Better Business Cases

Guidance on Using the Five Case Model: An Overview

28 February 2014

THE TREASURY
Kaitohutohu Kaupapa Rawa

New Zealand Government

Acknowledgements

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The New Zealand Treasury wishes to acknowledge that the following documents were used and adapted for the purpose of creating this guidance:

- The Five Case Model is the best practice standard recommended by the HM Treasury for the preparation of business cases. Refer to 'Making Sense of Public Sector investments' (2001) by Courtney A Smith and Joe Flanagan, the Green Book at www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government, and 'Delivering Public Value from Spending Proposals: Green Book Guidance on Public Sector Business Cases using the Five Case Model' at wales.gov.uk/funding/wiipindex/5cmodel/?lang=en.

- The State of Victoria Department of Treasury and Finance Investment Management Standard provides a set of tools, including the Investment Logic Map (ILM) adopted in this guidance. Refer to www.dtf.vic.gov.au/investmentmanagement. This material is reproduced with permission and that copyright belongs to the State of Victoria. The State of Victoria is released from any liability associated with the subsequent use of the intellectual property associated with the material.

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Introduction

The people of New Zealand collectively own more than $115 billion of infrastructure assets alone. Getting more from these assets is about looking at how these are managed, as well as being smarter about how we invest for change, to deliver better services and better outcomes for New Zealanders.

However many strategies, programmes and projects can fail to achieve their objectives and fail to deliver anticipated benefits to stakeholders[1]. This can happen if the key phases of the investment have been inadequately scoped and planned, or the associated risks have not fully been taken into account and managed appropriately.

Investing in, and managing, successful change requires robust planning, analysis, decision-making, implementation and review. A vital part of this investment process is the proper development and scrutiny of business cases.

The Better Business Cases process supports the investment process and helps to provide better informed decision-making, better value for money of expenditure and achievement of better outcomes. This process is a disciplined and structured approach that integrates international good practice decision-making, programme management and assurance tools.

Better Business Cases is structured around the United Kingdom Five Case Model[2]. This is the best practice standard recommended by Her Majesty's (HM) Treasury for the preparation of business cases and is used extensively within UK government departments and agencies.

While use of this guidance is required for New Zealand State sector agencies seeking Cabinet decisions on capital proposals[3], it has been adopted by an increasing number of organisations, both in the Public Sector and more widely.

As well as providing an intuitive process for ensuring all the key aspects of an investment proposal are systematically considered and evidenced, Better Business Cases has proven to provide a standard communication tool for engaging with Government and between sectors.

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1 The Standish Group research shows that over 31% of projects will be cancelled before they get completed and nearly 53% of projects will cost 189% of their original estimates. Refer to http://blog.standishgroup.com/

2 Refer to the Welsh Government Five Case Model guidance, *Delivering Public Value from Spending Proposals: Green Book Guidance on Public Sector Business Cases using the Five Case Model*, available at http://wales.gov.uk/funding/wiipindex/5cmodel/?lang=en

3 Refer to Cabinet Office Circular CO(10)2, *Capital Asset Management in Departments and Crown Entities: Expectations*, available at the Cabinet Office website at http://www.dpmc.govt.nz/cabinet/circulars/co10/2.

About this Guidance

This guidance is intended to assist developers and reviewers to build better business cases using the Five Case Model, the New Zealand Government's accepted good practice standard.

This guidance document provides an overview of the principles and methodology used in the development of better business cases. This document has been written as part of the suite of Better Business Case guidance. It is part of a comprehensive and structured tool-kit of guides and templates to assist you at every stage of the business case development. This guidance can assist you whether you are considering an investment in change at the portfolio, programme or project level in either the wider Public or the private sectors.

This guidance also provides a useful reference for business managers, project or programme managers, and other stakeholders who can either influence investment decisions or have an interest in the successful delivery of change.

The guidance outlined in this document applies until this document is updated or replaced.

What this Guidance is not

This guidance is not intended to comprehensively cover all the related aspects of business case development. These may include regulatory impact, economic assessment, procurement, risk management, Public Private Partnership (PPP), Treaty, programme/project management or assurance processes. You should refer to any relevant policies, rules, expectations and practices that apply to your specific organisation or sector.

Questions and Feedback

General enquiries about the information contained in this guidance, and not addressed in this guidance, can be directed to betterbusinesscases@treasury.govt.nz.

For Government agencies, any agency-specific questions should be addressed to your Treasury Vote team.

Any comments as to how we could improve this guidance can be directed to guidance@treasury.govt.nz.

Further information

This document is part of the Better Business Cases suite of guidance available at the Treasury National Infrastructure Unit website at:
http://www.infrastructure.govt.nz/publications/betterbusinesscases

What is a Business Case?

A business case is a robust justification that fully informs decision-making to invest in change. Organisations are subject to continual change. Proposals for significant change can involve difficult choices to be made about reallocating and consuming scarce resources.

In the context of successful change, a robust business case should provide:

- a compelling and clear justification for investing in change
- an explicit and systematic basis for decision-making
- transparency and accountability for the use of scarce resources to achieve best value
- an effective communication tool for engaging stakeholders and providing assurance that the proposed investment optimises value for money compared to alternative spending priorities, and
- a plan for realising expected benefits, and for managing costs and risks.

How will using Better Business Cases help you?

Better Business Cases supports decisions to invest in, and plan for, successful change. Regardless of the nature of your investment proposal, using the Better Business Cases approach supports the following key principles:

- quality analysis to support better informed decision-making
- a focus on thinking not writing
- fit for purpose analysis effort based on the investment proposal and the decision being sought
- no surprises due to planned, early and staged engagements with key stakeholders, and
- integration of the business case process with other management processes, including strategic policy, planning, procurement and assurance.

As a business case developer or reviewer, you will have easy access to the good practice tools, techniques and capability development support that you need to develop a robust, high quality business case that meets the expectations of your decision-makers and other key stakeholders. The overall objective is that the expectations and rules are clear.

As a decision-maker or senior manager, you will have confidence and assurance that the business case will:

- reflect early engagement with all relevant parties
- be fit for purpose
- clearly demonstrate the case for a proposed investment, and
- enable any decision-making to be fully informed.

As a potential supplier or partner, you can expect earlier engagement and more clearly specified service requirements.

When to use Better Business Cases?

The Better Business Cases process has been adopted as good practice for a wide range of spending proposals and organisations in the wider Public and private sectors.

This Better Business Cases guidance is mandatory for all capital expenditure, lease and asset disposal proposals undertaken by Government departments or Crown entities that require Cabinet approval. These requirements are set out in Cabinet Office Circular CO (10) 2: *Capital Asset Management in Departments and Crown Entities* and are summarised in the appendices to this guide. In some sectors of Government, the approval of capital proposals is subject to existing statutory requirements or delegations by Cabinet, that mean that specified Ministers or other decision-making bodies have approval authority.

The Canterbury Earthquake Recovery Agency (CERA) has adopted the Better Business Cases process for all projects and programmes seeking Crown investment support as part of the Recovery Strategy of greater Christchurch.[4]

Agencies within the tertiary education, health, transport and local government sectors have also formally adopted the Better Business Cases approach.

- Any investment or borrowing proposal in the tertiary education sector that requires approval from Tertiary Education Commission, the Secretary for Education and/or Ministers (including Cabinet) must be accompanied by a business case developed using the Better Business Cases approach.[5]
- The National Health Board Capital Investment Committee has aligned their capital investment guidelines with the Better Business Cases approach.[6]
- The New Zealand Transport Agency has adapted the Better Business Cases approach for use within the sector. New programmes or activities within the 2015/18 National Land Transport Programme are expected to apply this new business case approach. From July 2013, all approved organisations were encouraged to transition to this new approach. Refer to the relevant guidance on the NZTA web-site.[7]
- The Auckland Plan published by the Auckland Council requires the development of a shared decision-making framework for capital project investment, such as the Better Business Cases approach, to coordinate investment programmes across the public sector.[8]

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4 For further information refer to the CERA web-site at http://cera.govt.nz/better-business-cases

5 Refer to http://www.tec.govt.nz/Tertiary-Sector/Crown-Interest/Business-Cases/

6 For further information refer to http://www.nationalhealthboard.govt.nz/about-us/capital-investment-committee

7 For further information refer to the NZTA Planning and Investment knowledge Base at http://www.pikb.co.nz/ and the Highways Information Portal at http://hip.nzta.govt.nz/

8 The Auckland Plan, paragraph 827 refers at http://theplan.theaucklandplan.govt.nz/implementation-funding-framework/

If in doubt, you should refer to policies, rules, expectations and practices that apply to your specific organisation or sector. State sector officials can refer to the relevant monitoring agency, Treasury vote team[9], or to the Major Projects Monitoring Unit of the State Services Commission (SSC)[10] for clarification on the implications of the expectations or relevant rules.

What is the Five Case Model?

The Better Business Cases approach is structured around the UK Five Case Model. The Five Case Model is recommended by HM Treasury and the Welsh Government for the preparation of business cases and is widely used across the UK Public sector.

The Five Case Model provides a disciplined, step by step approach that helps to ensure that each of the key aspects of a robust investment proposal is explicitly and systematically addressed as part of the business case development process. This ensures that important aspects of the analysis are less likely to be omitted or under-weighted

This approach was adopted by the New Zealand Government as the best practice standard approach for developing a business case.

The five cases are addressed within the business case development process:

i **strategic case** - Is the proposed investment supported by a <u>compelling</u> case for change that fits within the strategic context and meets business needs?

ii **economic case** - Does the preferred investment option optimise <u>value for money</u>?

iii **commercial case** - Is the proposed deal commercially <u>viable</u>?

iv **financial case** - Is the proposed spend <u>affordable</u> and how can it be funded?

v **management case** – Is the proposal <u>achievable</u> and can it be delivered successfully?

