[insert agency logo]

Template: [insert agency name]
Short Form Business Case Template

xx month year

Short Form Business Case Template

**Introduction**

This document provides a template for completing a **Short Form Business Case Template.** Agencies should modify as needed and ensure that appropriate branding is applied.

This template covers the three stages of a Business Case development process:

1. Problem Definition – Needs analysis and confirmation
2. Strategic Business Case – Option generation and analysis, via Cost Benefit Analysis (CBA) of long list of options
3. Detailed Business Case – Option selection and detailed CBA of short list of options

This template is subject to regular review and update. We encourage user feedback – please send feedback to cee@treasury.nsw.gov.au.

**Purpose**

The aim of the Short Form Business Case template is to provide a streamlined process, that informs government decision making and maximises total social benefits.

The rationalised format does not compromise the quality of analysis and consideration of economic, financial, and social impacts, as well as initiative risks.

Please refer to *TPG22-04 Submission of Business Cases* for guidance on when a Short Form Business Case template can be used.

**Elements of Short Form Business Cases**

A short form business case is organised along three stages including Problem Definition, Strategic and Detailed Business case, as well as five dimensions (types of analyses) designed to systematically ascertain that the investment proposal:

1. *is supported by a compelling case for change – the ‘Case for Change’*
2. *optimises value for money – the ‘Cost Benefit Analysis’*
3. *is financially affordable – the ‘Financial Analysis’*
4. *is commercially viable – the ‘Commercial Analysis,’ and*
5. *is achievable – the ‘Management Analysis’.*

The **Problem Definition** stage outlines the need or the case for change, identifies the reason for government intervention and supports a decision to proceed to further stages of the business case process. In some instances, this stage may be used to justify requests for planning funding (seed funding).

The Problem Definition document is the primary document for a **Gate 0 review (under *TPP17-01 NSW Gateway Policy*).**

The Strategic Business Case usually follows the Problem Definition Stage of a Business Case process. The key purpose of the **Strategic Business Case** stageis to reconfirm the need for government intervention identified in the case for change (Problem Definition Stage), as well as identifying and selecting a list of available and feasible options. The Strategic Business Case provides decision makers with an early indication of the preferred way forward for the investment. The Strategic Business Case is used to decide whether a Detailed Business Case should be developed.

The Strategic Business Case is the primary document for a **Gate 1 review** **(under the NSW Gateway Policy)**.

**The Detailed Business Case** stage builds on the options analysis undertaken as part of theStrategic Business Case stage. It provides a more comprehensive and detailed analysis of the proposal. This stage includes selection of the preferred option that ranks the highest in providing value for money, affordability, and deliverability. In addition, the Detailed Business Case sets up the management arrangements for the successful delivery of the initiative.

The Detailed Business Case is commonly used for funding submissions to ERC as part of the annual Budget process and is the primary document for a **Gate 2 review (under the NSW Gateway Policy).**

This template is provided as guidance only and is not mandatory. The nature of the information and the level of detail should be determined on a case-by-case basis, in consultation with NSW Treasury, and may be more or less than is presented in this template.

For further information on the development of a Detailed Business Case, agencies should refer to ***TPP18-06 Business Case Guidelines***.

Agencies should be mindful of any Budget or Gateway Assurance requirements when developing a Detailed Business Case.

**Differences between Short Form Business Case and Long Form Business Case**

The Short Form Business Case follows the same 27 steps as the Long Form Business Case, except Step 12. Furthermore, the number of options expected in the long list and short list of options is fewer compared to the Long Form Business Case. The table below provides more detail:

