Framework for more information. It is preferable, although not mandatory, that the project program take the form of a Gantt chart. Also identify in this section the proposed scheduled float, or buffer, for the proposal.

9.2. Governance and resources

Identify what the governance arrangements for this project would be if implemented, that is, the person or group of persons who would be responsible and accountable for achieving the project implementation and, importantly, project outcomes. The chain of command and consultative mechanisms relevant to implementation should also be outlined.

In terms of resources, you should identify the persons or groups responsible for implementing the main aspects of the proposal, for example, there may be community or private sector partners involved as well as the Public Service. Multiple agencies may also be involved. Outline the main groups and identify their various roles.

ICT proposals

Also include:

- responsible, accountable, consulted and informed (RACI) matrix; and
- licensing and contract management responsibilities.

10. Risks

10.1. Risk identification and management

You need to identify what would be the major risks to this project achieving its goals, and being delivered on time and within budget. Ministers will need to be assured that these risks can be managed and so you will need to identify strategies to mitigate those risks.

All business cases should address the risk of increased costs and/or demand increases and how these risks would be deterred or managed if they eventuated.

Further information that will help you assess your proposal's risks is provided by the ACT Insurance Authority (ACTIA) and can be found at <http://apps.treasury.act.gov.au/insurance-and-risk-management/risk-management>.

You may wish to draw on the following to present your analysis of risks:

Table 2 Example of presentation of risk analysis

Risk	Likelihood	Consequence	Mitigation/management strategy
Risk 1	Low	Catastrophic	Strategy x
Risk 2	High	Moderate	Strategy y
Risk 3	Medium	Severe	Strategy z

Some common risk factors for ICT proposals are detailed in Attachment 4: *Common Risk Factors of ICT Proposals*.

11. Performance Measures and Evaluation

Performance measures

Achievement of the proposal's outputs and outcomes will need to be measured, as the Government will be accountable to the community for delivery of the proposal/service if it is ultimately approved. The Government will also come under the scrutiny of the Legislative Assembly and will be asked questions about performance in forums including Estimates Committee.

In this section, detail the measures that your agency will use to monitor performance. Performance measures can be qualitative as well as quantitative. You may wish to present your performance measures along the following lines:

Table 3 Example of presentation of performance measures

Objective/outcome	Performance measure (how will we know outcome is achieved?)	Information source (eg statistical source, survey, other data to be used)
<p>Outcome 1</p> <p>(eg Economic activity is generated through the staging of community events).</p>	<p>For example, the estimate of the monetary value of the direct economic activity generated by the events is at an acceptable level.</p>	<p>For example, figures compiled by Agency x drawing on</p> <ul style="list-style-type: none"> • Source 1 (eg financial survey of participating businesses); and • Source 2.
<p>Outcome 2</p> <p>(eg Community wellbeing is generated through the staging of community events).</p>	<p>For example, community attendance is at an acceptable level and participants reflect a positive experience.</p>	<p>For example:</p> <ul style="list-style-type: none"> • Attendance figures; and • Post-event survey conducted by [body x].

Performance measures in Budget Statements

For projects of significance, agencies may wish to consider including performance measures linking to accountability and strategic measures which form part of the agency Budget Statements. Project significance may be broadly considered as something with high public interest, and/or links to strategically important programs and links to key deliverables. If the initiative requires any change to your agency’s output structure or accountability indicators, as presented in your agency’s Budget Statements, these will need to be approved by your Minister and the Treasurer, as per the *Financial Management Act 1996*. Your CFO will assist you with this process.

Evaluation strategy

You should also provide details of how the initiative’s performance would be monitored once underway and when overall performance would be evaluated. Include some details of how this will happen and who would be involved.

ICT proposals

For ICT proposals, attach a benefits realisation register to the business case. A template is at Attachment 5: *Template for Benefit Realisation Register for ICT proposals*.

Part B: Infrastructure and Capital Works Proposals

Capital Works Proposals - Authorisations (sign-offs essential)

These authorisations are mandatory. You will need to consult with your usual Treasury analyst and the Manager, The Capital Framework, Infrastructure Finance and Capital Works (Rebecca Power rebecca.power@act.gov.au) to complete this process.