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[9] A Treasury vote team is responsible for the review of spending proposals within an area of related Public expenditure that typically matches or forms part of a ministerial portfolio. For example, Vote Health is administered by the Ministry of Health.

[10] For further information, refer to the State Services Commission web-site at http://www.ssc.govt.nz/major-projects-monitoring

Figure 1: The business case perspectives of the Five Case Model

The strategic case makes the case for change and outlines the planning context within which the investment will be developed. It demonstrates that the investment proposal is well-aligned to any relevant Government, sectoral or regional goals and priorities and reflects the organisational strategy. The strategic case should provide a robust and well-evidenced case for change with a clear specification of the investment objectives and required services. The focus should be on service needs driving the investment, not the other way round.

The economic case is intended to demonstrate that a wide range of options for delivering the required services and meeting the investment objectives have been identified and assessed using best practice economic analysis techniques. The preferred option should provide the optimal mix of potential benefits, costs and risks under varying future scenarios.

The purpose of the commercial case is to show that the preferred option will result in a transparent, accountable and sustainable procurement arrangement that provides value for money over the contract term.

The financial case shows that the preferred option can be funded and is affordable to the organisation and external funders under various future scenarios. Note that an option may offer value for money, yet not be affordable. The converse may also hold.

The purpose of the management case is to demonstrate that the preferred option can be delivered successfully using available capability and good practice programme and/or project management processes. This includes setting robust processes in place for project, change, risk and contract management, as well as managing post implementation reviews and realising expected benefits.

What is the Better Business Cases Process?

The business case provides the link between strategic planning and implementation of decisions for change. Better Business Cases is a scalable, disciplined and staged business case development process that integrates with good practice portfolio, programme and project management and assurance. This has been achieved by aligning the Five Case Model with:

- New Zealand Cabinet approval requirements where they apply[11]
- accepted good practice programme and project management methodologies
- the State Services Commission (SSC) Gateway review process, assurance and quantitative risk assessment requirements[12], and
- existing guidance including that for Public Private Partnerships (PPPs), cost benefit analysis, regulatory impact analysis, procurement and sourcing.

A Step by Step Approach

Better Business Cases is based on staged decision-making. A staged approach to the development of each of the five cases is applied to facilitate the engagement of key stakeholders early on, and at key decision points to ensure no surprises and analytical effort that is fit for purpose. The process entails the development of a series of fit for purpose deliverables that support the decisions sought.

This guidance provides road-maps and just in time guides to help you at each decision point.

A Structured Way of Thinking

Better Business Cases is an approach intended to deliver better business cases by providing a structured way of thinking and a way of working together.

The Better Business Cases guidance is structured around the Five Case Model, a disciplined approach to help systematically consider and evidence an investment proposal from five different perspectives. This helps to ensure that all the critical elements have been considered.

A Scalable Approach

The Better Business Cases approach is intended to be scalable and flexible to ensure that the analytical effort is fit for purpose and matches the scale and type of decision required.

Depending on the scale, risk and nature of the investment proposal, the pathway through the Better Business Cases development process will vary, as will the deliverables needed to be support each stage and key decision point. Not all investment proposals will require completion of all the deliverables or staged decision points.

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[11] Refer to Cabinet Office Circular CO(10)2, *Capital Asset Management in Departments and Crown Entities: Expectations*, available at the Cabinet Office website at http://www.dpmc.govt.nz/cabinet/circulars/co10/2.

[12] For further information, refer to the State Services Commission web-site at http://www.ssc.govt.nz/major-projects-monitoring

The level of effort should meet the expectations and information needs of decision-makers and other key stakeholders, without wasting development resources. Analysis and quality assurance should be fit for purpose.

A Way of Working Together

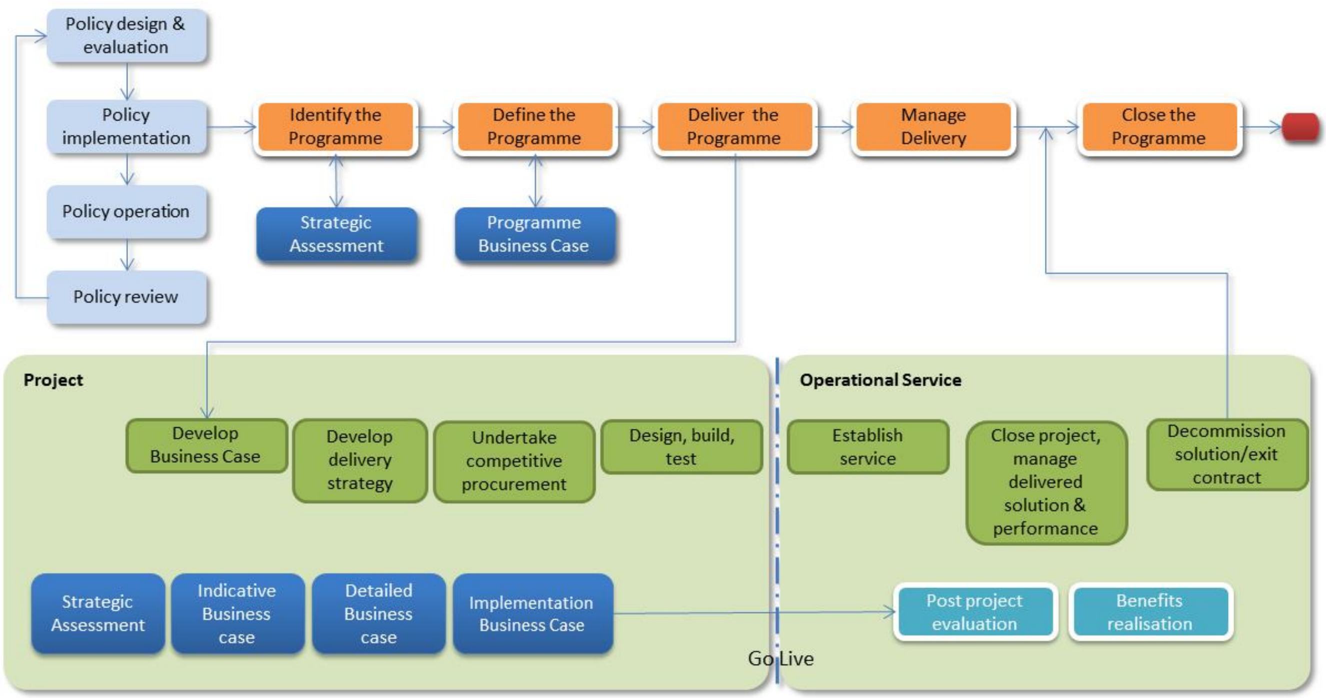
Development of the overall business case is a collaborative effort that draws upon the various skills and perspectives of a range of interested parties. The approach provides for the use of multi-disciplinary teams to provide all the capabilities required.

Early engagement with stakeholders helps to ensure that there is a common and early understanding of the need for investment, agreement about the timing and process stages and to be used and the level of effort required to be expended. Facilitated workshops are used to expose challenge and build consensus. The use of a common language supports effective communications with stakeholders and other contributors.

Working collaboratively helps in developing fit for purpose and robust business cases that better meet expectations and more fully inform decision-making.

The scope of the Better Business Cases development process encompasses the period from the initial agreement of the need for an investment proposal for change, to the decision to sign any commitments as a result of the investment decision.

Figure 2: An example of the Better Business Cases deliverables mapped to policy, programme and project management and implementation processes



The Better Business Cases Deliverables

Depending on the nature of the proposal and the decisions being sought, the process is supported by specific deliverables developed to inform each decision point.[13]

Table 1: The Better Business Cases deliverables

Deliverable	Purpose	When used
Scoping Document	Facilitates early discussion and agreement on how the Better Business Cases tool-kit will be applied to meet the expectations of decision-makers. The aim is to align the level of effort and assurance through each part of the business case process with the scale and risk of the investment proposal.	Initially and prior to commencing all other Better Business Cases deliverables
Strategic Assessment	Provides stakeholders with a high degree of confidence that the investment they are considering aligns with the organisation's strategic priorities and responds to a true business need. Stakeholders can consider the rationale for a proposed investment at an early stage, and determine if the proposal warrants further business case development.	For portfolios, programmes and projects
Programme Business Case	Supports the decision to invest in a programme of change that optimises potential value for money. Confirms the case for change and the need for investment, recommends a preferred programme, and identifies the key projects and tranches to achieve programme outcomes. Seeks approval to develop subsequent project-based business cases.	For programmes
Indicative Business Case	Provides decision-makers with an early indication of the preferred way forward. It confirms the case for change and the need to invest, identifies a wide range of options and recommends a preferred way forward for further development of the investment proposal, supported by short-listed options for further analysis.	For projects where a <u>two</u>-stage approval is required
Detailed Business Case	Determines the investment option which optimises value for money, prepares the proposal for procurement and plans for the necessary funding and management arrangements for the successful delivery of the project. Recommends approaching the market to request proposals.	For projects where a <u>two</u>-stage approval is required
Single Stage Business Case[14]	Combines the Indicative and Detailed business case requirements into a single, simpler, fit for purpose, business case to support decision-making. It is intended for lower risk and/or smaller scale investments where the need for an interim two-stage decision is not required.	For projects where a <u>single</u>-stage approval is fit for purpose
Implementation Business Case	Identifies the supplier offer that optimises value for money, sets out the negotiated commercial and contractual arrangements, confirms affordability and puts in place detailed management arrangements for the successful delivery of the project.	For projects, as part of assessing any tender proposals to deliver the preferred solution.

[13] The relevant guidance booklets and templates for each of the Better Business Cases deliverables are available at http://www.infrastructure.govt.nz/publications/betterbusinesscases/guidance

[14] For small scale, low risk proposals, a Single Stage Light Business Case template may be fit for purpose. Refer to http://www.infrastructure.govt.nz/publications/betterbusinesscases/guidance

Is the Proposal for a Portfolio, a Programme or a Project?