|  |  |
| --- | --- |
| Long Form Business Case | Short Form Business Case *Focus Areas in Italics* |
| Step 1: Define the business need/opportunity | Step 1: Define the business need/opportunity |
| Step 2: Define objective of intervention | Step 2: Define objective of intervention |
| Step 3: Define strategic context /intention and contribution to government priorities/ outcomes | Step 3: Define strategic context /intention and contribution to government priorities/ outcomes |
| Step 4: Identify expected benefits and risks and link to Programs and Program KPIs | Step 4: Identify expected benefits and risks and link to Programs and Program KPIs |
| Step 5: Identify relevant stakeholders | Step 5: Identify relevant stakeholders*Focus on targeted groups of the proposal, and NSW Government agency stakeholders*  |
| Step 6: Identify potential strategic responses/interventions | Step 6: Identify potential strategic responses/interventions |
| Step 7: Provide high level cost estimates | Step 7: Provide high level cost estimates |
| Step 8: Review the Case for Change | Step 8: Review the Case for Change |
| Step 9: Creating your options – Develop and refine the long list of options (6+ options) | Step 9: Creating your options – Develop and refine the long list of options **(3-6 options)** |
| Step 10: Assessing and narrowing down options (conduct a CBA for Stage 1) | Step 10: Assessing and narrowing down options (conduct a CBA for Stage 1) |
| Step 11: Assessing and narrowing down options (prepare a Financial Appraisal) | Step 11: Assessing and narrowing down options (prepare a Financial Appraisal) |
| Step 12: Assessing and narrowing down options (prepare a Financial Impact Statement) | **Not required** |
| Step 13: Revisit the Strategic Business Case and confirm the case for change | Step 13: Revisit the Strategic Business Case and confirm the case for change |
| Step 14: Revisit the Stage 1 CBA to confirm the short list of options | Step 14: Revisit the Stage 1 CBA to confirm the short list of options |
| Step 15: Select preferred option – Conduct Stage 2 / Full CBA on short list of options (3+ options) | Step 15: Select preferred option – Conduct Stage 2 / Full CBA on short list of options **(2-3 options)** |
| Step 16: Revisit Stage 1 FAP and FIS to confirm the short list of options | Step 16: Revisit Stage 1 FAP and FIS to confirm the short list of options  |
| Step 17: Select preferred option (conduct Stage 2 FA on shortlisted options) | Step 17: Select preferred option (conduct Stage 2 FA on shortlisted options) |
| Step 18: Select preferred option (conduct a financial impact statement on short list) | Step 18: Select preferred option (conduct a financial impact statement on **preferred option only**) |
| Step 19: Develop a procurement strategy | Step 19: Develop a procurement strategy.*Focus on contract model to be used and any industry constraint. Demonstrate consideration of other procurement models.* |
| Step 20: Specify technical requirements | Step 20: Specify technical requirements |
| Step 21: Identify contractual issues | Step 21: Identify contractual issues |
| Step 22: Establish governance arrangement | Step 22: Establish governance arrangement*Focus on clear oversight and decision-making responsibilities* |
| Step 23: Develop project/initiative management plan | Step 23: Develop project/initiative management plan*Focus on key milestones and deliverables* |
| Step 24: Develop a change management plan | Step 24: Develop a change management plan*Focus on key change management challenges and strategies, within the organisation* |
| Step 25: Develop a benefits plan and register | Step 25: Develop a benefits plan and register |
| Step 26: Establish a risk management plan | Step 26: Establish a risk management plan*Highlight specific risks to the initiatives* |
| Step 27: Establish a post implementation evaluation plan | Step 27: Establish a post implementationevaluation plan |

# Problem Definition Stage

## Initiative Background

**Initiative Name** [ ]

**Initiative Date and Version** [ ]

**Initiative Location** [ ]

**Lead Agency** [ ]

**Other Organisations** [ ]

## Executive Summary

Highlight the key points of the business case including the intended outcomes and potential options to achieve these. The executive summary ideally should be no longer than 1 page.

## The Case for Change

Define the business need, challenge or opportunity (why change is needed). Refer to section 4.2 of TPP 18-06 for more information.

**[Step 1: Define the business need, challenge or opportunity – Reason for government intervention]**

Describe the problem and reason for government action

[Explain the problem(s) that the investment is intending to solve. Present the cause of each problem, who is affected, and how they are affected. Describe the current service and the significance of the problem in this context.]

Understand the magnitude of the problem

[Identify existing evidence on the key triggers of the problem and timing considerations (why it should be dealt with by the Government now rather than later).]

Identify consequences of business as usual scenario

[Provide considerations about consequences should the government not intervene or not intervene in a timely manner.]

**[Step 2: Define the objective of planned intervention]**

[Define and document the business case objectives which should:

* clearly reflect the reason for change
* be outcome focused rather than focused on the potential solution, ensuring that where possible, outcomes are presented through a customer’s perspective
* be well defined to ensure the identification of relevant options.

The objectives should be SMART (Specific, Measurable, Achievable, Relevant and Time bound).]

**[Step 3: Define strategic context/ intention and explain how this business case will contribute to relevant government priorities and outcomes (qualitatively and quantitatively)]**

Demonstrate the strategic alignment of the proposal

[Identify how the proposed change supports agreed government priorities and overarching strategies including State Outcomes for the relevant clusters. For example, disability access in transport planning]

**Example: Strategic Alignment**

| **#** | **Business case objective** | **Relevant State Outcome/s** | **Relevant State Outcome indicator/s**  | **Other Government priorities, regulations or policies**  |
| --- | --- | --- | --- | --- |
| 1 |  |  |  |  |
| 2 |  |  |  |  |
|  |  |  |  |  |

If there is no relevant State Outcome indicator within the Outcome Budgeting framework, an appropriate indicator should be developed at the program level in Step 4.

Other government priorities, regulation or policies include linkage with an agency’s Asset Management Plans, the State Infrastructure Strategy and other government strategies.

**[Step 4: Understand benefits and risks from the intervention (change) and how these link to Programs and contribute to Program KPIs]**

Identify the benefits expected if the issue/ problem identified is addressed

[Explain the key benefits (qualitative and quantitative) of addressing the need identified in Step 1 and meeting the business case objectives identified in Step 2.

Include:

* How the benefits link to Programs and Program KPIs? (Example 1 below)
* Why these benefits are important to government and to other stakeholders?
* Are the benefits supported by existing evidence obtained from post evaluation of similar interventions and/or existing literature?
* What types of initiative KPIs are expected to measure the impact of interventions on these benefits?
* What are key dependencies that might influence the benefit delivery of the interventions proposed?]

