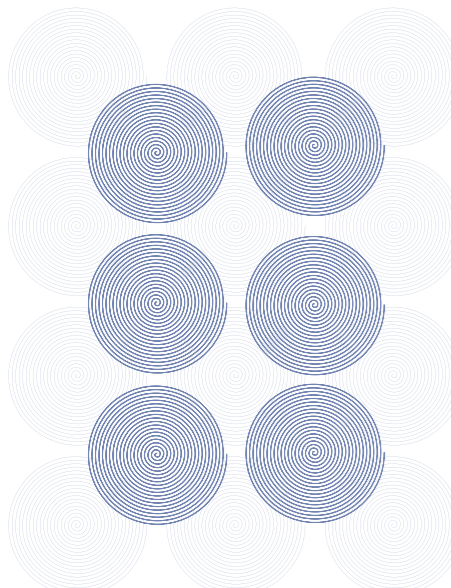


BETTER BUSINESS CASES

FOR CAPITAL PROPOSALS
QUICK REFERENCE GUIDE

EFFECTIVE
JULY
2011



The purpose of this guide is to provide an overview of what is expected and who needs to do what in the development and assessment of business cases for capital proposals.

newzealand.govt.nz

WHY WE NEED THIS

Focus on Better Business Cases

The Government wants to improve the quality of business cases to inform their decisions on capital proposals. This process will assist this through:

- clear rules and expectations
- clear processes
- scalable standards to ensure the level of effort matches the scale and type of decisions required
- clear guidance, training and ongoing support

Value Propositions

The benefits to the key stakeholders are:

Decision makers/Ministers

- Early engagement on the case for change
- Early engagement on options
- Fit for purpose assurance and analysis
- Clear presentation.

Management

Have the capital to deliver the services required to meet government objectives.

Business case developers

- Clear process
- Effort is fit for purpose
- Easy access to knowledge, expertise and lessons learnt.

Monitoring agencies⁽¹⁾

- Early engagement
- Fit for purpose business case
- Access to expertise needed to provide assurance and second opinion advice.

Private Sector Vendors

Clear procurement/market engagement expectations.

⁽¹⁾ The function within a monitoring agency that provides second opinion advice to the decision maker.

WHEN DOES IT APPLY

All capital proposals from Departments, Crown Agents and other Crown Entities which meet one or more of the following criteria:

- Access to new Crown funding
- Public Private Partnerships (excluding other Crown Entities)
- \$25 million whole-of-life cost (Departments only)
- "High risk" per Gateway Risk Profile Assessment (Departments and Crown Agents only)
- Asset disposals with significant policy decisions

These are further explained in the Cabinet Office Circular (CO (10)2) on the Cabinet Office website.

Even if the Better Business Cases process is not required we encourage organisations to consider applying it to their proposals. To the extent the process may require adaptations, please contact:

betterbusinesscases@treasury.govt.nz

WHAT IS EXPECTED

If a proposal requires Cabinet approval:

- Cabinet should be engaged early in the decision making process
- A two-stage approval process must be followed – unless otherwise agreed by the monitoring agency and Treasury.

The two stage process consists of:

- Stage 1: based on Indicative Business Case
- Stage 2: based on Detailed Business Case