Authorisation	Name, position, signature and date
1. Functional brief/output specifications at Attachment [...] are sufficiently progressed in order to go to market under the delivery model selected and within the procurement timeline outlined in the business case.	(IFCW representative)*
2. The benefits/needs analysis is based on evidence.	(Treasury representative)*
3. Delivery model selected is appropriate for the project risk profile and value.	(IFCW representative)*

Note: *This review does not represent an endorsement or agreement by the signing officer as to the contents of the section or a certification that the work was correctly performed

ICT reviews (sign-offs essential)

Responsible area	Name, position, signature and date
1. Business system owner	
2. Shared Services ICT (Executive Director or Director, Strategic Business)	
3. Digital Service Governance Committee	

Attachment 1: Information on Cost-Benefit Analysis

A cost-benefit analysis (CBA) – also known as Benefit Cost Analysis or Economic Analysis – is an assessment tool used to determine whether an option is beneficial relative to the base case. The key principle of cost-benefit analyses is to convert the costs and benefits into dollar terms, allowing them to be weighed up against each other. An option will be considered more desirable if it delivers benefits over and above its costs, which is typically expressed in net present value (NPV) terms.

The CBA differs from traditional financial analysis in that it is performed from the viewpoint of society; specifically the community of the ACT. For example, it considers the road safety benefits of a road improvement project. It goes beyond just looking at just the fiscal impacts by examining social welfare impacts too.

A CBA quantifies (in monetary terms) all the major costs and benefits of project options. Thus the outcomes for a range of options are translated into comparable terms to facilitate evaluation and decision making. The technique also makes explicit allowance for the many costs and benefits which cannot be valued.

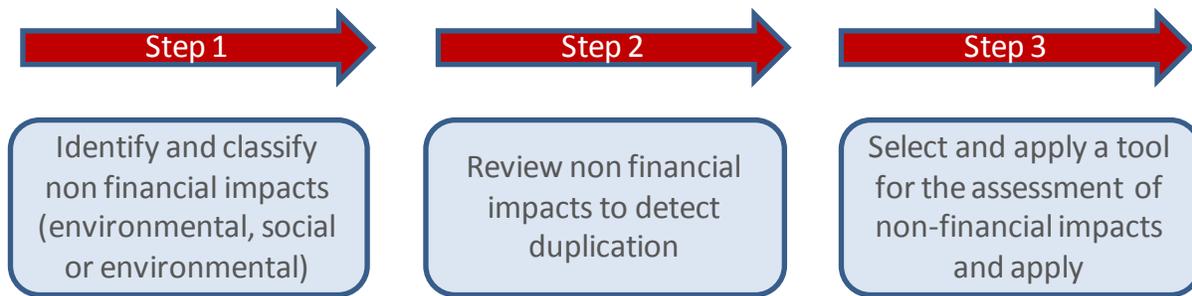
Where supporting data is available, every effort should be made to put a value on the monetary or quantifiable benefits and impacts. For some projects, a combination of the three evaluation techniques (monetary, quantitative and qualitative) may be adopted requiring a weighting of impacts to be applied across the three types of analysis. This enables the complete merits of an investment ranging from financial quantitative impacts to qualitative non-financial impacts to be considered.

Given the role and functions of Government, many proposed projects will be non-revenue generating or revenue-generating proposals which will not reflect positive net present values on the basis of their cash flows alone, but are undertaken to deliver other significant benefits to the community.

The business case should seek to place a quantifiable value on the extent of project benefits as much as feasible. That said, it is acknowledged that some non-financial costs, benefits and risks are difficult to measure given their subjective nature and it is not expected that all will be quantified or capable of being translated into monetary terms. All significant non-monetary and non-quantifiable costs, benefits and risks relating to each project option should be reported upon in an appropriate form in the business case.

The non-financial evaluation of a project option can be a complex process. Whilst in some instances the Directorate will have the requisite skills to undertake its own evaluation, some project options will require the services of an external consultant. As a minimum the project team should be in a position to identify the type and nature of the likely non-financial impacts which may result from each project option, prior to engaging an external consultant.

A suggested framework for the non-financial analysis for a project is illustrated below.