**Example: Linking Benefits to Programs and Program KPIs**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **#** | **Business case objective** | **Business Case Benefit** | **Relevant Program** | **Relevant Program KPI** |
| 1 |  |  |  |  |
| 2 |  |  |  |  |

Identify risks that may impact the delivery of the identified benefits and how these may be mitigated.

**[Step 5: Identify relevant stakeholders]**

Identify key stakeholders at the start of the proposal planning process and the likely impact of the change on each group.

Identify how stakeholders should be involved while developing the proposal and further (engagement plan)

High-level stakeholder consultation plan

Incorporate initial evidence of key stakeholder support in the business case

Identify potential stakeholder risks

**[Step 6: Investigate potential strategic responses and interventions to address the problem]**

Identify a strategic response

[Outline a range of alternative (including non-capital) approaches to achieve the business case objectives and benefits identified in Steps 2 and 4]

Provide evidence to support the costs and benefit of the potential strategic responses

Provide high level cost estimates for the intervention (strategic responses) identified

Step 6 needs to be supported by a logic model. A logic model is a diagram that presents how an investment is intended to work, by linking inputs and activities with outputs and impacts (including outcomes and benefits). The logic model should be developed in a way that is relevant to the stage of options development. Logic models ensure robust problem definition before solutions are identified and investment decisions are considered.

**[Step 7: Provide high level cost estimates for the intervention (strategic responses) identified]**

High level costing

[Provide high-level costing for the strategic responses identified in Activity 6, if available. Include at a high level the basis of the estimates, the accuracy and any key cost assumptions.]

Preliminary Financial Impact Statement

[Preliminary Financial Impact Statement to estimate the impact of the strategic responses on key financial measures for the agency’s budget and the Whole of Government (WoG) budget.]

# Strategic Business Case

## The Case for Change

**[Step 8: Review the Case for Change – Problem Definition]**

Validate or update any significant changes in the social, economic, and organisational environment that might have an impact on problem definition, desired objectives, government priorities and stakeholders’ landscape. Include supporting evidence.

Refer to section 5.2.1 of TPP18-06 for more information.

## Cost Benefit Analysis

Identify, assess and refine a Long List of options identified at this stage and reduce these options to a Short List for the Detailed Business Case Stage. Refer to section 5.2.2 of TPP18-06 for more information.

**[Step 9: Creating your options – Develop and refine the long list of options (3-6 options)][[1]](#footnote-1)**

[**Establish base case** reflecting the option that involves the “minimum amount” of government’s involvement including ‘do nothing’, ‘business as usual’ or ‘do minimum’ approach.]

[**Long list of options** with the realistic potential to meet the investment objectives and outcomes]

**[Step 10: Assessing and narrowing down your options (conduct a CBA)]**

[**Evaluation Period** for the whole of life of the initiative over which costs and benefits will be measured]

**Example: Presentation of Results**

|  | **Benefits** | **Costs** | **NPV** | **BCR** |
| --- | --- | --- | --- | --- |
| **Base case:** No change | $0 | $0 | 0 | 0 |
| **Option 1**: [ ] | $ [ ] | $ [ ] | $ [ ] | [#] |
| **Option 2**: [ ] | $ [ ] | $ [ ] | $ [ ] | [#] |
| … | … | … | … | … |
| **Option 6**: [ ] | $ [ ] | $ [ ] | $ [ ] | [#] |

[Reduce the Long List of options to a few viable options (2-3 options) based on an assessment of the NPV and BCR. Include a justification for excluding specific options and consideration of other qualitative factors.]

Supporting information for the CBA

[Detail of all critical assumptions used including key drivers, inputs, risks and assumptions for the base case and options and evidence to support assumptions. This also includes the identified qualitative factors, distributional impacts and sensitivity testing.]

## Financial Analysis

Assess and narrow down options (conduct financial analysis)

Prepare a Financial Appraisal for the shortlisted options. Refer to section 5.2.3 of TPP18-06 for more information.

**[Step 11: Assessing and narrowing down your options (prepare a Financial Appraisal)]**

[Conduct a financial appraisal on the Long List of options (3-6 options) to develop a Short List of options (2-3 options).]

**Financial appraisal**

[Should include:

1. Identifying and measuring the cash flows
* Review the agency’s existing budget to offset incremental costs and revenues
* Forecast the incremental costs, revenues, risks and best alternatives of the long list of options.
* Calculate the nominal cash flow on an after-tax basis over the initiative’s economic life, including the estimated residual.
1. Discounting cash flows
* Discount the after-tax cash flows calculated for each option to calculate the net present value (NPV)
1. Calculating the NPV of the initiative
* Calculate by summing together the discounted initiative cash flows in (ii) and subtracting the discounted whole of life costs
* Evaluate all positive NPV options and use the Profitability Index (NPV of post initial investment cost divided by the initial investment cost) to rank the options based on capital constraints
1. Analysing the sensitivity associated with the cash flows
* Sensitivity analysis on the critical assumptions used in each option. Include calculations of the best and worst scenarios and break-even analysis
1. Undertake an independent review of the financial appraisal results
* Internal but independent review of the initiative’s expected returns.