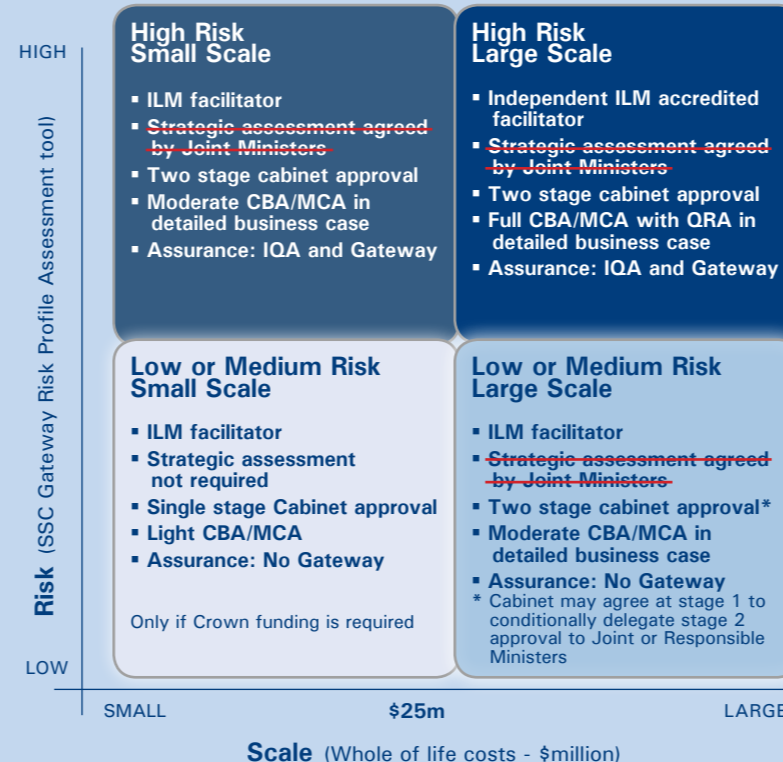
The development of a business case includes:

- Demonstrating the thinking has been done
- Presentation to monitoring agencies
- Presentation to decision makers.

"The process is about thinking not writing"

SCALABILITY

The development process is scalable to ensure that the level of effort is fit for purpose and matches the scale, risk profile and type of decision required.



If the proposal is large scale it must consider alternative procurement (including PPP).

If the proposal is high risk and large scale the agency must report back to Cabinet on benefits realisation 12 months after implementation.

WHO NEEDS TO HAVE EARLY INVOLVEMENT

It is highly recommended that the agency engages with the monitoring agency in the early stages of each business case deliverable. This is to ensure the business case will be fit for purpose by agreeing on the:

- Type of business case
- Timing and nature of decisions required including the fit with the required Budget process
- Scale and risk of the proposal-using the risk profile assessment tool and the scalability matrix
- Scope of analysis required for each case
- Scope of assurance required for each case
- Level of effort and cost for development and assurance
- Scope of the engagement during the development of the business case
- The National Infrastructure Unit (NIU) will facilitate this agreement between the agency, central agencies (and the relevant monitoring agency).

The process is:

1. Agency prepares scoping document, which considers the points above, and sends to monitoring agency
2. Monitoring agency engages NIU who will provide access to experts for each of the relevant cases
3. Monitoring agency aims to agree the scoping document with the agency prior to work commencing on the business case
4. Agency engages with monitoring agency on an ongoing basis.

"This is about ensuring the right balance between flexibility and discipline."

Refer to the Overview Booklet for further guidance and a copy of the scoping document.

WHERE TO GO FOR MORE INFORMATION

The National Infrastructure Unit (NIU) will:

1. Monitor and periodically update the Better Business Cases guidance on the NIU website and the Public Sector Intranet (PSI) including:
 - Quick Reference Guide
 - Online module
 - Cabinet Office Circular
 - Overview booklet
 - Strategic Assessment booklet
 - Programme Business Case booklet
 - Indicative Business Case booklet
 - Detailed Business Case booklet
 - Implementation Plan booklet
2. Review, develop and deliver support to agencies
 - Awareness seminars for senior managers
 - Half day training sessions including agency examples
 - Workshops on how to apply the business case development process
 - Clinics to assist agencies as they develop a business case
 - Communities of practice to exchange information and experiences with peers
 - A list, on the PSI, of agency business cases with a contact name for each agency.
3. Provide facilitation between agencies and their monitoring agencies to ensure the business case will be fit for purpose.

For any queries or for further information please contact: betterbusinesscases@treasury.govt.nz

Relevant Guidance

Relevant guidance can be sourced via the infrastructure web site link below.