Guidance on each step is provided in the following sections:

Identifying and classifying non-financial impacts

Non-financial analysis in a general sense covers three broad areas: economic, social and environmental impacts. The first step in the non-financial analysis involves the project team identifying and classifying the impacts. This includes the following tasks:

- Identifying non-financial impacts: All potentially significant non-financial impacts (economic, social and environmental) of each project option should be identified; regardless of how difficult they may be to measure (otherwise only a partial evaluation may be carried out). A further task is assessing the extent to which a project option achieves the broad objectives; and
- Classifying impacts: Allocate all impacts under either an economic, social or environmental classification and further identify under each category whether the impact is a cost or a benefit to the broader community.

The following sections provide an overview of the economic, social and environmental areas of impacts.

Economic Analysis

A project option may not be seen as “financially” viable (with a positive NPV) but it may still be “economically” viable to execute it. On this basis, the option will deliver a return from the perspective of the community. Two key economic considerations for a project option are:

- whether it is economically efficient (whether the economic benefits of an option exceed the costs); and
- the extent to which it contributes to Gross Regional Product (or its impact on the regional economy)

The economic analysis should demonstrate which option offers a greater economic return to the ACT community.

Identify quantifiable costs

All economic appraisals should be based on incremental costs and benefits associated with a particular project. Changes which would have occurred anyway should be excluded. Assumptions underlying all capital and recurrent cost estimates should be made explicit in the evaluation.

The degree of accuracy desirable will vary with the significance of the project, data availability and cost of obtaining missing data. Best estimates are often sufficient but if there is doubt as to whether such will be acceptable, advice should be sought from Treasury.

Identify quantifiable benefits

The following may be relevant:

- avoided costs-incremental costs which are unavoidable if nothing is done, but may be avoided if action is taken;
- cost savings: verifiable reductions in existing levels of expenditure if a program proceeds;
- Revenues: incremental revenues from introduction of the project;
- benefits to project beneficiaries not reflected in revenue flows: while difficult, attempts should be made to quantify these, with assumptions and methodologies clearly explained; and
- residual value of the asset (if any).

Calculate net benefits

Quantifiable costs and benefits over the project life (a 20 year analysis period is recommended for consistency) are expressed in NPV terms.

Costs and benefits should be valued in real terms over the 20 years; that is, they should be expressed in constant dollar terms and not include nominal increases due to inflation.

The stream of costs and benefits should then be discounted by a real discount rate of 7 per cent, with sensitivity testing using discount rates of 4 per cent and 10 per cent.

The discounting process takes account of the fact that initial investment costs are borne up-front, while benefits or operating costs may extend far into the future. Discounting the value of future costs and benefits brings these back to a common time dimension (present value) for the purpose of comparison. The process of discounting is simply a compound interest calculation worked backwards.

The process of discounting real costs and benefit values reflects, even in the absence of inflation, the concept of time preference for money. People normally prefer to receive cash sooner rather than later and pay bills later rather than sooner. The existence of real interest rates also reflects this time preference.

Using the discounted stream of costs and benefits the following decision measures should be calculated:

- NPV: the sum of benefits minus costs; a project is potentially worthwhile (subject to the availability of funds) if the NPV is greater than zero;
- NPV per \$ of capital investment (NPV/I): the highest NPV may involve very high capital expenditure and capital availability is normally constrained. Projects with the highest ratios would be potentially worthwhile;

- **Cost-Benefit Ratio:** a project is potentially worthwhile if the CBR is greater than 1, ie the present value of benefits exceeds the present value of costs. It has become conventional to deduct ongoing costs from benefits to produce a net benefit stream, and to use initial capital costs as the denominator. This is the required basis on which results should be provided. In cases where CBR calculations have been performed on another basis, for example to satisfy requirements of other Governments for jointly funded projects, results should be shown on the two bases and clearly identified;
- **Internal Rate of Return (IRR):** this is the discount rate at which the NPV of a project is equal to zero (ie discounted benefits equal discounted costs). A project is worthwhile if the IRR is greater than the test discount rate; and
- Sensitivity analysis should be undertaken to test the robustness of results under different scenarios, using different assumptions about some or all of the key variables.

Identify qualitative factors and summarise results

Quantifiable costs and benefits are only part of an economic appraisal. Other aspects such as environmental considerations, social or regional impacts, resource availability, funding, distribution of benefits and costs, etc, will also have to be taken into account in choosing between competing options and projects.

Some of these may be quantifiable to some extent but where they are not, qualitative aspects of options or projects should be discussed in the appraisal.