Conclusion: [assess NPV and Profitability Index to generate a Short List of options]

**Example: Financial Appraisal template**

Financial Summary (NPV)

|  |  |  |  |
| --- | --- | --- | --- |
| **$m** | **Option A** | **Option B** | **Option C** |
| Revenue |  |  |  |
| Costs |  |  |  |
| Initiative net position |  |  |  |
| NPV at [ ]% discount rate |  |  |  |
| IRR % |  |  |  |

Key inputs and assumptions

|  |  |  |
| --- | --- | --- |
|  | **Assumption** | **Comments** |
| Interest |  |  |
| WACC/ Discount rate |  |  |
| Revenue |  |  |
| Escalation |  |  |
| Inflation |  |  |
| GST |  |  |
| Funding Structure |  |  |
| Timing assumptions |  |  |

Revenue assumptions

|  |  |  |  |
| --- | --- | --- | --- |
| **$m** | **Option A** | **Option B** | **Option C** |
| +[types of revenue] |  |  |  |
| +[types of revenue] |  |  |  |
| - [Revenue offsets] |  |  |  |
| - [Revenue offsets] |  |  |  |
| **Net revenue** |  |  |  |

Cost assumptions

|  |  |  |  |
| --- | --- | --- | --- |
| **$m** | **Option A** | **Option B** | **Option C** |
| [types of costs] |  |  |  |
| [types of costs] |  |  |  |
| [types of costs] |  |  |  |
| [types of costs] |  |  |  |
| **Total initiative costs** |  |  |  |

Cumulative cash flows

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Item | FY18 | FY19 | FY20 | Total | NPV |
| Revenue |  |  |  |  |  |
| Cost |  |  |  |  |  |
| Annual cash flow |  |  |  |  |  |
| Cumulative  |  |  |  |  |  |

Risks

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Relevant options | Risk Category | Rank (unmitigated) | Description | Comment |
| [All options] |  |  |  |  |
| [Option B] |  |  |  |  |

Financial sensitivities

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Central base** | **+10% costs** | **-10% costs** | **+10% revenue** | **-10% revenue** |
| Initiative revenue |  |  |  |  |  |
| Initiative costs |  |  |  |  |  |
| Initiative net position  |  |  |  |  |  |
| NPV at [ ]% discount rate |  |  |  |  |  |

Whole of government considerations

[Reflects the whole-of-government net position from the initiative]

|  |  |
| --- | --- |
| **Item** | **Nominal ($m)** |
| Initiative revenues |  |
| Initiative costs |  |
| Initiative net position |  |
| [Stamp duty] |  |
| Whole of government net position |  |

**The short form business case template does not require Step 12 to prepare a Financial Impact Statement. This has been excluded.**

## Short list

Develop a Short List of options based on the CBA and financial analysis

1. Results of CBA [(Options with the highest BCR and NPV) and financial analysis (options with the highest NPV and Profitability Index) including the base case
2. Other factors impacting the Short List options such as qualitative factors.

## Appendix

Include additional supporting detail, e.g., support for the Long List, CBA, financial appraisal and support for excluding options from the Short List. Scope or design may be included with capital initiatives, along with research underlying new benefit categories or economic parameters.

# Detailed Business Case

## The Case for Change

**[Step 13: Revisit the Strategic Business Case and confirm the case for change]**

Review the case for change – validate or update the information provided in the Problem Definition document and Strategic Business Cases. Refer to section 6.2.1 of TPP18-06 for more information.

[Detail any changes to the Case for Change in Stage 1 - Strategic Business Cases including considering business need, objective of the intervention, changes in the strategic context and intention, changes in the expected benefits, costs or risks and changes in the relevant governance arrangements or stakeholder consultation plan.]

## Cost Benefit Analysis

Revisit the Strategic Business Case and confirm shortlisted options. Refer to section 6.2.2 of TPP18-06 for more information.

**[Step 14: Revisit the Strategic Business Case and confirm the short list of options]**

[Review the short list defined in Stage 1 – Strategic Business Case and detail any updates to the Cost Benefit Analysis (CBA) from new information or circumstances at Stage 2.]

Perform a full cost benefit analysis on shortlisted options and identify the preferred solution. Refer to section 6.2.2 of TPP18-06 for more information.

**[Step 15: Select preferred option – Conduct Full CBA on short list of options** (**2-3 options)][[2]](#footnote-2)**

[Conduct a full CBA on the short list to determine the best option]

**Template: Stage 2 or Full CBA**

**Stated objective:** [ ]

**Base case:** [ ]

**Background:** Following the Stage 1 CBA in the Strategic Business Case, the options were reduced to a Short-List of viable initiatives**:**

* **Option 1:** [ ]
* **Option 2:** [ ]
* **Option 3:** [ ]

[As such, the costs and benefits of each of the options are compared relative to the costs and benefits associated with the base case (business as usual).]