- Cabinet Office Circular
- Programme Management
- Project Management
- Public Private Partnership (PPP) Guidelines
- Procurement Process
- Policy Development Process
- Investment Logic Mapping (ILM)
- Independent Quality Assurance (IQA)
- Gateway Assurance

For queries on ILM, IQA and Major Projects Monitoring contact: majorprojects@ssc.govt.nz

For queries on Gateway contact: gatewayunit@ssc.govt.nz

Visit: <http://www.infrastructure.govt.nz/>

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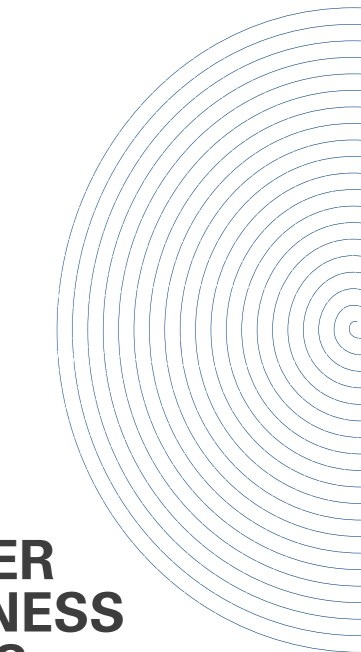
Acknowledgments

The Five Case model is the standard recommended by the UK Office of Government Commerce for the preparation of business cases. Refer to 'Making sense of public sector investments' (2001) by Courtney A Smith and Joe Flanagan, for more information.

The State of Victoria Department of Treasury and Finance Investment Management Standard provides a set of tools, including the Investment Logic Map (ILM).

The following agencies assisted with the adaption of material from the UK and Australia to suit the New Zealand State Sector – Tertiary Education Commission, State Services Commission, Inland Revenue, New Zealand Defence Force, Internal Affairs, Ministry of Economic Development, Ministry of Education, Department of Labour, Ministry of Health and Housing New Zealand Corporation.

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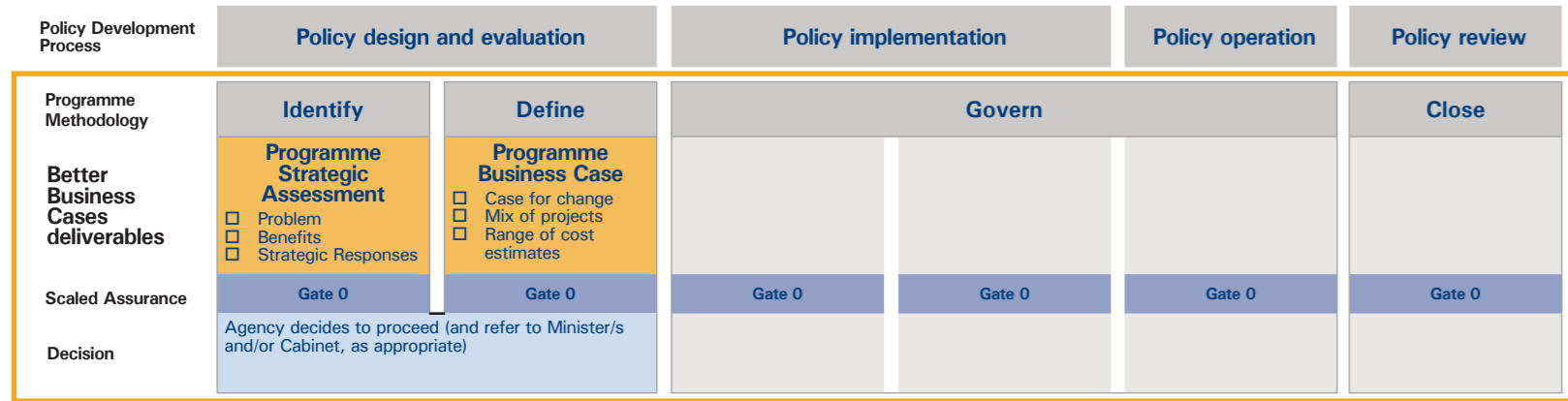
HOW TO MANAGE THE BUSINESS CASE DEVELOPMENT PROCESS

The business case development process is designed to produce deliverables to inform the decision making for capital proposals and provide an organising structure for each deliverable.