The report on the appraisal should include a clear summary of results, and indicate the preferred option.

Sensitivity testing

Sensitivity testing of the CBA is a key element of risk assessment. The purpose of the sensitivity analysis is to acknowledge that there is always a degree of uncertainty and ultimately risk surrounding a proposal. Typically there are four sources of uncertainty surrounding a proposal:

- capital costs;
- construction duration and therefore opening date;
- operating (including maintenance) costs; and
- under and over estimation of the benefits (typically demand for the service).

A risk assessment should be undertaken to estimate the typical variations around these inputs with the sensitivity testing undertaken based on the variations.

Social Analysis

Most investments are undertaken to deliver services and, as a result, will have some social consequences. The business case should analyse social outcomes, unless it is clear that the external impacts are minimal.

Social analysis identifies and quantifies social issues and opportunities arising from a project option. The analysis should explain the nature and extent of the social impact (and, where possible, quantify them). This might include:

- policy implications;
- employment opportunities or likely redundancies/termination of existing contracts; and
- community.

Environmental Analysis

Legislative requirements and community concerns drive the need for an environmental analysis. The environmental analysis should assess the extent and nature of environmental consequences and opportunities surrounding each project option. Issues include:

- the extent to which a project option requires a departure from the ACT Government's environmental policies;
- known environmental issues arising from the option (for example, contaminated site);
- consents or approvals required; and
- whether an Environmental Effects Statement (EES) or a Commonwealth Environmental Impact Statement (EIS) is required and issues arising from such requirements.

Tools for assessing non-financial impacts

The second step of the financial analysis requires the project team to select a tool for assessment of the non-financial impacts of each project option. An overview of three such assessment tools is set out below.

Further technical guidance on undertaking a CBA is provided in Appendix A: *Economic Analysis Guidelines*.

Additional guidance material on how to undertake cost benefit analysis can be found at the following links:

- the Department of Finance website at <http://www.finance.gov.au/obpr/cost-benefit-analysis.html>
- Department of Finance, Handbook of Cost Benefit Analysis, January 2006 which can be found at: <http://www.finance.gov.au/publications/finance-circulars/2006/01.html>
- Department of Finance, Introduction to Cost Benefit Analysis and Alternative Evaluation Methodologies, January 2006 : http://www.finance.gov.au/publications/finance-circulars/2006/docs/Intro_to_CB_analysis.pdf
- The Green Book – Appraisal and Evaluation in Central Government, Treasury Guidance, London 2004: http://www.hm-treasury.gov.uk/data_greenbook_index.htm

Attachment 2: Functional Brief – Capital Works Proposals

Purpose

The Functional Brief/Output Specification is prepared when a Directorate has identified the need for a potential capital works project. A Functional Brief/Output Specification is a summary of the needs and outcomes that the Directorate is seeking to achieve from the project, and is a key element in the successful outcome of capital works projects. It is not relevant for projects where detailed design has already been completed (construct Only).

The Functional Brief/Output Specification is a written statement of the functions to be accommodated and the inter-relationships of these functions for a proposed capital works project. This document should be in sufficient detail to both facilitate procurement and initiate the design process.

The Functional Brief/Output Specification outlines the Government’s design principles for the project and the understanding of, and approach to, design that forms the basis of the design requirements.

It should establish the optimum solution to meet service requirements and outline the total scope of works to be undertaken. It should describe the services to be provided, activities to be performed and clearly identify how the project meets the organisation’s objectives and policies.

Wherever possible, the Functional Brief/Output Specification should also be supported by any specific directorate design guidelines, policy documents and other relevant information pertaining to the project.

The Directorates are responsible for preparing a Functional Brief/Output Specification but where necessary, may be assisted by an external Consultant.

Requirements

A Functional Brief/Output Specification needs to be prepared prior to commencement of a Feasibility Study. The Functional Brief/Output Specification is the basis from which the time and costing data are prepared and a Feasibility Study is completed.