**Assumptions**

* [ ]

The table below shows the incremental quantified costs and benefits of each option and the NPV and BCR for each option by apply a discount rate of [ ]%:

**Example: Presentation of CBA Results**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year  | 0 | 1 | 2 | 3 | 4 | … | 20 |
| **Option 1** |  |  |  |  |  |  |  |
| Costs 1 ($m) |  |  |  |  |  |  |  |
| Costs 2 ($m) |  |  |  |  |  |  |  |
| **Total costs**  |  |  |  |  |  |  |  |
| Benefit 1 ($m) |  |  |  |  |  |  |  |
| Benefit 2 ($m) |  |  |  |  |  |  |  |
| **Total benefits** |  |  |  |  |  |  |  |
| NPV |  |  |  |  |  |  |  |
| **BCR** |  |  |  |  |  |  |  |
| **Option 2** |  |  |  |  |  |  |  |
| Costs 1 ($m) |  |  |  |  |  |  |  |
| Costs 2 ($m) |  |  |  |  |  |  |  |
| **Total costs**  |  |  |  |  |  |  |  |
| Benefit 1 ($m) |  |  |  |  |  |  |  |
| Benefit 2 ($m) |  |  |  |  |  |  |  |
| **Total benefits** |  |  |  |  |  |  |  |
| NPV |  |  |  |  |  |  |  |
| **BCR** |  |  |  |  |  |  |  |
| **Option 3** |  |  |  |  |  |  |  |
| Costs 1 ($m) |  |  |  |  |  |  |  |
| Costs 2 ($m) |  |  |  |  |  |  |  |
| **Total costs**  |  |  |  |  |  |  |  |
| Benefit 1 ($m) |  |  |  |  |  |  |  |
| Benefit 2 ($m) |  |  |  |  |  |  |  |
| **Total benefits** |  |  |  |  |  |  |  |
| NPV |  |  |  |  |  |  |  |
| **BCR** |  |  |  |  |  |  |  |

**Sensitivities**

The core BCR (in the table above) is based on a specific sets of assumptions. To test the robustness, sensitivity analyses are undertaken on key parameters that drive results. [Additional benefits, where causality may be an issue but there is a strong logical case for it can also be included as a sensitivity e.g. WEBs. Results of sensitivity analysis should be presented against the core result for comparability.]

**Example: Sensitivity Analysis**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Total benefits  | Total costs  | NPV | BCR  |
| Core BCR  |  |  |  |  |
| Sensitivity 1 (e.g discount rates) |  |  |  |  |
| Sensitivity 2 (e.g +/- 20% cost) |  |  |  |  |
| Sensitivity 3 (e.g covid scenarios) |  |  |  |  |

**Conclusion:**

[The results of the CBA indicate that the preferred option should be Option [ ] as it has the highest NPV and BCR.]

[Reasons for the option being viable based on reviewing the results of the CBA analysis and benchmarking against other similar initiatives. Include consideration of qualitative factors.]

Supporting information for the CBA

[Detail all critical assumptions used including key drivers, inputs, risks and assumptions for the base case and options. Include evidence to support assumptions. This includes the identified qualitative factors, distributional impacts and sensitivity testing.]

## Financial Analysis

Revisit the Strategic Business Case and confirm the short list of options

**[Step 16: Revisit the Strategic Business Case and confirm the short list of options]**

[Review the short list defined in Stage 1 – Strategic Business Case and detail any updates to the FA from new information or circumstances at Stage 2.]

Prepare a Financial Appraisal for the shortlisted option. Refer to section 6.2.3 of TPP18-06 for more information.

**[Step 17: Select the preferred option – Conduct Full FA on short list of options]**

[Conduct a financial appraisal on the Short List of options to develop a preferred option. This should be prepared using more detailed and accurate information than the Stage 1 FA.]

**Financial appraisal**

1. Identify and measure the cash flows
2. Discount cash flows
3. Calculate the NPV of the initiative
4. Analyse the sensitivity associated with the cash flows
5. Include independent review of the financial appraisal results

**Conclusion:** [assess NPV and Profitability Index for the preferred option]

**Example: Financial Appraisal template**

Financial Summary (NPV)

|  |  |  |  |
| --- | --- | --- | --- |
| **$m** | **Option A** | **Option B** | **Option C** |
| Revenue |  |  |  |
| Costs |  |  |  |
| Initiative net position |  |  |  |
| NPV at [ ]% discount rate |  |  |  |
| IRR % |  |  |  |

Key inputs and assumptions

|  |  |  |
| --- | --- | --- |
|  | **Assumption** | **Comments** |
| Interest |  |  |
| WACC/ Discount rate |  |  |
| Revenue |  |  |
| Escalation |  |  |
| Inflation |  |  |
| GST |  |  |
| Funding Structure |  |  |
| Timing assumptions |  |  |