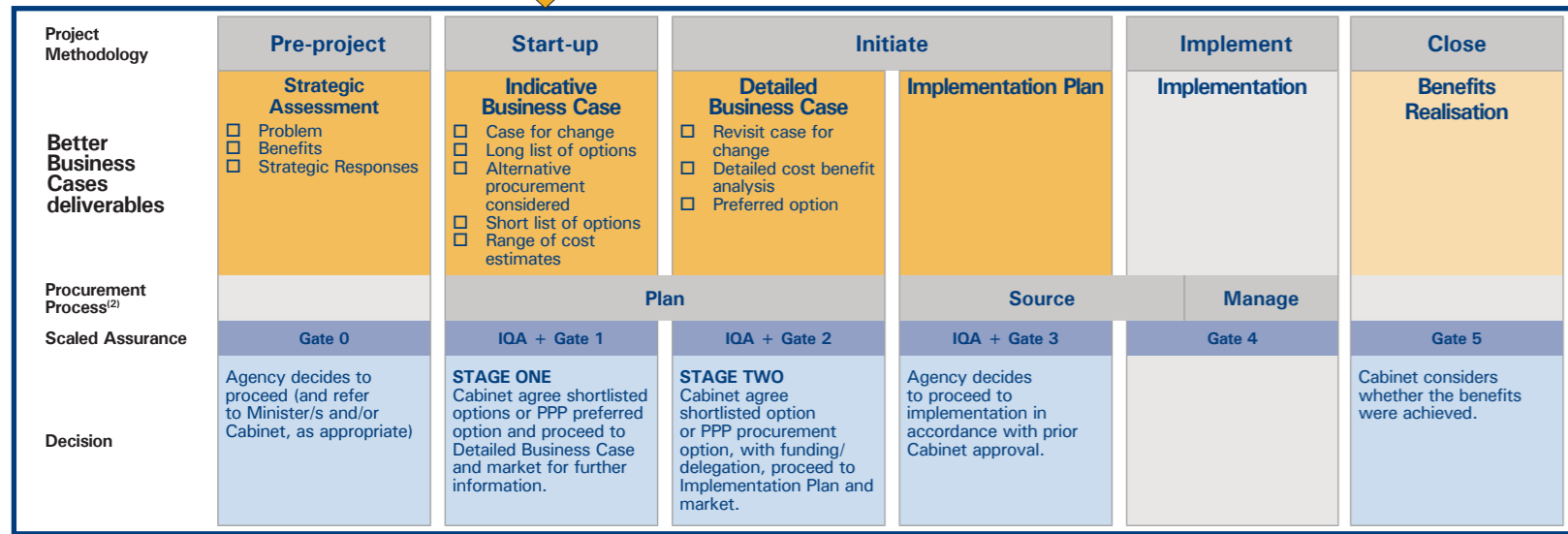
WHO NEEDS TO BE INVOLVED
Prior to commencing the business case development process NIU highly recommends that the agency and monitoring agency engage to ensure the business case will be fit for purpose.

The diagram below shows how the business case process fits with:

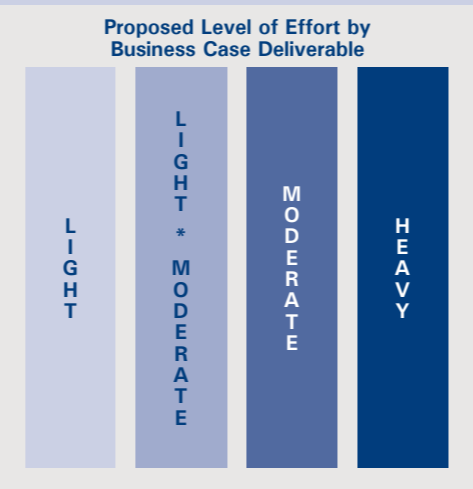
- The Policy Development process (to the extent it requires capital)
- Good practice programme / project management methodologies
- Scaled assurance activities
- The procurement process
- Decision making.



OR



AN OUTLINE OF THE ACTIONS REQUIRED FOR EACH OF THE DELIVERABLES WITH AN INDICATION OF THE KEY CAPABILITY REQUIRED



Scale of emphasis of the five cases in relation to the deliverable

(2) During the pre-project and start-up phases, prior to the procurement process, organisations are encouraged to consult with suppliers and industry bodies. Refer to the Overview Booklet for further guidance.

(3) Consideration of all procurement options, including alternative.