At an early stage it is important to determine if the investment proposal relates to a project, a programme of change, or a portfolio of investment.

A portfolio is all, or part, of the organisation's investment in the changes required to achieve its strategic objectives. A portfolio may contain a mix of programmes and projects.

Programmes tend to be outcome focused and bring together multiple projects under a single coordinating structure, when it makes sense to do so due to each project's contribution to the programme outcomes. Programmes can include pieces of work that are not projects (for example on-going business as usual work), and can have a variety of structures.

Table 2: Comparison of the key differences between programmes and projects

Programme	Project
Creates new capability in order to realise one or more key organisational strategies… is about delivering outcomes and programme level business benefits.	Creates and delivers products (or services) that will deliver defined project-level business benefits within agreed budget, timeframe and quality standards… is about delivering outputs.
Business change is transformational. Entirely new business models, capacity and/or activity will transform significant parts, or all, of the organisation.	Business change is incremental. Integration of the product(s) requires adjustment to existing business functions and/or personnel.
Programme leadership has a broad focus across the business and wider organisation in order to achieve the desired change and benefits.	Project leadership primarily focuses on product and task delivery in order to meet agreed success criteria, including delivery of project level business benefits.
Scope evolves over time and change is the norm – only very significant change would be escalated.	Scope is tightly managed and change must be carefully controlled – changes are escalated.
High-level planning provides guidance – but is likely to change as the programme progresses. Project plans are aggregated into the overall programme schedule.	Detailed, stage by stage planning is critical to managing successful product delivery.
Always big, relative to the size of the organisation.	Can be big or small.
Have a long timeframe – normally several years.	Have a shorter timeframe – normally up to 18 months.
Can initiate new, or alter existing projects and activity to adjust to strategic changes.	Cannot initiate new work and is less likely to be affected by strategic change.

Programmes and projects do have some things in common. They both:

- are required to deliver capability to the organisation to allow it to deliver benefits
- require good governance, controls and management disciplines (such as risk, assurance, finance, monitoring and reporting) to be in place, and
- require the active involvement of the Senior Responsible Owner.[15]

Figure 3: Overview of a staged Better Business Cases process for a programme (or portfolio). The Programme Business Case confirms the case for change and the need for investment, recommends a preferred programme, and identifies the key projects and tranches to achieve programme outcomes. It seeks approval to deliver the programme, which can require subsequent project-based business cases.

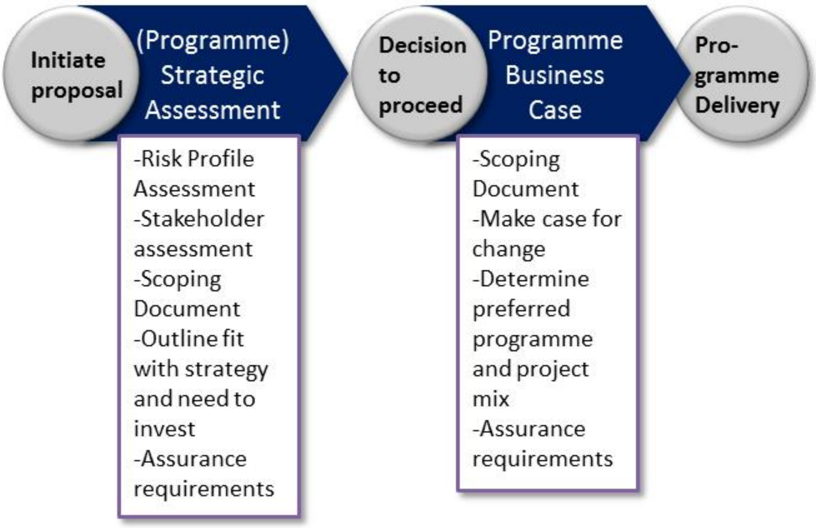


Table 3: The key process steps for a Programme Business Case development are highlighted to demonstrate the key focus for effort and analysis

The Five Cases	Process Stages by Case and Better Business Cases Deliverable	
	Strategic Assessment	**Programme Business Case**
Strategic	**Step 1: Outline strategic fit and the need to invest**	**Step 2: Make the case for change**
Economic		**Step 3: Explore the preferred way forward and the preferred programme**
Commercial		Outline the procurement strategy
Financial		Indicative costs for the preferred programme
Management		Strategy for successful delivery

15 The Senior Responsible Owner has overall accountability for the business case development process, delivery of the programme or project and ultimately the realisation of benefits.

Does the Proposal Require Two-stage Approval?

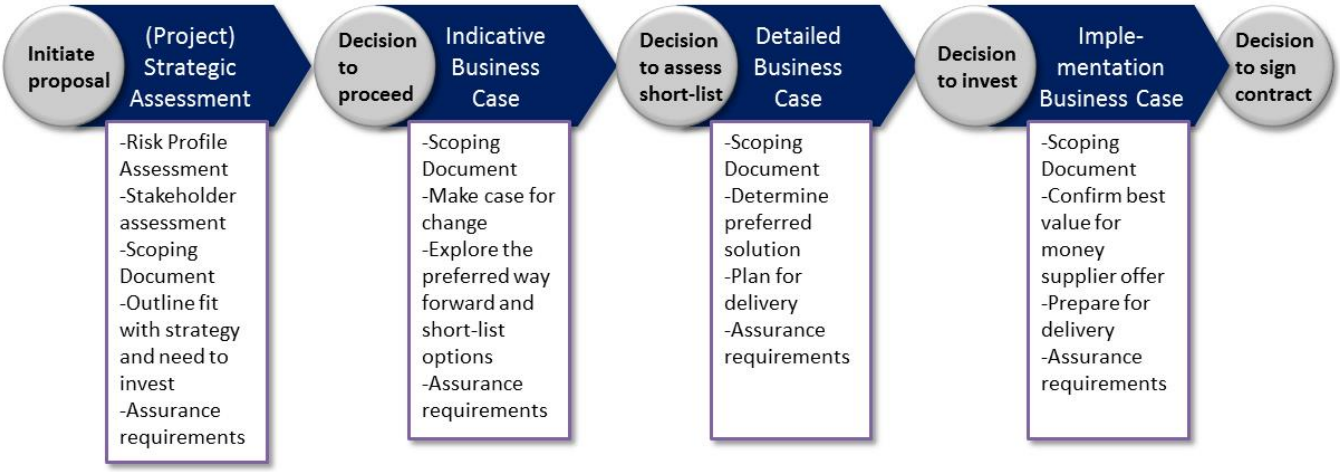
A two stage approval process ensures early engagement with decision-makers to ensure development effort is not wasted on options that can be ruled out early.

- **Stage 1:** Based on the Indicative Business Case, consider recommendations for an indicative or preferred way forward, to proceed with more detailed assessment of the short-listed options and to engage with market suppliers.

- **Stage 2:** Based on the Detailed Business Case, consider recommendations to develop and finalise the arrangements for the successful implementation of the preferred option.

Unless otherwise agreed by the Treasury or monitoring agency, this two-stage approval process must be followed for all capital expenditure, lease and asset disposal proposals undertaken by Government departments or Crown entities that require Cabinet approval as set out in Cabinet Office Circular CO(10) 2 *Capital Asset Management: Expectations*. [16]

Figure 4: Overview of a two-stage Better Business Cases process (for a sample project, either stand alone or as a consequence of a Programme Business Case decision).



[16] Refer to Cabinet Office Circular CO(10)2, *Capital Asset Management in Departments and Crown Entities: Expectations*, available at the Cabinet Office website at http://www.dpmc.govt.nz/cabinet/circulars/co10/2.

Table 4: The key process steps for a two-stage business case development are highlighted to demonstrate the key focus for effort and analysis within each business case deliverable

	Process Stages by Case and Better Business Cases Deliverable			
The Five Cases	**Strategic Assessment**	**Indicative Business Case**	**Detailed Business Case**	**Implementation Business Case**
Strategic	**Step 1: Outline strategic fit and the need to invest**	**Step 2: Make the case for change**	Revisit and confirm	Revisit and confirm
Economic		**Step 3: Explore the preferred way forward and short-list options**	**Step 4: Determine potential value for money**	**Step 8: Procure the value for money solution**
Commercial		Outline the procurement strategy	**Step 5: Prepare for the potential deal**	**Step 9: Contract for the deal**
Financial		Indicative costs for short-listed options	**Step 6: Ascertain affordability and funding**	Confirm the financial implications of the deal
Management		Strategy for successful delivery	**Step 7: Plan for successful delivery**	**Step 10: Ensure successful delivery**

Single Stage process

A simpler, fit-for-purpose single stage business case development process may be used for investment proposals that are assessed as lower risk and small scale. For a single stage process, the Indicative and Detailed business case content requirements are combined into a Single Stage Business Case, with a lower level of analytical effort required to meet decision-maker expectations.[17]

Agreement on the process to be applied should be agreed with the monitoring agency as part of developing the Scoping Document.

[17] Refer to the relevant Better Business Cases *Guide to Developing the Single Stage Business Case* at http://www.infrastructure.govt.nz/publications/betterbusinesscases/guidance

Figure 5: Overview of a single stage Better Business Cases process (for a sample project, either stand alone or as a consequence of a Programme Business Case decision).

