[Proposal name]

[Preliminary / Full] business case

[Month and year (for example, June 2024)]

Contents

[Proposal details 8](#_Toc184128869)

[1 Case for change 14](#_Toc184128870)

[1.1 Identify the problem 14](#_Toc184128871)

[1.2 Reason for government action 14](#_Toc184128872)

[1.3 Objectives 15](#_Toc184128873)

[1.4 Strategic context 15](#_Toc184128874)

[1.5 Logic model 15](#_Toc184128875)

[1.6 Stakeholders 16](#_Toc184128876)

[2 Options 16](#_Toc184128877)

[2.1 Base case 17](#_Toc184128878)

[2.2 Option identification and filtering 17](#_Toc184128879)

[3 Cost-benefit analysis 17](#_Toc184128880)

[3.1 Identify and describe benefits and costs 18](#_Toc184128881)

[3.2 Forecast benefits and costs 18](#_Toc184128882)

[3.3 Value quantifiable costs and benefits 18](#_Toc184128883)

[3.4 Report CBA results 18](#_Toc184128884)

[3.5 Sensitivity analysis 19](#_Toc184128885)

[3.6 Distributional analysis 20](#_Toc184128886)

[4 Financial analysis 21](#_Toc184128887)

[4.1 Financial appraisal 21](#_Toc184128888)

[4.2 Financial impact statement 23](#_Toc184128889)

[4.3 Funding and financing 25](#_Toc184128890)

[5 Risk analysis 25](#_Toc184128891)

[5.1 Summary of key risks 25](#_Toc184128892)

[5.2 Key residual risks 27](#_Toc184128893)

[6 Preferred option 27](#_Toc184128894)

[7 Monitoring and evaluation approach 27](#_Toc184128895)

[7.1 Plan for monitoring and evaluation 27](#_Toc184128896)

[8 Procurement approach 29](#_Toc184128897)

[8.1 Procurement requirements for the preferred option 29](#_Toc184128898)

[8.2 Market capacity and capability 30](#_Toc184128899)

[8.3 Risk allocation and sharing 30](#_Toc184128900)

[8.4 Delivery model 30](#_Toc184128901)

[9 Management approach 30](#_Toc184128902)

[9.1 Governance 31](#_Toc184128903)

[9.2 Delivery schedule 31](#_Toc184128904)

[9.3 Delivery agency resources and capability 31](#_Toc184128905)

[9.4 Compliance issues 32](#_Toc184128906)

[9.5 Management arrangements (where relevant) 32](#_Toc184128907)

[10 Attachments 32](#_Toc184128908)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| About this template  Purpose  A business case provides the information Cabinet (or other delegated decision-maker) needs to decide whether to fund a proposal. It establishes:   * whether a proposal is expected to improve the wellbeing of the community * whether it is the best option to meet the objectives * how it will impact state finances * whether it can be delivered efficiently and effectively * what risks are involved.   This template is intended to provide a simple and scalable approach to support agency business case development. It sets out the minimum requirements for a business case in accordance with the [Business Case Guidelines (TPG24-29)](https://www.treasury.nsw.gov.au/information-public-entities/centre-for-economic-evidence/nsw-business-case-policy-and-guidelines).  When to use  This template should be used by tier 1 and tier 2 proposals. That is:   * recurrent proposals rated tier 1 or tier 2 under the Recurrent Expenditure Assurance Framework (REAF) * capital proposed rated tier 1 or tier 2 under the Infrastructure Investor Assurance Framework (IIAF) * digital proposals rates as tier 1 or tier 2 under the Digital Assurance Framework (DAF).   Before starting a business case, agencies should self-assess their risk tier under the relevant assurance framework (recurrent, capital or digital). All other proposals that require a business case may complete a single stage business case using the [lean business case template.](https://www.treasury.nsw.gov.au/information-public-entities/centre-for-economic-evidence/nsw-business-case-policy-and-guidelines)  Proposals with a total cost at or above $10 million that do not require a business case must complete a [short form assessment](https://www.treasury.nsw.gov.au/information-public-entities/centre-for-economic-evidence/nsw-business-case-policy-and-guidelines).  To meet the requirements of the Business Case Guidelines, agencies may use this template or an alternative document.  How to use   * All components should be completed, scaled to the cost, risk and stage of the proposal. * Tables and headings can be duplicated, expanded or removed as appropriate. * Be concise. Too much detail can distract and weaken a business case. * Technical studies, scope definition, design and other investigations should go only as far as needed to inform an investment decision. * Refer to the Business Case Guidelines for the purpose, mandatory requirements and guidance on content of each component. * Square brackets (‘[‘ and ‘]’) have information to help fill out the template. Additional information can be included if relevant. * Pink boxes provide guidance. Delete them once the business case is completed.   Development by business case stages  This template can be used for a preliminary business case and a full business case.  A full business case should update and further develop components of the preliminary business case.   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Component** |  | **How developed should these components be?** | | | | Preliminary business case | Full business case | | |  | Tier 1 and tier 2 | Tier 2 | Tier 1 | | **Case for change** |  | comprehensive | comprehensive | comprehensive | | **Options** |  | preliminary | comprehensive | comprehensive | | **Cost-benefit analysis** |  | preliminary | comprehensive | comprehensive | | **Financial analysis** | **Financial appraisal** | preliminary (a) | comprehensive (a) | comprehensive (a) | | **Financial impact statement** | preliminary | comprehensive | comprehensive | | **Risk analysis** |  | preliminary | comprehensive | comprehensive | | **Monitoring and evaluation approach** |  | n/a | high-level | high-level | | **Procurement approach** | **Market capability and capacity** | conceptual (b) | high-level | comprehensive | | **Delivery model** | conceptual (b) | high-level (c) | comprehensive | | **Management approach** | **Delivery schedule** | as relevant to support next stage | high-level | comprehensive | | **Resourcing and management** | as relevant to support next stage | summary or evidence of previous delivery | high-level |  1. Not required if no significant commercial returns or revenues, or financing arrangements outside of government funding. For more information, see section 3.4 of the [Business Case Guidelines.](https://www.treasury.nsw.gov.au/information-public-entities/centre-for-economic-evidence/nsw-business-case-policy-and-guidelines) 2. Include details likely to influence a decision to proceed to next stage of proposal development. 3. Comprehensive assessment may be required in certain circumstances, see section 4.1 of [the Business Case](https://www.treasury.nsw.gov.au/information-public-entities/centre-for-economic-evidence/nsw-business-case-policy-and-guidelines) Guidelines for more information.   Explanation of levels of development   |  |  | | --- | --- | | **Conceptual** | Limited to key points based on existing information and evidence. | | **Preliminary** | Completed with a basic level of detail and accuracy. It will be refined to inform an investment decision in the full business case. | | **High-level** | Details limited to what is needed to inform an investment decision.  Detailed plans not required. Focus on demonstrating capability and capacity to efficiently and effectively procure, manage and evaluate the proposal. | | **Comprehensive** | Complete. Rigour of analysis not expected to increase following investment decision, but detail may be amended as further evidence comes to light. |   Other requirements   * [NSW Gateway Policy](https://www.treasury.nsw.gov.au/sites/default/files/2022-04/tpg22-12_nsw-gateway-policy.pdf) (TPG22-12) establishes a framework for external project assurance through a tiered, risk-based approach. Business case requirements apply alongside and are aligned with assurance requirements. * The submission for new measures2 template is required for all measures submitted as part of the Budget and is printed for ministers in ERC. It should include a summary of information contained in a short-form assessment or business case. |