Revenue assumptions

|  |  |  |  |
| --- | --- | --- | --- |
| **$m** | **Option A** | **Option B** | **Option C** |
| +[types of revenue] |  |  |  |
| +[types of revenue] |  |  |  |
| - [Revenue offsets] |  |  |  |
| - [Revenue offsets] |  |  |  |
| **Net revenue** |  |  |  |

Cost assumptions

|  |  |  |  |
| --- | --- | --- | --- |
| **$m** | **Option A** | **Option B** | **Option C** |
| [types of costs] |  |  |  |
| [types of costs] |  |  |  |
| [types of costs] |  |  |  |
| [types of costs] |  |  |  |
| **Total initiative costs** |  |  |  |

Cumulative cash flows

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Item | FY18 | FY19 | FY20 | Total | NPV |
| Revenue |  |  |  |  |  |
| Cost |  |  |  |  |  |
| Annual cash flow |  |  |  |  |  |
| Cumulative  |  |  |  |  |  |

Risks

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Relevant options | Risk Category | Rank (unmitigated) | Description | Comment |
| [All options] |  |  |  |  |
| [Option B] |  |  |  |  |

Financial Sensitivities

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Central base** | **+10% costs** | **-10% costs** | **+10% revenue** | **-10% revenue** |
| Initiative revenue |  |  |  |  |  |
| Initiative costs |  |  |  |  |  |
| Initiative net position  |  |  |  |  |  |
| NPV at [ ]% discount rate |  |  |  |  |  |

Whole of government considerations

[Reflects the whole-of-government net position from the initiative.]

|  |  |
| --- | --- |
| **Item** | **Nominal ($m)** |
| Initiative revenues |  |
| Initiative costs |  |
| Initiative net position |  |
| [Stamp duty] |  |
| Whole of government net position |  |

Prepare a Financial Impact Statement to define the impact of the proposal on costs and savings. Refer to section 6.2.3 of TPP18-06 for more information.

 **[Step 18: Prepare a Financial Impact Statement to define the impact of the proposal on costs and savings]**

[Prepare a Financial Impact Statement (FIS) for the **preferred option only** requiring budget funding. Amounts should be on an accruals basis and include undiscounted cash flows over the life of the proposal.]

*Highlight the Financial Impact*

* Carefully consider the financial impact of a proposal across the parameters set out in the table below
* If there is no financial impact, delete the table and write in bold: “**No financial impact”**
* In some cases, it will be compelling to show the impact if the proposal is supported. In others, show the impact if the proposal is opposed. Decide on this case by case
* The table should be expanded/adapted to reflect the life of the proposal
* If there is a substantial difference between the impact on the entity’s budget compared to Whole of Government Budget, this should be demonstrated.

**Financial Impact Statement – sector perspective**

**(General Government Sector eliminated impacts)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Total Financial Implications**  | **Current year** **($m)** | **Current year + 1** **($m)**  | **Current year + 2** **($m)**  | **Current year + 3** **($m)**  | **Current year + 4** **($m)**  | **Ongoing****($m)** |
| Revenue | +/-0.0 | +/-0.0 | +/-0.0 | +/-0.0 | +/-0.0 | +/-0.0 |
| Expenses | +/-0.0 | +/-0.0 | +/-0.0 | +/-0.0 | +/-0.0 | +/-0.0 |
| **Total Budget Result Impact** | **+/-0.0** | **+/-0.0** | **+/-0.0** | **+/-0.0** | **+/-0.0** | **+/-0.0** |
| Capital Expenditure | +/-0.0 | +/-0.0 | +/-0.0 | +/-0.0 | +/-0.0 | +/-0.0 |
| **Total Net Lending Impact** | **+/-0.0** | **+/-0.0** | **+/-0.0** | **+/-0.0** | **+/-0.0** | **+/-0.0** |

Note: this FIS table should align with Expenditure Review Committee (ERC) submissions.

**Financial Impact Statement – agency perspective**

|  |  |  |
| --- | --- | --- |
|  | **Current Year****($’000)** | **FORWARD ESTIMATES** |
|  | **Current Year + 1****($’000)** | **Current Year + 2****($’000)** | **Current Year + 3****($’000)** | **Current Year + X****($’000)** |
| **RECURRENT** |  |  |  |  |  |
| **Expenses:** |  |  |  |  |  |
| Employee related |  |  |  |  |  |
| Depreciation |  |  |  |  |  |
| Other |  |  |  |  |  |
| **Total Expenses** |  |  |  |  |  |
| *less* agency offset savings |  |  |  |  |  |
| **Net Expenses** |  |  |  |  |  |
| *less* Agency revenue |  |  |  |  |  |
| **Net Cost Of Services** – lead agency |  |  |  |  |  |
| Net recurrent on-costs to other budget sector agencies (as per schedule 3) |  |  |  |  |  |
| **Total Net Cost of Services (NCS)** |  |  |  |  |  |
| **CONSOLIDATED FUND REVENUES** |  |  |  |  |  |
| **Taxes** |  |  |  |  |  |
| **Commonwealth Funding** |  |  |  |  |  |
| **Other** (please specify) |  |  |  |  |  |
| **Total Consolidated Fund Revenues** |  |  |  |  |  |
| **CAPITAL** |  |  |  |  |  |
| **Capital Expenditure**  |  |  |  |  |  |
| *less*Agency offset savings (incl. asset sales) |  |  |  |  |  |
| **Net Capital Expenditure –** lead agency |  |  |  |  |  |
| Net capital on-costs to other general government agencies (as per schedule 3) |  |  |  |  |  |
| **Total Net Capital Expenditure** |  |  |  |  |  |
|  |  |  |  |  |  |
| **TOTAL FINANCIAL IMPACT** ***Equals* NCS (net of Depreciation) + Net Capital Expenditure less Consolidated Fund Revenues** |  |  |  |  |  |
| **Funded by:** |  |  |  |  |  |
| Cash Balances/Loans/Advances |  |  |  |  |  |
| Consolidated Fund |  |  |  |  |  |
| Other (please specify) |  |  |  |  |  |
| **Total** |  |  |  |  |  |

