[insert agency logo]

Template: [insert agency name]
Detailed Business Case

xx month 2018

Detailed Business Case Template

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

This template may be used for a range of purposes. If the template is used for Cabinet and/or Cabinet Standing Committee on Expenditure Review (ERC) submission, the template should be adapted to reflect the appropriate sensitivity of information (e.g. including “Sensitive: NSW Cabinet” in the header).

The development of a 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 Detailed Business Case** builds on the options analysis undertaken as part of *Stage 1 - Strategic Business Case* and 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 that can be delivered. In addition, the Detailed Business Case sets up the management arrangements for the successful delivery of the project.

The Detailed Business Case is commonly used for funding submissions to ERC as part of the 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.

Detailed Business Case

In the Business case for your agency, you should include the following headings and provide appropriate information in each section. The text provided below the headings is for guidance only, however the blue text may be retained for presentation purposes.

## Project Background

**Project Name** [ ]

**Project Date and Version** [ ]

**Project Location** [ ]

**Lead Agency** [ ]

**Other Organisations** [ ]

## Executive Summary

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

## 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/ list of stakeholders]

[Attach the case for change in the Problem Definition document (stage 0) and Strategic Business Case (stage 1).]

## Cost Benefit Analysis

1. 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.]

1. 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 Stage 2 / Full CBA on short list of options]**

1. [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 projects**:**

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

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

**Assumptions**

* [ ]

The incremental quantified costs and benefits of each option are outlined in the table below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Option 1  | Option 2  | Option 3 |
| Year | Costs ($m) | Benefits ($m) | Costs ($m) | Benefits ($m) | Costs ($m) | Benefits ($m) |
| 0 | [ ] | [ ] | [ ] | [ ] | [ ] | [ ] |
| 1 | [ ] | [ ] | [ ] | [ ] | [ ] | [ ] |
| 2 | [ ] | [ ] | [ ] | [ ] | [ ] | [ ] |
| 3 | [ ] | [ ] | [ ] | [ ] | [ ] | [ ] |
| … | … | … | … | … | … | … |
| 20 | [ ] | [ ] | [ ] | [ ] | [ ] | [ ] |
| Present value | [ ] | [ ] | [ ] | [ ] | [ ] | [ ] |

Using the information in the table above, and applying a discount rate of [ ]%, the NPV and BCR for each option are summarised in the table below:

|  |  |  |
| --- | --- | --- |
| Option | NPV | BCR |
| 1 | $ [ ] | [#] |
| 2 | $ [ ] | [#] |
| 3 | $ [ ] | [#] |

**Conclusion:**

1. [The results of the CBA indicate that the preferred option should be Option [ ] as it has the highest NPV and BCR.]
2. [Reasons for the option being viable based on reviewing the results of the CBA analysis and benchmarking against other similar projects. Include consideration of qualitative factors.]
3. 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 includes the identified qualitative factors, distributional impacts and sensitivity testing.]

## Financial Analysis

1. 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 FAP from new information or circumstances at Stage 2.]

1. 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 Stage 2/ 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 FAP]

**Financial appraisal**

1. Identifying and measuring the cash flows
2. Discounting cash flows
3. Calculating the NPV of the project
4. Analysing the sensitivity associated with the cash flows
5. Independent review of the financial appraisal results

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

*Example Financial Appraisal template:*

1. Financial Summary (NPV)

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

1. Key inputs and assumptions

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

* 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 project costs** |  |  |  |

1. Cumulative cash flows

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

1. Risks and sensitivities
* Risks

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

* Sensitivity analysis

Option A

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

1. Whole of government considerations

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

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

1. 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 all shortlisted options requiring budget funding. Amounts should be on an accruals basis and include undiscounted cash flows over the life of the project.]

*Example Financial Impact Statement template:*

### *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, please 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, you might 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 project
* 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**

|  |  |  |
| --- | --- | --- |
|  | **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 budget sector 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 Budget Sector Staffing

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

Schedule 3: Net on-costs to Other Budget Sector 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-Budget Sector 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. In the main, the Net Lending impact is:

|  |
| --- |
| **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)** |

* Note: Net Lending will also be impacted in scenarios where assets are acquired through finance leases or assets are granted to external entities.

## 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

1. 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. Analyse the current situation and business need
2. Analyse and engage the market
3. Assess risks and how they should be balanced between supplier and purchaser
4. Determine the best procurement strategy to meet the program outcomes
5. Other considerations]
6. 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.]

1. 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

1. 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]
* [Project management structure]

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

* [Project reporting, monitoring and evaluation arrangements]
* [Any other supporting assurance arrangements].
1. Develop a project 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 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
* **Proposal dependencies** (i.e. deliverables from other projects and programs that the proposal requires for implementation)
* **Key decision points** and identification of any **independent assurance requirements**
* **Resourcing arrangements** (including staff etc.)]
1. 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.]

1. 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. Key aspects of the framework should include identification and specification of benefits and allocation of each benefit to those responsible.]

1. 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 assessing key risks and propose mitigation strategies. The plan should include how to continuously monitor risks and be part of the agency’s ERM framework].

1. Establish a project 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 project evaluation plan on how the project will be monitored and evaluated and how results will be used for project improvement and decision making]