Glossary

|  |  |
| --- | --- |
| Term | Definition |
| **benefit–cost ratio (BCR)** | The ratio of the present value of total benefits to the present value of total costs. In NSW this is calculated as the ratio of the present value of benefits (less disbenefits) to the present value of project costs. |
| **Cabinet** | Lead decision-making body of executive government, including subcommittees that may exist from time to time, such as the Expenditure Review Committee (ERC). |
| **capital proposal** | Proposal that primarily consists of infrastructure, equipment, property developments, or operational technology that is a component of a capital project. |
| **digital proposal** | Proposals that primarily consist of ICT, digital investments and operational technology that is not a component of a capital project and subject to assurance under the Digital Assurance Framework. |
| **ex-post CBA** | CBA evaluation undertaken when an initiative is either underway (referred to as interim or ‘in media res’ ex-post CBA) or completed (final ex-post CBA). |
| **full business case (FBC)** | Identifies a preferred option and supports a government investment decision. Includes comprehensive economic and financial analysis. |
| **initiative** | A project, program, policy or regulation that the government has decided to progress as an initiative. |
| **multi-criteria analysis (MCA)** | Multi-criteria analysis entails identifying criteria, assigning weights to them and then scoring options on how well they perform against each weighted criterion. The sum of the weighted scores is used to rank each option against others. |
| **net present value (NPV)** | The difference between the present value of benefits and present value of costs. |
| **preliminary business case (PBC)** | Identifies and assesses options using preliminary information or assumptions about costs and benefits. It is used for large or higher-risk projects to test and refine options prior to expending time and resources on a full business case. |
| **problem** | In a business case, a ‘problem’ may also be a need or opportunity that the proposal is attempting to address.  Problems should be clear and concise and expressed as statements linked to the outcome. |
| **program** | A collection of related projects to address a common problem or realise a common opportunity, delivered in a coordinated manner. |
| **project** | The planned set of interrelated tasks to deliver a specified result, service or product to address the business case objectives.  A project is typically characterised by a fixed period for delivery, with a specified budget or set of predetermined resources. |
| **proposal** | A project, program, policy or regulation being considered to solve an identified problem.  Proposals are assessed through business cases. Where government decides to invest in or pursue a proposal, it becomes an initiative. |
| **recurrent proposal** | A proposal that is predominantly neither capital nor digital expenditure.  This can include grants, new policies or services, renewal, re-tender or outsourcing of an existing policy or service, material changes to an existing policy, service or operating model, establishment of a new entity or unit within an entity, development of a strategy or research program, enhancement or extension of agency capability, or response to a regulatory or legislative change. |
| **referent group** | Households, businesses, governments, non-government organisations and natural assets in a specified community for which the impact of government decisions or actions are measured.  For the Business Case Guidelines, the referent group is NSW. |
| **risk tier** | Projects are classified into tiers (ranging from tier 1 to tier 4) following a risk assessment based on total cost, criteria, and weightings outlined in each Gateway Assurance Framework.  Projects identified as high-profile, high-risk (HPHR) tier 1 attract the highest level of scrutiny in the Gateway process.  In these guidelines risk tier refers to either an agency’s self-assessed risk tier or, if available, endorsed risk tier. |
| **senior responsible officer (SRO)** | The senior executive in the responsible agency that has been assigned the oversight of the development and procurement of the project. They cannot be a contractor or consultant. |
| **total cost** | The total capital and recurrent cost of a project or program from inception (planning, strategic business case) to completion of all project development and physical delivery works. It includes operational costs. |