The document should contain sufficient detail to initiate the design process. A Functional Brief/Output Specification for any capital works project should include, but not limited to the following information:

- directorate or agency role statement;
- directorate or agency expectations and user requirements;
- an estimated program schedule and timeframe / key milestone dates;
- details of any proposed staging or phasing;
- required deliverables;

- management and operational policies;
- type and level of facilities or services to be provided;
- existing and future trends;
- overall project objective;
- project background (including Master Plan outcomes);
- description of any existing facilities, use and current condition;
- departmental functions associated with the project;
- departmental and functional relationships – “bubble diagrams”;
- accommodation requirements on a departmental or functional area basis;
- general design considerations, “generic layouts” and “room data sheets”;
- equipment needs;
- Furniture, fixtures and equipment (FF&E) requirements;
- services facilities and services management; and
- recurrent cost statement if applicable.

The review should ensure the list of requirements (relevant to the size/scale of the project) is included in the Functional Brief/Output Specification. The review should also ensure that the Functional Brief and Output Specification are sufficiently progressed in order to go to market under the delivery model selected, and within the procurement timeline outlined in the business case.

Attachment 3: ICT common cost components

Management overheads:

- tendering and procurement;
- contract negotiation and contract management;
- partnership management and co-ordination; and
- project governance.

ICT facilities

Generally, Shared Services ICT manages ICT facilities including hardware, software licensing, networks, operations, support services and call centre functions. These services and facilities are provided on a full cost recovery basis so they will become real costs to the project. Shared Services ICT can assist in identifying the relevant cost components and should be consulted for pricing details.

Development and implementation

The procurement process may account for much of the development cost but there will still be significant additional costs to be considered:

- any software development costs not covered by the procurement;
- acceptance testing;
- development of test plans and test data;
- staff costs in assistance with analysis, design and review of staged deliverables;
- training of staff — provision of training and staff time spent on training;
- additional software packages not covered under Shared Services ICT arrangements (for example, specialist tools);
- change management strategies — marketing, communication, consultation, etc;
- documentation of new business practices and policies;
- project management;
- audit;
- data entry, conversion, initial load and verification;
- systems integration (possibly provided by Shared Services ICT); and/or
- provision of office space and facilities for the project team.

Recurrent costs

Costs of a recurrent (ongoing) nature are likely to include:

- ongoing Shared Services ICT costs (see above — ICT facilities);
- training;
- revision of documentation;
- support for periodic upgrades of hardware and software, including project management, impact analysis, testing and verification, review, etc;
- change control;
- audit;
- consumables; and/or
- application administration and advice.

Attachment 4: Common Risk Factors of ICT Proposals

Technology and integration:

- new or unproven technology;
- products with small market share, uncertain future;
- unproven integration of products;
- complex integration of systems and processes; and/or
- high performance characteristics required for system viability.

Skills and resources:

- loss of key personnel; and/or
- scarcity of specialist skills.

Sensitivity issues

- high project cost and visibility;
- high public interest, contentious policy;
- potential for adverse side impacts; and/or
- probity, conflicts of interest.

Financial risks

- potential for cost blow-out; and/or
- potential for delays in completion (deferral of benefits).

Project management

- scale of project;
- number of partners, stakeholders and participants;
- complexity of tasks;
- uncontrolled variables;
- compressed delivery schedule due to urgency;
- inadequate definition of deliverables and scope; and/or
- poor control of changes in scope or specification.

Change management and benefit realisation

- extensive change to business processes
- extensive impact on staff and clients
- changing business environment
- changing government policy or strategy.

Inter-agency or whole-of-government projects

- lack of common objectives;
- communication and co-ordination (difficulties, delays, costs, decision making);
- lack of ongoing ownership or commitment from one or more stakeholders;
- different culture or practices from one agency to another; and/or
- integration of business practices and client interface.

Contractual and vendor

- poor contract specification;
- inability to agree to contract variations; and/or
- vendor financial viability.

Control issues

- security;
- privacy;
- confidentiality;
- intellectual property; and/or
- disaster contingencies.

Attachment 5: Template for Benefit Realisation Register for ICT proposals

Benefit Realisation Register – ICT proposals	
Project Name:	Project Manager:
Project Sponsor:	Agency:
Description of Benefit:	Benefit Id:
Benefit Owner:	
Performance Indicator (how benefit will be measured):	
Current Baseline Performance (if applicable):	
Expected Performance:	
Net Benefit:	
Assumptions:	
Frequency of Benefit Measurement:	Realisation Date or Period:
Distribution of Benefit Reports:	
1.	
2.	