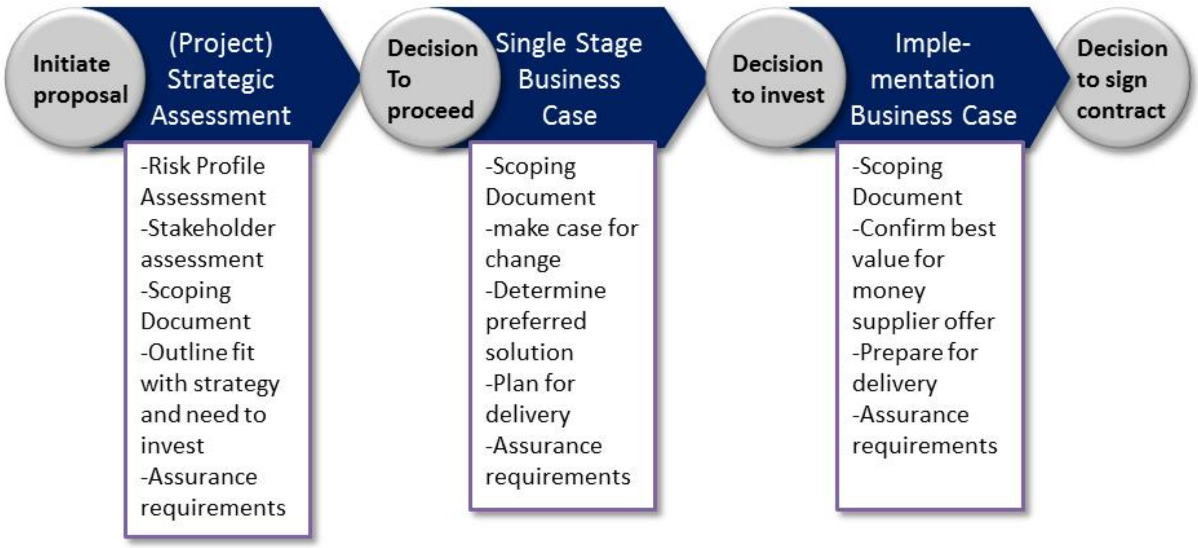


Table 5 The key process steps for a Single Stage Business Case development are highlighted to demonstrate the key focus for effort and analysis

The Five Cases	Process Stages by Case and Better Business Cases Deliverable		
	Strategic Assessment	Single Stage Business Case	Implementation Business Case
Strategic	**Step 1: Outline strategic fit and the need to invest**	**Step 2: Make the case for change**	Revisit and confirm
Economic		**Steps 3 and 4: Determine potential value for money**	**Step 8: Procure the value for money solution**
Commercial		**Step 5: Prepare for the potential deal**	**Step 9: Contract for the deal**
Financial		**Step 6: Ascertain affordability and funding**	Confirm the financial implications of the deal
Management		**Step 7: Plan for successful delivery**	**Step 10: Ensure successful delivery**

Single Stage Light process

For certain investment decisions that are subject to lower levels of delegated authority, that are of very small scale and/or very low risk, the use of a light single stage business case may be agreed as being fit for purpose. This could include compressing the three deliverables above into a single business case deliverable. In some case the Strategic Assessment requirements can also be combined into a fit for purpose Light Single Stage business case.

Agreement on the process to be applied should be negotiated with the monitoring agency.

Figure 6: Overview of the Single Stage Light Better Business Cases process

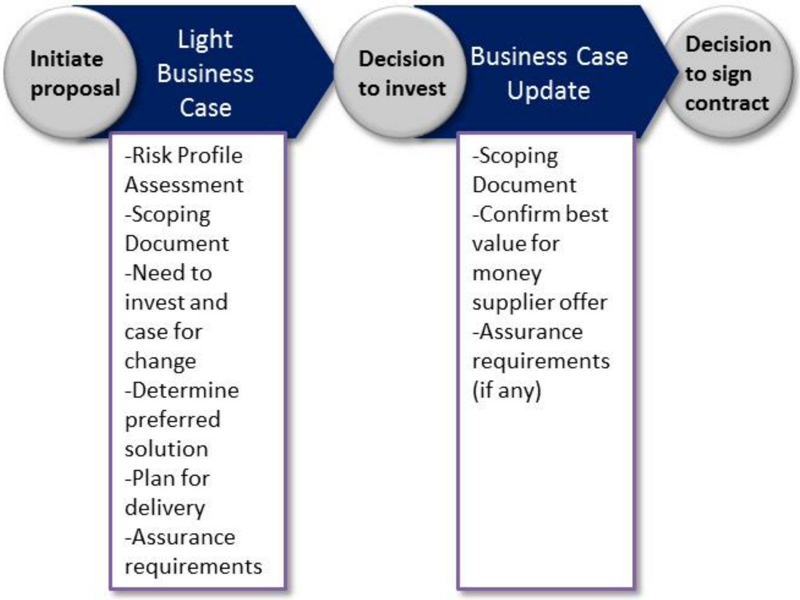


Table 6 The key process steps for a Single Stage Light Business Case development are highlighted to demonstrate the key focus for effort and analysis

The Five Cases	Process Stages by Case and Better Business Cases Deliverable	
	Single Stage Light Business Case	Update
Strategic	**Step 1: Outline strategic fit and the need to invest** **Step 2: Make the case for change**	Revisit and confirm
Economic	**Steps 3 and 4: Determine potential value for money**	**Step 8: Procure the value for money solution**
Commercial	**Step 5: Prepare for the potential deal**	**Step 9: Contract for the deal**
Financial	**Step 6: Ascertain affordability and funding**	Confirm the financial implications of the deal
Management	**Step 7: Plan for successful delivery**	**Step 10: Ensure successful delivery**

How to develop a Better Business Case

Breaking down the proposal into constituent parts also helps to identify the specialist or technical skill-sets required at each stage of the business case development. And it informs the stakeholder engagement strategy by providing a common language and by helping to anticipate specific interests and information needs at each stage.

Appoint the Senior Responsible Owner (SRO)

The ownership of the investment planning and business case development processes rests with the organisation. For significant investment proposals, the organisation should appoint a Senior Responsible Owner (SRO) to oversee the business case development.

The Senior Responsible Owner has overall accountability for the business case development process, delivery of the programme or project and ultimately the realisation of benefits. The Senior Responsible Owner should have the authority to make decisions affecting progress. Accountability for the direction and the production of the business case should not be out-sourced to an external consultant.

The Better Business Cases approach outlined in this guidance will require the Senior Responsible Owner to bring together a range of specialist capabilities and skills at different stages.

Specialist or technical skills may be required for facilitating stakeholder workshop, economic assessment of the options, quantitative risk analysis, procurement, change and benefits management. Early planning should signal how and when this expertise will be obtained, along with anticipated costs.

Where specialist or technical skills are not readily available within the organisation, particularly for significant, complex or innovative proposals, it may be necessary to seek external advice and support.

Agree Development Effort and Process using the Scalability Matrix and the Scoping Document

The Better Business Cases tool-kit is intended to be scalable, to ensure that the level of effort is fit for purpose and matches the scale and type of decision required.

Scalability is not just a function of size. A smaller proposal can still expose the stakeholders and owners to risk, either due to implementation risks or impacts on other programmes or services. A scalability matrix approach is used as a starting point for agreeing the level of effort that meets the needs and expectations of decision-makers.

For example, a fit for purpose business case can be developed and a single stage approval process may be applied for a proposal that is low risk and small scale. A lower level of analytical effort is likely to be sought for analysing options, quantifying risks and providing assurance in particular.

High risk proposals

High risk in the Better Business Cases context is determined by the Risk Profile Assessment (RPA) tool. The Risk Profile Assessment (RPA) is a self-assessment tool that provides an indicative risk rating for the investment proposal.[18]

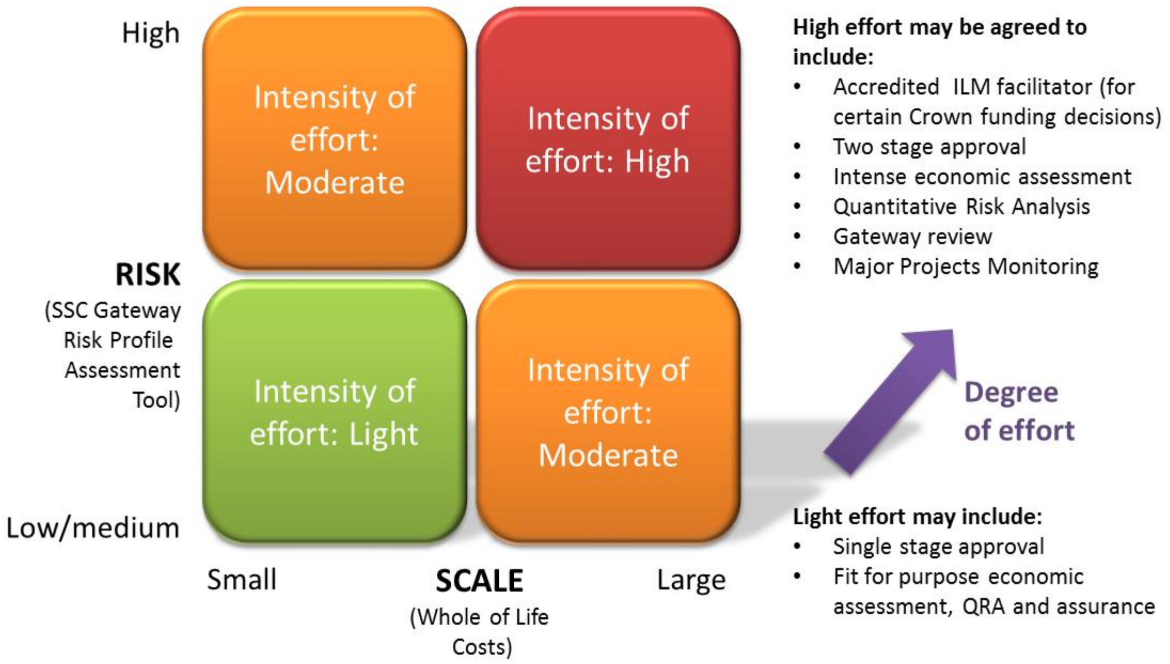
Government departments must, and Crown agents are expected to, complete a RPA for any capital project or programme that could expose the Government to significant fiscal or ownership risk. Where the RPA produces a medium or high risk score, it must be submitted to the State Services Commission Gateway Unit for moderation and consideration for Gateway reviews. In some cases a Minister may request that a proposal be subject to Gateway review, even if it is not formally identified as being high risk.