# Proposal details

Background

|  |  |  |
| --- | --- | --- |
| Agency | [Insert agency name] | |
| **Proposal name** | [Insert proposal name] | |
| **Proposal type** | [Capital / Recurrent / Recurrent including capital] | |
| **Proposal location** | [Insert location (for example, rural, regional, remote NSW)] | |
| **Budget result** | [$ million (4 year)] | [$ million (10 year)] |
| **Total cost** | [$ million (4 year)] | [$ million (10 year)] |
| **Net lending** | [$ million (4 year)] | [$ million (10 year)] |
| **Delivery timeframe** | [Insert an estimated start and end date. For example, month and year.] | |
| **Gateway registration** | [Not Registered / Registered] | |
| **Risk tier** | [Tier 1 / Tier 2] [self-assessed / endorsed] | |
| **Gateway review status** | [Provide details of completed Gateway reviews.] | |
| **Gateway framework** | [Infrastructure Investor Assurance Framework (IIAF) / Digital Assurance Framework (DAF) / Recurrent Expenditure Assurance Framework (REAF)] | |
| **Election commitment** | [Yes / No] [Please provide details.] | |
| **Federal funding** | [Yes / Partial / No] [Please provide details.] | |

Integrity and accountability attestation

|  |  |  |  |
| --- | --- | --- | --- |
| **To be completed by the senior responsible officer (SRO):** | | | |
| In my opinion (*tick appropriate box*):  Reasonable processes have been followed to ensure that actual or perceived conflicts of interest have been identified and managed (please provide details in the comments below if required).  Assumptions used in the business cases are reasonable and based on available evidence. | | | |
| Name | [Insert text here.] | Contact details | [Insert text here.] |
| Comments | [If any.] | Date reviewed | [Insert text here.] |

Document control

|  |  |  |  |
| --- | --- | --- | --- |
| Revision date | Changes made | Author | Version No. |
| [Insert text here.] |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

Executive summary

|  |
| --- |
| Instructions |
| Provide a clear and succinct summary of the business case. After reading the executive summary, decision-makers should know:   * What is the proposal? * Why does the government need to fund this? Who will benefit? * Why are existing measures not sufficient and why does this need to happen now? * What options have been considered and why is the preferred option the best one? * Will it increase the wellbeing of the NSW community? How robust is the underpinning evidence? * How much will it cost the state? * What risks and uncertainties need to be considered? * Can it be delivered efficiently and effectively?   Tailor content for a preliminary business case as appropriate to the stage of the proposal. |

Proposal description

[What is the proposal, what does it seek to achieve and how much funding is being sought?]

Case for change

[Describe:

* what problem (or opportunity) the proposal seeks to address
* who it is intended to assist
* why NSW Government action is needed
* the objectives.]

Describe why the proposal is a priority. How does it contribute to stated government priorities and why does it need to happen now?]

Options

[Describe the short list of options that were considered, and the process used to filter the options.]

Cost-benefit analysis

[Present a summary of CBA results.]

Table 1: Summary of CBA results $[20XX], real

|  |  |  |
| --- | --- | --- |
|  | Preferred option[[1]](#footnote-2) | Option [#] |
| [Benefits (and disbenefits) 1] |  |  |
| [Benefit (and disbenefits) 2] |  |  |
| **Total benefits (and disbenefits)** |  |  |
| [Resource costs 1] |  |  |
| [Resource costs 2] |  |  |
| **Total resource costs** |  |  |
| **BCR** |  |  |
| **NPV** |  |  |
| **Significant qualitative resource costs and benefits (or disbenefits)** |  |  |
| **Key assumptions** |  |  |

Distributional analysis

[State the main beneficiaries of the proposal.

Summarise results of the distributional analysis and any disproportionate impacts on priority groups that would result from the proposal.]

Sensitivity analysis

[Include a summary of results of sensitivity analysis.

This can be from Monte Carlo analysis or other sensitivity analysis as relevant.

For example, the BCR and NPV are robust to sensitivity testing of 3% and 7% discount rates.]

Financial analysis

Table 2: Summary financial impact statement – preferred option

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ‘000 | Current year | Forward year 1 | Forward year 2 | Forward year 3 | Forward year 4 | Planning years |
| **Revenue** |  |  |  |  |  |  |
| **Expense** |  |  |  |  |  |  |
| **Budget result** |  |  |  |  |  |  |
| **Capital expenditure** |  |  |  |  |  |  |
| **Net lending** |  |  |  |  |  |  |
| **Net debt (cumulative)** |  |  |  |  |  |  |

[Include a summary of any financing structure features and financial appraisal results (including net present value).]

Risk analysis

[Summarise key risks that decision makers need to consider in deciding whether to proceed, including any variation between options.]

Preferred option

Table 3: Preferred option

|  |  |
| --- | --- |
| Preferred option | Option [#] [Briefly describe the scope of the preferred option] |

[Explain why the preferred option has been selected with reference to results of the CBA, financial analysis, risk analysis etc.]

Monitoring and evaluation approach (full business case)

[Describe:

* what monitoring approach will be used
* when the initiative will be evaluated
* how evaluation will be resourced
* who will be accountable for undertaking the evaluation.]

Delivery feasibility (full business case)

[Summarise the procurement and management approach as appropriate, including:

* delivery timeline
* major delivery issues identified or unusual delivery mode
* governance or risk-sharing arrangements.]