Schedule 2: Additional General Government Agency Staffing

|  |  |  |
| --- | --- | --- |
|  | **Current Year** | **FORWARD ESTIMATES** |
|  | **Current Year + 1** | **Current Year + 2** | **Current Year + 3** | **Current Year + X** |
| Staffing (FTE) – lead agency |  |  |  |  |  |
| Other General Government agencies (FTE) |  |  |  |  |  |
| **TOTAL** |  |  |  |  |  |

Schedule 3: Net on-costs to Other General Government Agencies

|  |  |  |
| --- | --- | --- |
|  | **Current Year****($’000)** | **FORWARD ESTIMATES** |
|  | **Current Year + 1****($’000)** | **Current Year + 2****($’000)** | **Current Year + 3****($’000)** | **Current Year + X****($’000)** |
| **RECURRENT:** |  |  |  |  |  |
| Agency 1 (insert agency name) |  |  |  |  |  |
| Agency 2 (insert agency name) |  |  |  |  |  |
| Agency 3 (insert agency name) |  |  |  |  |  |
| **Impact on Net Cost of Services**(Transfer to Schedule 1) |  |  |  |  |  |
| **CAPITAL:** (including asset sales) |  |  |  |  |  |
| Agency 1 (insert agency name) |  |  |  |  |  |
| Agency 2 (insert agency name) |  |  |  |  |  |
| Agency 3 (insert agency name) |  |  |  |  |  |
| **Impact on Net Capital Expenditure**(Transfer to Schedule 1) |  |  |  |  |  |

Schedule 4: Net on-costs to Non-General Government Agencies

|  |  |  |
| --- | --- | --- |
|  | **Current Year****($’000)** | **FORWARD ESTIMATES** |
|  | **Current Year + 1****($’000)** | **Current Year + 2****($’000)** | **Current Year + 3****($’000)** | **Current Year + X****($’000)** |
| **RECURRENT:** |  |  |  |  |  |
| Agency 1 (insert agency name) |  |  |  |  |  |
| Agency 2 (insert agency name) |  |  |  |  |  |
| Agency 3 (insert agency name) |  |  |  |  |  |
| **Impact on Net Cost of Services** |  |  |  |  |  |
| **CAPITAL:** (including asset sales) |  |  |  |  |  |
| Agency 1 (insert agency name) |  |  |  |  |  |
| Agency 2 (insert agency name) |  |  |  |  |  |
| Agency 3 (insert agency name) |  |  |  |  |  |
| **Impact on Net Capital Expenditure** |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Financial Impact ($000)** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **Four years** |
| **Budget Result (-ve worsens)** |  |  |  |  |  |
| Operating Result |  |  |  |  |  |
| Net Lending |  |  |  |  |  |
| **Control Limits (+ve increases)** |  |  |  |  |  |
| Net Cost of Services |  |  |  |  |  |
| Capital Expenditure (CEAL)Labour Expense Cap |  |  |  |  |  |
| **Appropriations (+ve increases)** |  |  |  |  |  |
| Consolidated Fund Recurrent |  |  |  |  |  |
| Consolidated Fund Capital |  |  |  |  |  |

*Calculating net lending*

* Net lending attempts to determine an “underlying” Budget result that shows the impact on the Government’s borrowing requirements. To show the Net Lending impact:

|  |
| --- |
| **Operating Result Impact**  |
| Add: | Associated Depreciation Impact  |
| Add: | Associated Asset sales and other movements in non-financial assets  |
| Deduct: | Asset Acquisitions (Capital Expenditure)  |
| **= Net Lending Impact (-ve number implies a worsening or an increase in borrowings)** |

Items to note:

* Net Lending will also be impacted in scenarios where assets are acquired through finance leases or assets are granted to external entities.
* Control limits only apply to general government agencies.
* Consolidated Fund is appropriated to the principal agency in a cluster. Allocations of Consolidated Fund from the principal agency are recognised as Cluster Grants (which include a combination of recurrent and capital grants).