Even if the proposal or agency is not covered by the Gateway review process, the RPA is a useful tool for initially assessing the risk profile of the proposal.

Large scale proposals

All departmental capital expenditure or lease proposals with a whole of life cost (WOLC) over $25 million, even if funded from existing baselines and balance sheets, are required to follow a formal two-stage business case development and approval process.[19]

Figure 7: Scalability matrix based on estimated scale and level of risk of the investment proposal.



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[18] The RPA spreadsheet, guidance material and contact details are available at the State Services Commission (SSC) Gateway Review website at http://www.ssc.govt.nz/gateway

[19] Refer to Cabinet Office Circular CO(10)2, *Capital Asset Management in Departments and Crown Entities: Expectations*, available at the Cabinet Office website at http://www.dpmc.govt.nz/cabinet/circulars/co10/2

The Scoping Document discussion

The Scoping Document facilitates discussion and agreement between the Senior Responsible Owner and the monitoring function on how the Better Business Cases tool-kit will be applied. The aim is to align the level of effort and assurance through each part of the business case process with the scale and risk of the investment proposal, to ensure it is fit for purpose. The agreement is documented prior to the commencement of each Better Business Cases deliverable and documented in the relevant section of the Scoping Document.[20]

This helps ensure the business case will be fit for purpose by agreeing (and documenting in the scoping document) the following:

- the type of business case
- timing and nature of decisions required, including the fit with the required approval processes
- scale and risk of the proposal, using the Risk Profile Assessment tool
- scope of analysis required for each case
- scope of assurance required for each case
- level of effort and cost for development and assurance, and
- scope of the engagement during the development of the business case.

The National Infrastructure Unit (NIU) of the Treasury can provide support to facilitate this agreement between the organisation and the relevant monitoring agencies.[21]

This process entails the following four steps:

Step one: The organisation completes the relevant sections of the Scoping Document and sends the document to the relevant monitoring agency. This simple document considers the points above and provides the basis for obtaining early agreement and clearly defining expectations on both the process and the degree of analytical effort required in developing and implementing the capital proposal.

Step two: The monitoring agency engages with the National Infrastructure Unit who then provide access to subject matter experts for each of the relevant (strategic, economic, commercial, financial and management) cases.

Step three: The monitoring agency agrees the Scoping Document with the organisation prior to work commencing on the business case.

Step four: The organisation (typically the Senior Responsible Owner and the project team) engages with monitoring agency on an on-going basis throughout the development of the business case.

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[20] The Scoping Document template for each business case deliverable is available at http://www.infrastructure.govt.nz/publications/betterbusinesscases/guidance

[21] The National Infrastructure Unit Better Business Cases team can be emailed on mailto:betterbusinesscases@treasury.govt.nz . For certain proposals, the monitoring role may be delegated to an internal unit within the organisation.

The relevant sections of the Scoping Document template should be completed and circulated to participants.

Engaging with Monitoring Agencies

It is important to engage with your designated monitoring agency at an early stage in the business case development process to determine how and when to apply the Better Business Cases processes detailed in this guide. Early engagement is recommended to avoid unnecessary rework at a later stage of the business case development process.

For significant proposals undertaken by government departments and Crown agents this discussion is likely to be with one or more of the relevant Treasury vote team, the Major Projects Monitoring Unit of the State Services Commission (SSC) and/or a monitoring agency. For other agencies and proposals, the discussion could be with either an external agency or internal monitoring unit depending on the relevant business case assurance expectations and rules.

On-going monitoring may include regular progress meetings with the Senior Responsible Owner and project team throughout the lifecycle of the project, Independent Quality Assurance (IQA) of the business case prior to approval and quality assurance and comment on any Cabinet submission for approval. These assurance processes need to be factored into planning.

All departments and Crown agents should engage early with The Treasury if the proposal is likely to involve a Public Private Partnership (PPP) or other non-traditional procurement solution, as this is likely to result in a different process for options assessment, seeking approval from ministers and engaging with potential suppliers. This also allows the Treasury National Infrastructure Unit the opportunity to make a representative available to relevant PPP project steering and working groups.

Early engagement with The Treasury is also recommended if the proposal is likely to involve regulatory implications that will lead to advice to Cabinet. A Preliminary Impact and Risk Assessment (PIRA) may be required to be developed, in the first instance.

Engage Early with Stakeholders

Stakeholders are those individuals or organisations that may have either an interest in the success of the investment proposal or can influence the achievement of the proposal's objectives. Different stakeholder groups can derive different benefits or from an investment proposal. Similarly different stakeholders will perceive issues and value from differing perspectives.

Successful stakeholder engagement helps to engage the right people in the right way. Engaging early and at key points in the process will ensure that stakeholders are able to challenge and shape the direction of the proposal, as well as providing specialist judgement and opinions to help develop the investment story. This can help improve the investment proposal and build support to improve the likelihood of success.

There are three stages in managing the stakeholder engagement: [22]

Identifying stakeholders (Who):	• Who are they? Stakeholders can include business managers, co-workers, governance groups, partners, ministers, investors, funders, suppliers, users, customers, the public, the community, industry groups, media and other interest groups. The monitoring agency and decision-makers are key stakeholders.
Analysing stakeholders (Why and What):	• Which stakeholders should you focus your effort on and why? • What do they care about? What motivates them? • What is their current level of power, interest and influence? Where do you want them to be?
Planning the stakeholder engagement (How):	• How do you build support? How do you win over sceptics or blockers? How do you engage and maintain the interest of supporters and advocates? • How to address emerging concerns? Changing levels of interest? • How do you ensure effective communications (i.e. the right amount of timely information)? Key messages and channels?

The Use of Facilitated Workshops

A critical enabler for effectively engaging with key stakeholders is the use of facilitated workshops. A managed series of facilitated workshops is recommended at key points in the business case development to enable early engagement, to help develop a shared understanding and to reflect a representative mix of specialist judgements and opinions in shaping and directing the investment proposal. This can add immeasurably to the quality of the analysis as well as helping to support the approval and successful delivery of the project or programme.

The number and timing of the workshops will depend on the nature of the investment proposal and the stakeholder management strategy. This process should be agreed and documented early as part of the Scoping Document.

Generally workshops are required for the following four initial aspects of the business case development:

1 Identifying and agreeing the investment drivers (problems/opportunities) and the need to invest

2 Developing the case for change (focussing on agreeing SMART investment objectives and potential scope)

3 Identifying a wide range of potential options (the long-list)

4 Assessing options (as part of recommending a preferred programme (or portfolio), the preferred way forward or the preferred solution)

[22] Refer to the stakeholder analysis guidance in the *Guide to Developing the Strategic Assessment*.

Depending on the proposal, additional workshops may be required. The characteristics of each workshop will depend on what is to be achieved, whether it is to build consensus, to communicate, to collect information, to brainstorm ideas or to undertake analysis. This in turn will determine the workshop tools to be used, the choice of facilitator, venue, timing and the attendees to invite. The workshop process should be planned in advance as part of your ongoing stakeholder engagement.

Using experienced facilitators can help to ensure that the right tools are applied in the right way to result in successful outcomes for the workshop. Using external facilitators can help to provide independence and ensure that any assumptions and ideas receive the appropriate level of challenge.

Other Communications to Stakeholders

Different forms of communication of the business case analysis and recommendations will be needed, depending on the various information and assurance requirements of the intended audiences. One page presentation templates are provided in the Better Business Cases tool-kit to assist with communication. The one-page presentation templates are intended to summarise and demonstrate the underlying analysis provided in the business case deliverables and supporting documentation.

The Senior Responsible Owner has a key leadership role in engaging key stakeholders and ensuring the development of any analysis, planning and communication documents.

Plan the Assurance Requirements

The focus of project assurance is to support the successful delivery of the project or programme. Assurance should target any aspects of a programme or project that pose a risk to successfully achieving the investment objectives and realisation of expectation benefits, and it should provide value to those working on, or who have an interest in the programme or project.

Certain investment proposals by government departments and Crown agents are subject to mandatory assurance processes. These processes include:

- Major project and programme monitoring
- Gateway Review
- Independent quality assurance (IQA)
- Information and Communications Technology (ICT) assurance.

Major project and programme monitoring

Cabinet requires that the Treasury and the State Services Commission (SSC) monitor certain major government department projects and programmes to assure Ministers that these will succeed[23]. Monitoring activity is designed to provide independent advice to Responsible Ministers on the likelihood of projects delivering expected benefits in the required timeframe, at the required quality and within fiscal, policy, or operational constraints.

The central agencies will monitor all departmental projects that are determined as high risk and/or where otherwise requested to do so by the Responsible Minister, whether the project is ICT-enabled, infrastructure, property or construction based and however funded. This includes projects that are funded from departmental baselines as well as those that require capital investment from central government.[24]

State Services Commission (SSC) Gateway Review

Gateway is an assurance methodology for major investments. It is a review process that examines programmes and projects at key decision points in their lifecycle to provide assurance that they can progress successfully to the next stage.

Gateway is Cabinet mandated for high risk capital projects in government departments and Crown Agents, irrespective of scale or funding source. Agencies determine if their projects are high-risk by completing the Risk Profile Assessment. The Gateway Unit determines whether a project or programme is high risk, based on its assessment of the initial Risk Profile Assessment provided by the agency, and other factors.[25]

Gateway delivers a strategic-level peer review on the programme or project. Independent practitioners use their experience and expertise to examine progress and make recommendations to improve the likelihood of success. The review panel can provide a valuable additional perspective on the issues facing the internal project team and an external challenge to the robustness of plans and processes.