# Case for change

|  |  |  |
| --- | --- | --- |
| Mandatory requirements | Stages | Completed |
| Describe the magnitude and urgency of the problem. | PBC and FBC |  |
| Explain why government action is needed. |  |
| Define the objectives. |  |
| Link the problem to the strategic context. |  |
| Explain how the proposal will address stakeholder concerns. |  |
| Include a logic model, with increasing detail between the preliminary and full business case. |  |

|  |
| --- |
| Quick tips  A program is a collection of related projects[[2]](#footnote-3) to address a common problem, or realise a common opportunity, delivered in a coordinated manner.  A business case can be completed for a program or for each individual project that makes up the program. These are referred to as program business cases and project business cases respectively.  Program business cases follow the same general principles and requirements as project business cases. There are, however, differences in what information is presented and how it is framed.  Treasury approval is required when submitting a program business case to support an investment decision (see [section 2.1 of the Business Case Guidelines).](https://www.treasury.nsw.gov.au/information-public-entities/centre-for-economic-evidence/nswhttps:/www.treasury.nsw.gov.au/information-public-entities/centre-for-economic-evidence/nsw-business-case-policy-and-guidelines-business-case-policy-and-guidelines) |

## Identify the problem

[Address the cause (including any interdependency), effect, importance, and urgency of the problem.

Keep the focus on desired outcomes, ensuring the problem statement is broad enough to allow for multiple solutions, but not so broad that it lacks clarity.]

## Reason for government action

[Why should the state address the problem as compared to other levels of government or by private sectors? There are three reasons for government action:

* improving resource allocation (addressing a market failure)
* distributional priorities or other government objectives
* maintenance and efficiency improvements for core government activity.]

## Objectives

[Provide clearly defined, outcomes-focussed and measurable objectives.]

## Strategic context

[Reference key government priorities, policies, or commitments.

Focus on the most relevant and important strategic context – a comprehensive list is not required.]

## Logic model

|  |
| --- |
| Quick tips  The detail of a logic model should be scaled to the cost and complexity of the proposal.  The logic model should be developed with the involvement of stakeholders and can be revised as better information become available.  Additional guidance on logic models, including templates and examples can be found in [Evaluation Workbook 1](https://www.treasury.nsw.gov.au/sites/default/files/2023-02/202302-evaluation-workbook-i-foundations-for-evaluation.pdf). |

[Inset text here.]

Table 4: Logic model

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Problem: [Insert problem] | | | | | |
| **Objectives: [Insert objective(s)]** | | | | | |
| **Inputs** | **Activities** | **Outputs** | **Outcomes** | **Benefits** | **Government priorities** |
| [Financial, human, material, technological and information resources.] | [Actions and process that transfers input into outputs.] | [Products, services, and infrastructure.] | [Short, medium, and long term. Economic, social, environmental, or cultural changes attributable to the outputs.]. | [Economic, social, environmental, or cultural and benefits and disbenefits.] | [Insert text here.] |
|  |  |  |  |  |  |

## Stakeholders

|  |
| --- |
| Quick tips  Meaningful stakeholder engagement will improve your business case.  Key stakeholders may include government agencies, industry, unions, local communities, service users, local councils and delivery teams.  For proposals that impact First Nations people and communities,, refer to the [First Nations Investment Framework (TPG24-28)](https://www.treasury.nsw.gov.au/documents/tpg24-28-first-nations-investment-framework). |

[Include a summary of:

* key stakeholders
* how they have been involved in development of the business case
* how the proposal responds to stakeholder concerns
* how stakeholder issues will be managed through development and delivery.]

# Options

|  |  |  |
| --- | --- | --- |
| Mandatory requirements | Stages | Completed |
| Assess a base case and a long list of realistic options. | PBC |  |
| Assess a base case and a short list of at least two realistic options. | FBC |  |
| Include a minimum viable product and non-build option (capital proposals only) on an if-not-why-not basis. | PBC and FBC |  |
| Provide a transparent explanation of how shortlisted options were identified. | PBC |  |
| Provide a transparent explanation of how a preferred option was identified. | FBC |  |
| Detailed design, technical specifications or planning consent materials, beyond those required to develop a reasonable estimate of costs, are not required.  Options, scope or design for wider works, such as future corridor or network expansions, should not be included. Analysis of future network impacts should be limited to what’s needed to identify a need for future options or expansions. | PBC and FBC |  |

## Base case

|  |
| --- |
| Quick tips  A base case is the ‘business as usual’ or ‘status quo’ option.  It may include a ‘do minimum’ level of investment, for example where there are existing commitments or unavoidable maintenance.  Further guidance on specifying the base case is available in the [CBA Guide Section 2.2](https://www.treasury.nsw.gov.au/finance-resource/guidelines-cost-benefit-analysis). |

[Insert text here.]

## Option identification and filtering

|  |
| --- |
| Quick tips   * Options can have different scales, service levels, flexibility (including creating real options), delivery models and funding models. Think about a broad range of realistic options. * Multi-criteria analysis (MCA) is a structured method that can help filter options. It uses scores and ratings against criteria linked to the proposal objectives. It is not a replacement for CBA but can be used to sort strategic options into a long list to be assessed by CBA. Useful resources on MCA are available on the [Infrastructure Australia](https://www.infrastructureaustralia.gov.au/guide-multi-criteria-analysis) website. * Real options provide flexibility to change scope, timing, or even abandon an initiative once uncertainties become clearer. Thinking about real options is valuable for any proposal and is particularly valuable for proposals with a long life, or subject to significant uncertainties. |

[Specify the key characteristics of each option.

Provide a transparent explanation of the process used to identify a longlist and refine into a shortlist.]