## Preferred option

Determine the preferred option

[Determine the preferred option from the Short List of options

1. Results of CBA (option with the highest BCR and NPV) and financial analysis (option with the highest NPV and Profitability Index)
2. Other factors impacting the preferred option decision.]

## Commercial Analysis

Develop a procurement strategy to assess the preferred option. Refer to section 6.2.4 of TPP18-06 for more information.

**[Step 19: Develop a procurement strategy]**

[Prepare a Procurement Strategy which includes the following:

1. An analysis of the current situation and business need
2. Analyse and engage the market
3. Assessment of risks and how they should be balanced between supplier and purchaser
4. Determination of the best procurement strategy to meet the program outcomes
5. Other considerations.]

Specify the technical requirements of the service/asset that is being procured. Refer to section 6.2.4 of TPP18-06 for more information.

**[Step 20: Specify technical requirements]**

[Specify technical requirements in a functional manner including describing the service/asset in terms of its intended function and the required level of performance, rather than referring to generic descriptions or brand names.]

Identify contractual issues. Refer to section 6.2.3 of TPP18-06 for more information.

**[Step 21: Identify contractual issues]**

[Specify the contractual arrangements between the agency and suppliers including:

* Type of contract
* Contract management
* Accounting standards
* Regulatory and other implications.]

## Management Analysis

Establish clear governance arrangements for the implementation of the proposal. Refer to section 6.2.5 of TPP18-06 for more information.

**[Step 22: Establish clear governance arrangements]**

Describe clear governance arrangements for implementing the proposal including:

* [Governance structure]
* [Initiative management structure]

**Example**

|  |  |
| --- | --- |
| **Roles** | **Responsibilities**  |
| **Governance arrangements**  |
| [Steering committee]  |  |
| [Initiative control group] |  |
| **Initiative management arrangements** |
| [Senior responsible officer] |  |
| [Initiative sponsor]  |  |
| [Initiative director] |  |
| [Initiative advisor] |  |
| [Initiative team] |  |

* [Initiative reporting, monitoring and evaluation arrangements]
* [Any other supporting assurance arrangements]

Develop an initiative management strategy and framework to implement the proposal. Refer to section 6.2.5 of TPP18-06 for more information.

**[Step 23: Establish a project or initiative management strategy, framework and plan]**

[The project plan should describe the methods, timeframes and responsibilities for a target or milestone to be achieved and include:

* **Key milestones and timeframes** for each stage of implementation
* **Key decision points** and identification of any **independent assurance requirements**]

Develop a change management strategy and framework to implement the proposed change. Refer to section 6.2.5 of TPP18-06 for more information.

**[Step 24: Establish a change management strategy and plan]**

[The change management strategy should assess the impact of changes from the proposal on the culture, systems, processes and people working within the delivery agency, other agencies and other stakeholders identified in Step 5. Consider industrial relations impacts and operational readiness.]

Establish a benefits realisation framework to monitor the realisation of forecasted benefits from the investment. Refer to section 6.2.5 of TPP18-06 for more information.

**[Step 25: Develop a benefits plan and register]**

[Establish a benefits realisation framework which tracks actual benefits against the forecast benefits in the business case. Use a logic model to systematically set out how the initiative is intended to work, lead to outcomes and its link to benefits realized. Key aspects of the framework should include identification and specification of benefits and allocation of responsibilities for each benefit. The framework can be incorporated into the broader initiative monitoring and evaluation framework where appropriate (see Step 27).]

Establish a risk management plan. Refer to section 6.2.5 of TPP18-06 for more information.

**[Step 26: Establish a risk management strategy, framework and plan]**

[Establish a risk management plan to identify and assess key risks and propose mitigation strategies. The plan should include how to continuously monitor risks and be part of the agency’s ERM framework.]

Establish an initiative and post implementation evaluation plan to examine the outcome of the proposal. Refer to section 6.2.5 of TPP18-06 for more information.

**[Step 27: Establish a post implementation evaluation plan]**

[Establish a monitoring and evaluation framework to set out the forward evaluation plan and schedule, as well as the monitoring and data collection plan.]

The monitoring and evaluation framework should incorporate:

* a logic model that identifies intended activities/deliverables and impacts (e.g., inputs, outputs, outcomes and benefits)
* a forward evaluation plan, identifying evaluation types and schedule as relevant to initiative implementation
* a monitoring and data collection plan (or plan to develop a monitoring and data collection framework) to track:
	+ implementation (inputs, activities and outputs)
	+ impacts (outcomes and benefits)
	+ causal assumption and risks information (as relevant), or reference to where this information will be captured.

The appropriate level of resources for evaluation should be determined based on the risk, size and uniqueness of the initiative.

Relevant guidance is being developed through cluster consultation in relation to the Evaluation Guidance update. Refer to *TPP 18-06 NSW Government Business Case Guidelines* for more details.

1. In the long form business case, we recommend at least 6 options are considered for the long list of options, especially those that are higher risk and value (ETC). [↑](#footnote-ref-1)
2. In the long form business case, we recommend at least 3 options are considered for the short list of options. [↑](#footnote-ref-2)