The Gateway review process provides support by helping the Senior Responsible Owner to ensure:

- the best available skills and experience are deployed on the programme or project
- all the stakeholders associated with the programme or project fully understand the programme/project status and the issues involved
- there is assurance that the programme or project can progress to the next stage of development or implementation and that any procurement is well managed in order to provide value for money on a whole life basis

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[23] Refer to Cabinet Office Circular CO(10)2, *Capital Asset Management in Departments and Crown Entities: Expectations*, available at the Cabinet Office website at http://www.dpmc.govt.nz/cabinet/circulars/co10/2

[24] Refer to the State Services Commission Major Project Assurance Group web-site and the *Guidance for Monitoring Major Projects and Programmes* at http://www.ssc.govt.nz/major-projects-assurance

[25] For guidance material, the Risk Profile Assessment spread-sheet and contact details, refer to the State Services Commission (SSC) Gateway Review website at http://www.ssc.govt.nz/gateway

- achievement of more realistic time and cost targets for the programme or project
- improvement of knowledge and skills among government staff through participation in reviews, and
- provision of advice and guidance to programme and project teams by fellow practitioners.

The Gateway methodology was developed in 2001 by the UK Office of Government Commerce (OGC). In New Zealand, Gateway is part of Treasury's Capital Asset Management (CAM) regime and is administered by the SSC Major Projects Assurance group. Further details can be found at the SSC Gateway Unit website.

Departments and Crown agents must complete an initial Risk Profile Assessment (RPA) for all projects and programmes where failure to deliver within the expected functionality, cost and timelines would expose Government to significant fiscal or ownership risks. The RPA for any medium or high risk project must be forwarded to the SSC Major Projects Assurance group as early as possible to ensure early engagement with the relevant central agencies. The SSC Major Projects Assurance group will review the RPA and determine a final risk rating.

Early engagement with the SSC Major Projects Assurance group is essential. Due to the need to assemble a suitable review team, there can be a significant lead time from the first contact with the SSC Major Projects Assurance group to commencement of a Gateway review. This should be taken into account in planning and scheduling when preparing the business case as well as the subsequent development and implementation of the programme or project.

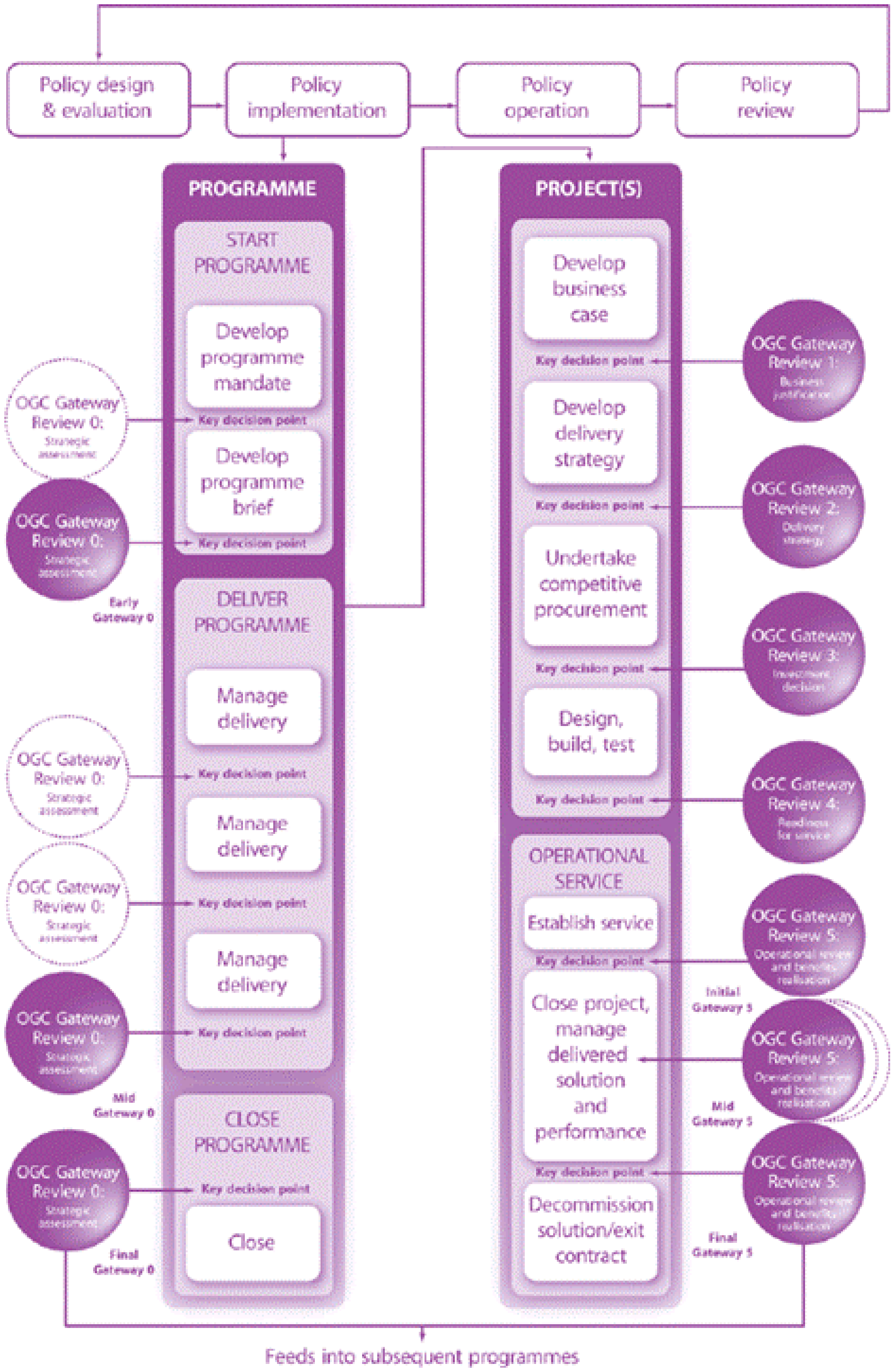
Independent Quality Assurance (IQA)

High risk investment proposals may be expected to undergo independent quality assurance in addition to Gateway reviews. Refer to the Treasury vote team and SSC Major Projects Assurance group for further information and guidance.[26]

Assurance of quality is an ongoing project management task and regular quality reporting enables early identification of project issues. This can take the form of regular project health checks, probity assurance of the procurement process or an in-depth review of the project etc. IQA reviews can increase the likelihood of projects meeting their business objectives and ensure best practice is being followed.

[26] Refer to the State Services Commission Major Project Assurance group web-site at http://www.ssc.govt.nz/major-projects-monitoring

Figure 8: The Gateway reviews map onto the Better Business Cases deliverables and decision points. (Source: State Services Commission)



Information and Communications Technology (ICT) Assurance

The role of the Government Chief Information Officer (GCIO) is to provide leadership on ICT matters within government. The aim is lower cost and higher quality public services.

Cabinet have increased the mandate of the GCIO to provide system-wide assurance and to give the public, Ministers, and other stakeholders greater confidence that ICT risks and processes within the State services are identified and managed effectively. Through this mandate, the GCIO intends to develop and issue standards across the State services.

The ICT assurance function is being developed in conjunction with central agencies to ensure implementation is well co-ordinated, and existing information and processes leveraged. The ICT assurance function is intended to be active, forward-looking and tailored to the level of risk and value for both programmes and projects, and operational ICT.

Manage the Realisation of Benefits

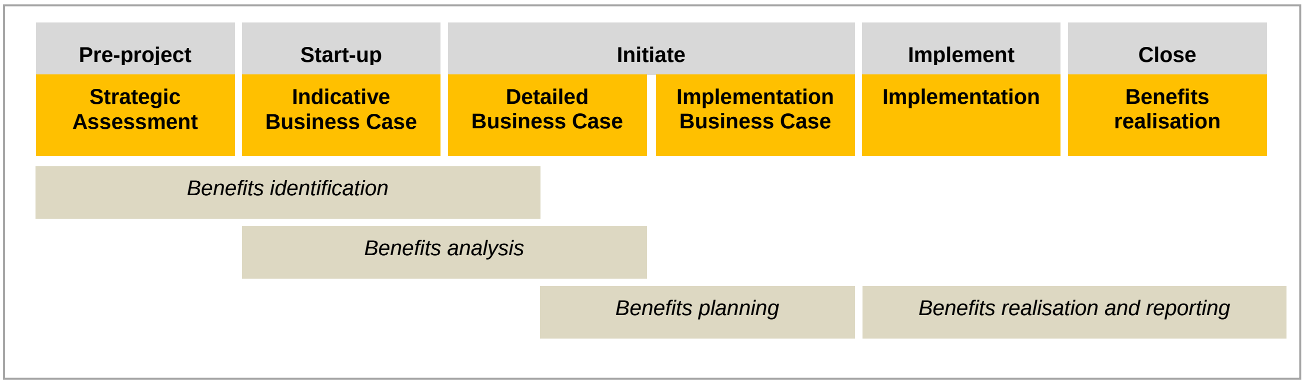
In the wider context of investing in change, a benefit is any gain to one or more stakeholders from the change in state. Undertaking a project or programme should result in benefits of some kind. Otherwise, why do it? Benefits can also be considered as the return from the investment in undertaking a project or programme.

Showing the logical contribution of benefits to an organisation's outcomes is a way to align initiatives with the organisation's strategy. This is an important consideration when assessing whether or not initiatives should proceed.

Benefits management is vital in understanding if an initiative has achieved what it set out to do. It involves articulating what benefits are expected from the initiative, how it will be known that the benefits are achieved, and the assessment of what has eventuated against planned. Managing benefits extends beyond the lifecycle of a project or programme. It requires a structure that survives long after the project or programme team has been disestablished.