# Cost-benefit analysis

|  |  |  |
| --- | --- | --- |
| Mandatory requirements | Stages | Completed |
| Include a CBA that meets the requirements of the [Guide to CBA](https://www.treasury.nsw.gov.au/finance-resource/guidelines-cost-benefit-analysis). | PBC and FBC |  |

|  |
| --- |
| Quick tips  In NSW, CBA is the preferred method for assessing the relative merit of government proposals, including policies, programs, regulatory changes and infrastructure projects.  CBA is a form of economic analysis and offers a structure for assessing government proposals in terms of their capacity to improve wellbeing, compared with the required investment. This determines the ‘net benefit’ to society.  CBA is an important component of business cases. It can be presented within a business case or included as an attachment with a summary in the main business case.  You should contact your in-house economics team for further assistance and internal agency resources. For more information refer to:   * [Guide to CBA](https://www.treasury.nsw.gov.au/finance-resource/guidelines-cost-benefit-analysis): guidance on completing a CBA and other resources. * [Rapid CBA Tool](https://www.treasury.nsw.gov.au/finance-resource/guidelines-cost-benefit-analysis): to generate key CBA results without a need for a bespoke model. * Outcomes Values Database: repository of quality assured parameters collated from business cases and sector frameworks. For access, contact [cee@treasury.nsw.gov.au](mailto:cee@treasury.nsw.gov.au) * [Disaster Cost-Benefit Framework](https://www.treasury.nsw.gov.au/documents/tpg23-17-disaster-cost-benefit-framework#:~:text=The%20Framework%20aims%20to%20improve%20the%20robustness%20and,sources%20and%20standard%20parameters%20to%20support%20their%20appraisal.): guidance on complete CBA for disaster resilience related proposals. * [Quality assessment tool](mailto:https://www.treasury.nsw.gov.au/information-public-entities/centre-for-economic-evidence/quality-assessment-tools): supports reviews of CBAs. |

## Identify and describe benefits and costs

[Insert text here.]

## Forecast benefits and costs

[Insert text here.]

## Value quantifiable costs and benefits

[Insert text here.]

## Report CBA results

[Insert text here.]

Table 5: CBA results in $[20XX], real[[3]](#footnote-4)

| **Resource costs** | **Option 1** | **Option 2** | **Option 3** |
| --- | --- | --- | --- |
| **[Category 1 (for example, operational costs, maintenance costs, construction costs, staffing costs)]** | [Provide a quantitative estimate] |  |  |
| **[Category 2]** |  |  |  |
| **Benefits (and disbenefits)** | **Option 1** | **Option 2** | **Option 3** |
| **[Category 1 (for example, travel time savings, reduced carbon emissions, improved health outcomes)]** | [Provide a quantitative estimate] |  |  |
| **[Category 2]** |  |  |  |
| **Significant qualitative costs and benefits** |  |  |  |
| **Critical assumptions** |  |  |  |
| **BCR** |  |  |  |
| **NPV** |  |  |  |

## Sensitivity analysis

|  |
| --- |
| Quick tips  Sensitivity analysis using social discount rates of 3% and 7% is mandatory.  Further sensitivity analysis should show how changes in assumptions associated with key risks impact results. Methods for undertaking sensitivity analysis include:   * simple parameter testing * expected net present value (ENPV) * Monte Carlo analysis, and * scenario planning.   Monte Carlo analysis is best practice where a proposal is subject to significant uncertainty as allows information on the distribution of possible outcomes to be presented to decision makers.  For detailed guidance, refer to appendix 4 of the [Guide to CBA](https://www.treasury.nsw.gov.au/finance-resource/guidelines-cost-benefit-analysis#:~:text=Cost-Benefit%20Analysis%20(CBA)%20is%20a%20systematic%20approach%20to). |

[Insert text here.]

Table 6: Sensitivity analysis

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Sensitivity analysis | BCR | | | NPV | | |
| **Option 1** | **…** | **Option [#]** | **Option 1** | **…** | **Option [#]** |
| **Sensitivity 1  (3% discount rate)** | [Insert text here.] |  |  |  |  |  |
| **Sensitivity 2  (7% discount rate)** |  |  |  |  |  |  |
| **Sensitivity [X]** |  |  |  |  |  |  |

[Provide a summary of results of Monte Carlo analysis or other sensitivity analysis methods as relevant.]

[Provide an assessment of the robustness of the CBA results with regard to the findings of the sensitivity analysis].

## Distributional analysis

|  |
| --- |
| Quick tips   * When selecting cohorts for distributional analysis, consider the nature of the proposal and what decision makers are likely to be interested in. * Potential categories might include geographic regions, income, demographic groups and service user types. * Provide a qualitative assessment if quantitative analysis is not feasible. |

Table 7: Distributional analysis by cohort

|  |  |  |  |
| --- | --- | --- | --- |
| CBA results | Option 1 | … | Option [#] |
| **Incremental costs** | [Insert text here.] |  |  |
| [Group [#]] |  |  |  |
| **Incremental benefits** |  |  |  |
| [Group [#]] |  |  |  |
| [Group [#]] |  |  |  |
| [Group [#]] |  |  |  |
| **NPV** |  |  |  |
| **BCR** |  |  |  |

# Financial analysis

|  |  |  |
| --- | --- | --- |
| Mandatory requirements | Stages | Completed |
| Identify the financial impacts of all assessed options. | PBC and FBC |  |
| Include a financial appraisal for all shortlisted options (where relevant). |  |
| Include a financial impact statement. |  |

## Financial appraisal

|  |
| --- |
| Quick tips  A financial appraisal is not required where no significant commercial returns or revenues are expected and there are no financing arrangements outside of ordinary government funding. |

[Insert text here.]

Table 8: Financial appraisal summary

|  |  |  |  |
| --- | --- | --- | --- |
|  | Option 1 | … | Option [#] |
| Revenue | [Insert text here.] |  |  |
| Costs – operating |  |  |  |
| Costs – capital |  |  |  |
| Net position |  |  |  |
| NPV at [ ]% discount rate |  |  |  |
| IRR % |  |  |  |

Table 9: Cumulative cash flows

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Option [#] | Budget year | Forward years[[4]](#footnote-5) | Planning years[[5]](#footnote-6) | NPV |
| Revenue | [Insert text here.] |  |  |  |
| Costs – operating |  |  |  |  |
| Costs – capital |  |  |  |  |
| Annual cash flow |  |  |  |  |
| Cumulative |  |  |  |  |

Table 10: Key inputs and assumptions

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Inputs** | **Assumption** | | **Comments** | |
| Interest | [Insert text here.] | |  | |
| WACC / Discount rate |  | |  | |
| Revenue |  | |  | |
| Escalation |  | |  | |
| Inflation |  | |  | |
| GST |  | |  | |
| Funding structure |  | |  | |
| Timing assumptions |  | |  | |
| **Revenue and cost** | **Option 1** | **…** | | **Option [#]** |
| + [Insert name of the types of revenue.] |  |  | |  |
| … |  |  | |  |
| - [Insert name of the type of revenue offsets.] |  |  | |  |
| … |  |  | |  |
| **Total revenues** |  |  | |  |
| [Insert type of costs.] |  |  | |  |
| … |  |  | |  |
| **Total costs** |  |  | |  |

## Financial impact statement

|  |
| --- |
| Quick tips   * Tier 1 and tier 2 proposals should include a financial impact statement for each shortlisted option. * Financial impact statements (FIS) should be completed on an escalated basis using the inflation numbers included in the economic parameters published in the most recent Budget or Half Year Review. * An eliminated FIS should be prepared along with an uneliminated FIS where there are intragovernmental transfers between agencies. Eliminated data excludes intergovernmental transfers. * Additional guidance on presenting financial information can be found in the [Cabinet Submission Guidelines.](https://www.nsw.gov.au/departments-and-agencies/cabinet-office/resources/templates-and-resources) |

[Insert text here.]

Table 11: Financial impact statement – option 1

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ‘000 | Current year | Forward year 1[[6]](#footnote-7) | Forward year 2 | Forward year 3 | Forward year 4 | Planning years[[7]](#footnote-8) |
| **Revenue** | [Insert text here.] |  |  |  |  |  |
| [Revenue measure] |  |  |  |  |  |  |
| **Expense** |  |  |  |  |  |  |
| [New policy] |  |  |  |  |  |  |
| [Offset (if applicable)] |  |  |  |  |  |  |
| [Depreciation (if applicable)] |  |  |  |  |  |  |
| **Budget result[[8]](#footnote-9)** |  |  |  |  |  |  |
| **Capital expenditure** |  |  |  |  |  |  |
| [New capital expense] |  |  |  |  |  |  |
| [Offset (if applicable)] |  |  |  |  |  |  |
| **Net lending[[9]](#footnote-10)** |  |  |  |  |  |  |
| **Net debt (cumulative)** |  |  |  |  |  |  |

Table 12: Financial impact statement – [option X]

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ‘000 | Current year | Forward year 1[[10]](#footnote-11) | Forward year 2 | Forward year 3 | Forward year 4 | Planning years[[11]](#footnote-12) |
| **Revenue** | [Insert text here.] |  |  |  |  |  |
| [Revenue measure] |  |  |  |  |  |  |
| **Expense** |  |  |  |  |  |  |
| [New policy] |  |  |  |  |  |  |
| [Offset (if applicable)] |  |  |  |  |  |  |
| [Depreciation (if applicable)] |  |  |  |  |  |  |
| **Budget result[[12]](#footnote-13)** |  |  |  |  |  |  |
| **Capital expenditure** |  |  |  |  |  |  |
| [New capital expense] |  |  |  |  |  |  |
| [Offset (if applicable)] |  |  |  |  |  |  |
| **Net lending[[13]](#footnote-14)** |  |  |  |  |  |  |
| **Net debt (cumulative)** |  |  |  |  |  |  |

## Funding and financing

[Identify potential funding and financing sources in a full business case.]

# Risk analysis

|  |  |  |
| --- | --- | --- |
| Mandatory requirements | Stages | Completed |
| Identify, assess and quantify[[14]](#footnote-15) key risks, then propose mitigation actions. Provide a clear and concise summary of key risks. | PBC and FBC |  |

|  |
| --- |
| Quick tips  Include only key risks that need to be considered to make an investment decision.  Other risks should be documented in a complete risk register, but do not need to be submitted with the business case.  Key risks are risks that:   * are beyond risk tolerance * may materially affect proposal benefits or costs (financial or economic) * may result in intended benefits not being delivered * are otherwise of interest to decision-makers (for example, significant reputational risk). |

## Summary of key risks

|  |
| --- |
| Quick tips  Ensure all risks summarised are proposal specific.  Where a generic risk is included (for example, the aging population), identify the specific risk posed to the project (for example, decreasing demand due to the aging population).  A separate summary of key risks is not required for each option but should be clearly documented where risk levels or mitigation actions differ across options. |