The four phases, identification, analysis, planning and reporting apply equally to benefits, costs and risks. These three themes are embedded into this business case development process.[27]

Figure 9: The high level framework for benefits management



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[27] For further information on benefits management refer to the Better Business Cases supplementary guide, *Managing Benefits from Projects and Programmes (2013)*, available at http://www.infrastructure.govt.nz/publications/betterbusinesscases/guidance

Other Related Rules and Expectations

This Better Business Cases guidance is not intended to repeat other relevant mandatory rules or expectations that may apply. Some of these key expectations for Public sector organisations are referenced below. This is not a complete list and you should use this guidance in the context of the relevant policies, rules and expectations that may apply to your specific organisation or sector.

Procurement Guidance

The term 'procurement' covers all aspects of acquiring and delivering goods, services and works (e.g. refurbishment and new construction). It starts with identifying the need and finishes with either the end of a service contract or the end of the useful life and disposal of the asset. This is called the procurement lifecycle.

Organisations need to be aware of the size, composition and nature of the supply markets on which they depend. This means taking a systematic approach to researching and analysing markets and suppliers. A key part of this can be consulting with the market at an early stage in the development of policy or the design of a concept.

The Ministry of Business, Innovation and Employment have published a series of guidance documents and standards intended to support good, strategic procurement practice. The Better Business Cases approach is aligned to the procurement guidance.

The new Government Rules of Sourcing (2013)

The new *Government Rules of Sourcing* (the Rules) provide a simple, plain English explanation of the government's standards of good practice for procurement planning, approaching the market and contracting. The Rules came into effect on 1 October 2013 and replace the 2006 Mandatory Rules for Procurement by Departments.[28]

These new Rules focus mainly on the process of sourcing. Sourcing is only part of the procurement lifecycle. It covers planning your procurement, market research, approaching the market, evaluating responses, negotiating and awarding the contract. The Rules must be read along with the government's Principles of Procurement and other good practice Guidance. The five Principles of Procurement are:

i Plan and manage for results

ii Be fair to all suppliers

iii Get the right supplier

iv Get the best deal for everyone

v Play by the rules.

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[28] For further information, please refer to http://www.business.govt.nz/procurement/for-agencies/key-guidance-for-agencies/the-new-government-rules-of-sourcing

The Rules set the standards for choosing and managing relationships with businesses and Non-Government Organisations delivering services on behalf of government. This is the foundation of good procurement that is critical to delivering better public services for New Zealand. This change is part of the Government's wider Procurement Reform Programme and aims to make it easier to do business with Government, for both suppliers and agencies.

The purpose of the Rules is to:

- provide a refreshed plain English format that is easier for agencies and suppliers to use
- modernise the government's approach to procurement to align with good international practice and provide better value for the New Zealand public
- encourage agencies to use more strategic approaches and commercial expertise when procuring – including e-procurement
- encourage agencies to engage early with the market to stimulate competition and innovation, and work with suppliers to develop better solutions
- include Cabinet-directed procurement requirements and legislation.

The Rules must be applied by all Public Service departments, New Zealand Police and the New Zealand Defence Force. Wider State Services agencies are expected to have regard to the Rules as good practice guidance. Wider State Sector and Public Sector agencies are encouraged to have regard to the Rules as good practice guidance.

The new Rules provide agencies with:

- a single source of procurement rules that align with international best practice, and
- policy in plain English that is easy for agencies and suppliers to understand

The Rules will help agencies to:

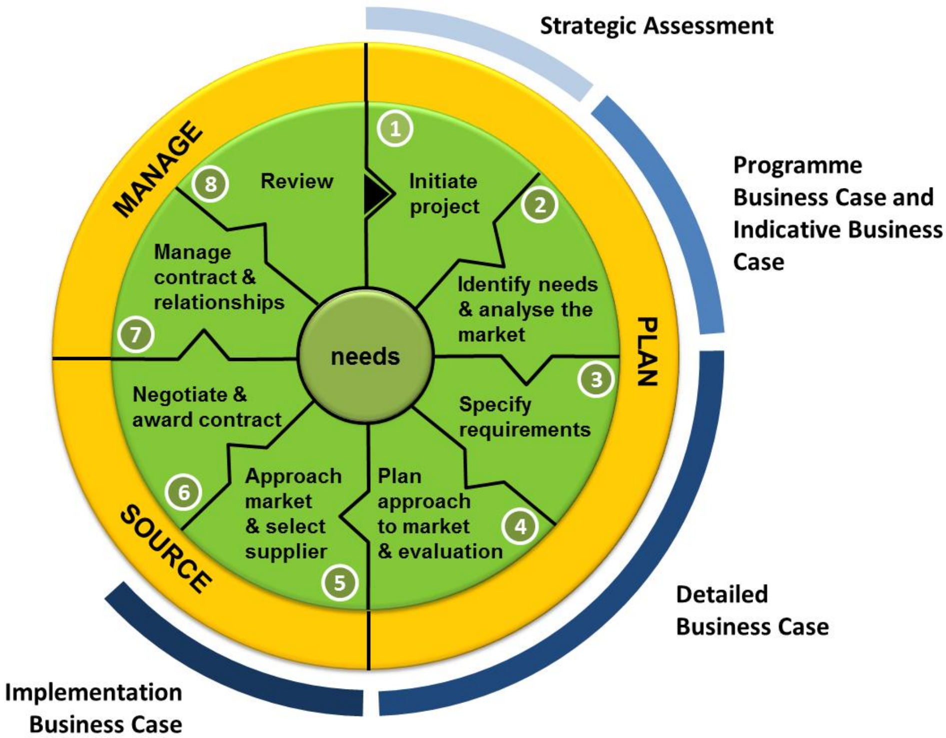
- design processes that promote the Principles and deliver results
- replace red tape with sound commercial judgement
- deliver the best value for money over the whole-of-life of the contract, which isn't always the cheapest price, and
- deliver better public services.

Mastering Procurement - a structured approach to strategic procurement (2011)

This foundation guide explains the eight stages of the procurement lifecycle. The guide steps you through the end-to-end approach to strategic procurement: from the high-level strategic thinking and business planning, through to the operational aspects of dealing with individual acquisitions and the management of the resulting contract and relationships. [29]

This guide incorporates best practice from overseas and New Zealand and has been developed following extensive consultation and discussion with a range of stakeholders. While developed for government agencies, the guide is a useful resource for all agencies considering investments in change likely to require procurement of goods, services and/or works.

Figure 10: The eight-step procurement lifecycle aligns with the Better Business Cases development process



Regulatory Impact Analysis Requirements

Certain government agency investment proposals may also have additional Regulatory Impact Analysis (RIA) requirements. The Regulatory Impact Analysis (RIA) requirements apply to any policy initiative or review that ultimately:

- considers options that would involve creating, amending or repealing legislation (either primary legislation or disallowable instruments for the purposes of the Legislation Act 2012), and

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[29] *The Guide to Mastering Procurement* (2011) is available, with other procurement guidance, at http://www.business.govt.nz/procurement

- is expected to result in a paper being submitted to Cabinet for approval. [30]

Early engagement with The Treasury is also recommended if the proposal is likely to involve regulatory implications that will lead to advice to Cabinet. A Preliminary Impact and Risk Assessment (PIRA) may be required to be developed, in the first instance. The PIRA is a basic project plan that helps the agency and Treasury to determine if and how the RIA requirements are to be applied.

While the two analytical processes may be proceeding on different timelines, it is possible that some of the thinking, analysis and recommendations can be integrated to avoid duplication of effort and inconsistent advice being provided to decision-makers. This should be considered as part of the discussion to agree the initial Scoping Document.

Public Private Partnerships (PPP)

Private Public Partnerships (PPPs) are long-term (25 to 35 year) contracts for the delivery of a service (a concession) that requires the construction of a facility or asset. Private Public Partnership arrangements may be combinations of up to six basic components - design, build, maintain, operate, finance and ownership. Ownership can transfer back to Government at the end of the fixed term contract (e.g. a BOOT).[31]

A Private Public Partnership is characterised by:

- life-cycle responsibility transferred to private sector parties (for the term of the contract)
- public sector specification of service requirements, not the form of assets, and
- an appropriate transfer of risks from the public to sector to a private sector consortium of specialist parties.

Because the Government is open to greater use of private sector expertise in asset procurement and management, all proposals requiring Cabinet approval that have whole of life costs in excess of $25 million must include an evaluation of alternative procurement options that includes a Public Private Partnership option.[32]

All departments and Crown agents should engage early with The Treasury if the proposal is likely to involve a Public Private Partnership (PPP) or other non-traditional procurement solution, as this is likely to result in a different process for options assessment, seeking approval from ministers and engaging with potential suppliers. This also allows the Treasury National Infrastructure Unit the opportunity to make a representative available to relevant PPP project steering and working groups.

The potential for a PPP option should be identified as part of the discussion to agree the initial Scoping Document.

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[30] For more detail on the Regulatory Impact Analysis requirements, refer to the guidance at http://www.treasury.govt.nz/publications/guidance/regulatory/impactanalysis

[31] Refer to the PPP guidance maintained by the National Infrastructure Unit of the Treasury and available from http://www.infrastructure.govt.nz/publications/pppguidance.