Table 13: Summary of key risks

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Name of the risk | Description | Pre-mitigation actions | | | Mitigation actions | Post-mitigation actions | | |
|  |  | Likelihood | Consequence | Risk Rating[[15]](#footnote-16) |  | Likelihood | Likelihood | Consequence |
| [Insert text here.] | [Insert text here.] | Choose an item. | Choose an item. | Choose an item. | [Insert text here.] | [Insert text here.] | Choose an item. | Choose an item. |
|  |  | Choose an item. | Choose an item. | Choose an item. |  |  | Choose an item. | Choose an item. |
|  |  | Choose an item. | Choose an item. | Choose an item. |  |  | Choose an item. | Choose an item. |
|  |  | Choose an item. | Choose an item. | Choose an item. |  |  | Choose an item. | Choose an item. |

Table 14: Risk rating matrix

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Consequence | | | | | |
| Likelihood |  | Level 1 – insignificant | Level 2 – minor | Level 3 – moderate | Level 4 – major | Level 5 – extreme |
| 1 – rare | low | low | low | medium | medium |
| 2 – unlikely | low | low | low | medium | high |
| 3 – possible | low | medium | medium | medium | high |
| 4 – likely | low | medium | medium | high | very high |
| 5 – almost certain | medium | medium | high | very high | very high |

## Key residual risks

[Highlight key residual risks and outline how they will be managed.]

# Preferred option

|  |
| --- |
| Quick tips  The NSW Treasury Assessment Framework (section 1.10 of [the Business Case Guidelines](https://www.treasury.nsw.gov.au/information-public-entities/centre-for-economic-evidence/nsw-business-case-policy-and-guidelines)) provides guidance on what NSW Treasury looks for when assessing a business case and is a useful reference when identifying a preferred option.  A preliminary business case may identify a preferred option, subject to genuine review in a full business case. |

[Outline the preferred option.

Explain the process and criteria used to identify the preferred option.

Clearly identify why it is considered superior to other options.]

# Monitoring and evaluation approach

|  |  |  |
| --- | --- | --- |
| Mandatory requirements | Stages | Completed |
| Include a high-level plan for monitoring and evaluation scaled to the size, priority and risk of the proposal.  This may be under a monitoring and evaluation framework or a benefits management framework. | FBC |  |

## Plan for monitoring and evaluation

|  |
| --- |
| Quick tips  A high-level monitoring and evaluation plan is mandatory for all submissions seeking NSW Government investment with a total cost above $10 million. This may be under either a benefits management framework or a monitoring and evaluation framework with the level of detail tailored to priority, size and risk.  Proposals for which a CBA is required but not prepared (for example, urgent proposals that are unable to meet business case requirements due to critical time constraints) must plan and complete an ex-post CBA.  For more information on preparing a monitoring and evaluation framework, see the [Evaluation Guidelines (TPG22-22)](https://www.treasury.nsw.gov.au/finance-resource/evaluation-policy-and-guidelines).  For more information on benefits management, see the [Benefits Management Guide (TPG24-31)](https://www.nsw.gov.au/departments-and-agencies/customer-service/publications-and-reports/benefits-realisation-management-framework). |

[Insert text here.]

Table 15: Summary of high-level monitoring and evaluation plan[[16]](#footnote-17)

|  |  |
| --- | --- |
| Monitoring and evaluation plan[[17]](#footnote-18) | |
| **Type of monitoring framework** | [Monitoring and evaluation framework / Benefits management framework] |
| **Type of evaluation** | [Process / Outcome / Economic] |
| **Evaluation purpose and scope** | [Briefly describe the purpose of the evaluation and scope of monitoring and evaluation activities.] |
| **Senior responsible officer (SRO) or equivalent for the evaluation** | [Name, job title, agency and contact details] |
| **Evaluation schedule** | [When the initiative will be evaluated, or when evaluation timing will be decided.] |
| **Resourcing plan** | [Identify required resources for monitoring and evaluation. Identify if resources have (a) been incorporated into the business case; (b) funding separately set aside; or (c) include a plan for when resourcing will be determined and obtained.] |
| **High-level data collection plan** | [Data collection plan] |
| **High-level evaluation design** | [Will the evaluation design be experimental, quasi experimental or non-experimental? What methods will be used?] |
| **Measure / Indicator** | [Outline the key evaluation questions prepared to address the evaluation purpose and scope. Identify the measure or indicator and include a definition, unit of measure, actuals (current), the baseline and target KPIs. The measure or indicator can be a component of the logic model (for example, benefits), an assumption or risk.  If available for benefits management, include the benefits register or similar monitoring tool as an attachment.] |

# Procurement approach

|  |  |  |
| --- | --- | --- |
| Mandatory requirements | Stages | Completed |
| Assess market capability and capacity to deliver the project, consider the delivery model, and how risk will be shared between government and the private sector.  Tailor details to the proposal type, cost and risk.  For example, a tier 1 infrastructure proposal must specify a delivery model, while a grant program will require fewer details. | FBC[[18]](#footnote-19) |  |

|  |
| --- |
| Quick tips  The procurement approach will generally focus on the preferred option identified in section 5.2. But some iteration is often needed, especially for large and complex proposals, so that analysis of benefits, costs and risks reflects the procurement approach.  For example, where market capacity or capability is a concern consider reviewing project options, revising cost estimates and delivery timelines, and including supply side risks (and mitigation actions if applicable) in the risk analysis. |

## Procurement requirements for the preferred option

|  |
| --- |
| Quick tips  Provide enough detail to support the assessment of market capability and risk.  This may require a level of design and technical specification for high-value, high-risk (tier 1) capital proposals.  For other proposals, it may be appropriate to develop detailed technical specifications following funding approval. |

[Insert text here.]

## Market capacity and capability

|  |
| --- |
| Quick tips  Provide more detail where there is a high risk of supply side constraints.  Indicators of higher risk include:   * large, complex or unique proposals * previous supply side constraints when procuring similar products or services * the delivery agency has not previously procured similar products or services * the industry is operating above or close to capacity, supported by evidence such as rising prices.   For digital proposals, market capacity and capability can be assessed through desktop analysis for mature markets. For less mature or fast-evolving markets, it can be assessed through market engagement and refined at each stage of a multi-stage procurement. |

[Document assessment of the capacity and capability of suppliers to deliver the project.]

[Outline how capacity and capability gaps will be met.]

## Risk allocation and sharing

[Outline the proposed approach to optimise the allocation and sharing of risks between government and the private sector.]

## Delivery model

Proposed delivery model

[Tier 1 proposals: Outline the proposed delivery model.]

[Tier 2 proposals: Outline the delivery model or delivery model used for similar initiatives successfully delivered.]

[Tier 1 proposals, and tier 2 proposals where the delivery agency does not have a track record of successfully delivering similar projects: Outline the method and rationale for selecting the proposed delivery model.]

# Management approach

|  |  |  |
| --- | --- | --- |
| Mandatory requirements | Stages | Completed |
| Provide an overview of the governance framework in place to support full business case development and consider compliance issues that may significantly impact project viability. | PBC |  |
| Demonstrate governance arrangements are in place. | FBC |  |
| Demonstrate that a delivery schedule is in place. | FBC |  |
| Demonstrate the delivery agency has sufficient resources and capability. | FBC |  |
| Demonstrate major compliance issues have been identified and will be met. | FBC |  |

## Governance

|  |
| --- |
| Quick tips  Provide a succinct overview of governance roles and responsibilities in a chart or table, along with a description of any unusual arrangements.  A long governance framework is not required. |

[Insert text here.]

## Delivery schedule

|  |
| --- |
| Quick tips  Provide a Gantt chart or milestone table with detail appropriate to the delivery risk.  A detailed delivery schedule is not required. |

[Outline:

* key milestones and timeframes associated with each stage of implementation
* key dependencies
* independent assurance requirements
* key decision points.]

## Delivery agency resources and capability

Key activities required for delivery and implementation

[Include impacts on resources of other agencies where relevant.]

Assessment

|  |
| --- |
| Quick tips  A detailed assessment is not needed, unless there is a high risk the agency (or other potential delivery agencies) does not possess the capacity or capability to deliver the proposal.  Indicators of higher risk include:   * delivery agency does not have a track record of successfully delivering similar initiatives * delivery and implementation require significant agency resources (generally tier 1 infrastructure proposals or recurrent proposals requiring service delivery) * significant resourcing impacts on other agencies * unique delivery approaches that have not been tested. * Reference to a successful track record is sufficient for an agency that regularly delivers similar initiatives. |

[Outline if the agency (or other potential delivery agencies) has the capacity and capability to undertake key activities required for delivery and implementation.

Outline how gaps identified will be met.]

## Compliance issues

[Identify state and federal legal, regulatory, financial or policy requirements that may significantly impact the proposal and outline how compliance will be achieved.

Focus is on identifying showstoppers that would severely impact proposal viability or deliverability, rather than a comprehensive assessment of all compliance issues.]

## Management arrangements (where relevant)

|  |
| --- |
| Quick tips  Most management arrangements can be determined (and documented) after an investment decision has been made.  Reflected in the business case only where required to inform an investment decision. |

[Outline other management arrangements that will support delivery and implementation (where relevant).]

# Attachments

|  |
| --- |
| Quick tips  List any attachments. Only include attachments needed to inform an investment decision. |

Attachment A: Title of attachment\_date

Attachment B: Title of attachment\_date

1. Options are incremental to the base case. [↑](#footnote-ref-2)
2. A project is a set of interrelated tasks to deliver a specified result, service or product. A project is typically characterised by a fixed delivery timeframe, budget or set of resources [↑](#footnote-ref-3)
3. For example, $2025, real   [↑](#footnote-ref-4)
4. Split into up to four columns to represent the forward years. [↑](#footnote-ref-5)
5. Split into columns based on the number of planning years. [↑](#footnote-ref-6)
6. Also referred to as budget year [↑](#footnote-ref-7)
7. Split into columns based on the number of planning years. A column representing the total planning years can be added to the right of the table. [↑](#footnote-ref-8)
8. Revenue *minus* expense. [↑](#footnote-ref-9)
9. Budget result *minus* capital expenditure *plus* depreciation expense. [↑](#footnote-ref-10)
10. Also referred to as budget year [↑](#footnote-ref-11)
11. Split into columns based on the number of planning years. A column representing the total planning years can be added to the right of the table. [↑](#footnote-ref-12)
12. Revenue *minus* expense. [↑](#footnote-ref-13)
13. Budget result *minus* capital expenditure *plus* depreciation expense. [↑](#footnote-ref-14)
14. Risks are reflected in the central estimate of project benefits and costs (including contingency allowance) and sensitivity analysis for CBA and financial analysis. [↑](#footnote-ref-15)
15. See Table 14: Risk rating matrix. [↑](#footnote-ref-16)
16. The table should be tailored to the proposal and information required. [↑](#footnote-ref-17)
17. High-level monitoring and evaluation planning provides decision-makers with confidence that there has been adequate considerations on the scopes, responsibilities and resourcing required for evaluation. Detailed evaluation planning for project management purposes are not required for a business case. [↑](#footnote-ref-18)
18. Consider the procurement approach (or individual elements of the procurement approach) as part of the PBC where relevant. [↑](#footnote-ref-19)