[32] Refer to Cabinet Office Circular CO(10)2, *Capital Asset Management in Departments and Crown Entities: Expectations*, available at the Cabinet Office website at http://www.dpmc.govt.nz/cabinet/circulars/co10/2

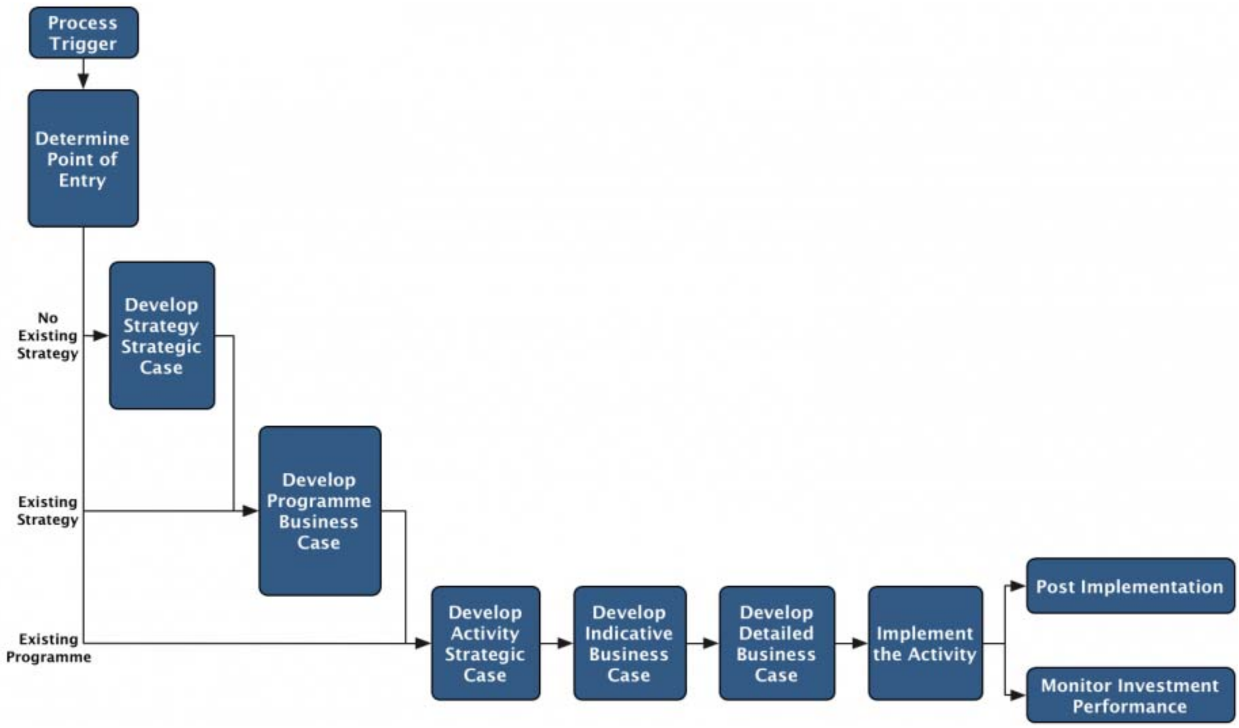
New Zealand Transport Agency Business Case Approach

The New Zealand Transport Agency has adapted the Better Business Cases approach for use within the transport sector. New programmes or activities within the 2015/18 National Land Transport Programme are expected to apply this new business case approach. From July 2013, all approved organisations were encouraged to transition to this new approach.

Given the Better Business Cases approach has been adapted to fit into an existing sector-based planning, investment and project development processes, some of the terminology, processes and tools differ from that used in this Better Business Cases guidance.

If you are undertaking a business case development in the transport sector, you should refer to the specific business guides and templates on the NZTA web-site[33] and to the quick reference guide[34]. This Better Business Cases guidance can be used for reference, where the more generic tools and techniques are applied in both contexts.

Figure 11: The NZTA planning to project process (source: http://pikb.co.nz/home/planning-to-project-delivery-process/)



A more detailed overview of the NZTA process steps and outputs is provided in the appendices.

33 For further information refer to the NZTA Planning and Investment knowledge Base at http://www.pikb.co.nz/ and the Highways Information Portal at http://hip.nzta.govt.nz/

34 Refer to the NZTA quick reference guides titled *Business Case Approach to Transport Planning and Project Development: A guide (2013)*, available at http://hip.nzta.govt.nz/__data/assets/pdf_file/0011/42041/HNO-Business-Case_Web.pdf

Where to go for Further Information?

Better Business Cases Guidance

The National Infrastructure Unit (NIU) of the Treasury will monitor and periodically update the Better Business Cases guidance tool-kit on the National Infrastructure Unit website and on the Public Sector Intranet (PSI). This The Better Business Cases tool-kit includes:

- Overview information
- Quick Reference Guide, online module, Overview presentation and booklet
- Detailed information for each type of business case deliverable including:
  - a scoping document template to agree effort
  - guidance booklets to understand the standard
  - PowerPoint slides, to workshop the thinking together
  - Word templates to assist in writing the business case, and
  - PowerPoint one-pagers, to assist in presenting the business case.

The National Infrastructure Unit will provide training in Auckland, Wellington and Christchurch for agencies, managers, developers and reviewers, including:

- one-hour awareness seminars for senior managers
- half-day knowledge-based Foundation Courses
- Communities of practice (wisdom-exchange experiences)
- Practitioners Course modules 1 and 2 (full day, fee-based, skills-based courses), and
- Reviewers Course (full day, fee-based, skills-based course).

The National Infrastructure Unit will also support additional support, including:

- Customised seminars to those agencies considering internal adoption, and
- Access to BBC practitioners to attend workshops that are applying BBC thinking to programmes, especially those that could require Crown investment.

Who to contact?

For queries on the Better Business Cases tool-kit, or the services provided by the National Infrastructure Unit, email mailto:betterbusinesscases@treasury.govt.nz . For queries on ILM, IQA and Major Projects Monitoring, email mailto:majorprojects@ssc.govt.nz. For Gateway review queries email gatewayunit@ssc.govt.nz.

References

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The Treasury (2013), *Regulatory Impact Analysis Handbook*, published 2 August 2013, available at http://www.treasury.govt.nz/publications/guidance/regulatory/impactanalysis

Welsh Government (2012), *Delivering Public Value from Spending Proposals, Green Book guidance on Public Sector Business Cases using the Five Case Model*, October 2012, available at http://wales.gov.uk/funding/wiipindex/5cmodel/?lang=en

Appendix One: Requirements for Capital Proposals that Require Cabinet Approval

Mandatory for all capital proposals that require Cabinet approval

This business case guidance is mandatory for all capital expenditure, lease and asset disposal proposals undertaken by Government departments or Crown entities that require Cabinet approval as set out in Cabinet Office Circular CO(10) 2 *Capital Asset Management: Expectations*, as set out in table 1 below. [35]

Table i: Capital expenditure, lease and asset disposal proposals that require Cabinet approval

Type of proposal/organisation	All Departments	Crown Agents	Other Crown entities
All proposals that require new Crown funding	✓	✓	✓
All proposals to dispose of assets held on the Crown account that have significant policy implications	✓	✓	✓
All PPP proposals, even if funded from baselines and balance sheets	✓	✓	
All departmental capital expenditure or lease proposals with a whole of life cost (WOLC) over $25 million, even if funded from baselines and balance sheets	✓		
All high risk departmental proposals, irrespective of the scale and funding source	✓		
All proposals to dispose of departmental assets with a carrying value of $25 million or more	✓		

Two stage approval required unless small and lower risk

Unless otherwise agreed by the Treasury or monitoring agency, a two-stage approval process must be followed for all capital proposals that require Cabinet approval as outlined in table 1.

- **Stage 1:** Based on the Indicative Business Case, consider recommendations for an indicative or preferred way forward, to proceed with more detailed assessment of the short-listed options and to engage with market suppliers.

- **Stage 2:** Based on the Detailed Business Case, consider recommendations to develop and finalise the arrangements for the successful implementation of the preferred option.

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[35] Refer to Cabinet Office Circular CO(10)2, *Capital Asset Management in Departments and Crown Entities: Expectations*, available at the Cabinet Office website at http://www.dpmc.govt.nz/cabinet/circulars/co10/2.

A single stage Cabinet approval process may be permitted for proposals that seek new Crown funding that are assessed as both lower risk and small (with whole of life costs less than $25 million). Consistent with Cabinet Office circular CO (09) 6 *Guidelines for Changes to Baselines*, it is intended that such projects will be considered as part of the annual Budget process. [36]

For other capital proposals requiring approval by the responsible Minister

The Better Business Case guidance is also mandatory for all capital expenditure, lease and asset disposal proposals that require approval by the responsible Minister as set out below.

Table ii: Capital expenditure, lease and asset disposal proposals that require approval of the responsible Minister

Type of proposal/organisation	All Departments	Crown Agents and other Crown entities
All proposals to dispose of assets held on the Crown account that have non-significant policy implications	✓	✓
All proposals to dispose of departmental assets with a carrying value of between $15 million and $25 million	✓	
All departmental capital expenditure or lease proposals with a whole of life cost (WOLC) of between $15 million and $25 million	✓	

For all other departmental capital proposals requiring approval by the chief executive

Even where the approval of Cabinet or the responsible Minister is not required, there is an expectation that Departmental chief executives adopt and apply the Better Business Case guidance to all capital proposals.

Sector-based requirements for other major non-Departmental capital proposals

Where Cabinet approval is not required for a non-Departmental capital proposal, the use of the Better Business Case guidance will depend on the expectations set by the responsible Minister from time to time. Even if this guidance is not required to be followed, it is suggested as good practice within the State sector for all major capital investment proposals.

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[36] Refer to Cabinet Office Circular CO(10)2, *Capital Asset Management in Departments and Crown Entities: Expectations*, available at the Cabinet Office website at http://www.dpmc.govt.nz/cabinet/circulars/co10/2.

Post-implementation monitoring

Unless otherwise agreed by Cabinet, departments and Crown agents that seek Cabinet approval for capital proposals that are both large and high risk (as determined by SSC Gateway Unit) must report back to Cabinet on the actual level of benefits actually achieved compared with those outlined in the proposal.