



New South Wales
TREASURY

TOTAL ASSET MANAGEMENT GUIDELINE

**Capital Investment
Strategic Planning**

TAM06-2 November 2006

Capital Investment Strategic Planning

Contents

1.	Strategic Asset Planning and the CISP	1
2.	State Infrastructure Planning Process and the CISP	2
3.	State Budget Process and the CISP	3
4.	Capital Investment Strategic Planning Process	4
4.1	The process	4
Stage 1	Outline Project	6
Stage 2	Identify and Analyse Options	7
Stage 3	Prepare CISP and Business Cases	9
Stage 4	Monitor and Review CISP	10
Appendix A	Capital Investment Strategic Plan Checklist	11
Appendix B	Proposed New Capital Investments / Acquisitions Summary Table	13
Appendix C	Enhanced Treasury Appraisal and Monitoring	14
Appendix D	Agency Roles and Responsibilities	18

November 2006
TAM-06-2

This document supersedes the previous 2004 version TAM04-2.
General inquiries concerning this document should be initially directed to
Arthur Megaloconomos of NSW Treasury, on tel: 9228 4402 or
Arthur.megaloconomos@mail.treasury.nsw.gov.au.

1 Strategic Asset Planning and the CISP

Agencies are responsible for delivering particular services or operating businesses in line with Government's overarching goals and priorities. Agencies determine the best way to achieve the Government's requirements. An agency's Results and Services Plan (RSP), Statement of Business Intent (SBI) or Statement of Corporate Intent (SCI) (as applicable) outline its service delivery or business planning to deliver these requirements.

Agencies undertake strategic asset planning within the Government's Total Asset Management (TAM) Policy framework, which was introduced to achieve better planning and management of the State's physical assets, both existing and newly acquired. Physical assets include items such as land, buildings, information technology, infrastructure, collections, equipment or fleet, owned or controlled by an agency as a result of past transactions or events, providing future economic benefits and having a definite business function or supporting the delivery of services.

TAM is a strategic approach to physical asset planning and management, including major infrastructure. It provides a structured and systematic approach by which an agency can align its asset planning and management practices with its service delivery priorities and strategies, within the limits of resources available.

TAM Policy applies to all government departments, statutory authorities, trusts and other government entities. State Owned Corporations under the State Owned Corporations Act are exempt although they are encouraged to adopt aspects of TAM that are consistent with their corporate intent.

TAM is an integral part of NSW Treasury's Budget process, which focuses on agencies' service delivery performance. An agency's asset response to its service delivery needs, as reflected in its RSP, SBI or SCI is defined in its Asset Strategy, which defines the asset "gaps" that need capital investment. The Asset Strategy determines whether investment may be needed to refurbish, upgrade or acquire new assets to sustain appropriate service delivery levels. Investment needs identified are then detailed in an agency's Capital Investment Strategic Plan (CISP).

This guideline should be read in conjunction with the other key components of the TAM manual, available at NSW Treasury's website www.treasury.nsw.gov.au. These include:

- Asset Strategy Planning
- Asset Maintenance Strategic Planning
- Asset Disposal Strategic Planning
- Office Accommodation Strategic Planning

Developing the CISP involves assessing all appropriate investment options to meet agreed service delivery needs. The options may include "traditional" capital works, purchase, lease, service contract and private sector involvement. The CISP is a ten (10) year rolling plan. It includes a list of capital projects, in *priority* order, including ICT projects, targeting asset investment needs identified in the Asset Strategy. For each project, the CISP should provide, in *appropriate* detail, a range of specific information to support its inclusion and priority. The CISP should also provide links between listed projects, and the other Plans in TAM, for Asset Maintenance and Disposal (where appropriate).

The use of existing assets should be optimised before investment in new assets. Changes to an agency's asset portfolio should only be considered when:

- The performance of an existing asset poses serious risks to agreed service delivery or business operations (e.g. occupational health and safety (OH&S) risks);
- A new asset is necessary to meet service delivery or business requirements;
- Asset utilisation does not meet Government targets (e.g. office accommodation); and/or
- Asset operating costs are significantly higher than appropriate benchmarks.

The agency must find a sustainable balance between the provision of services or business operations, the physical assets to support them and the funding resources available. Non asset or less asset intensive solutions should be considered early on in the analysis. Such options may include a review of service standards, demand management (including expectations) and the possibility of integrating service delivery with other agencies. Non asset or less asset intensive options which only become evident at the CISP stage should be thoroughly considered before proceeding with other options.

2 State Infrastructure Planning Process and the CISP

The Infrastructure Planning Cabinet Committee (IPCC) sets strategic directions for urban and regional infrastructure development and associated infrastructure priorities. To assist the delivery of key infrastructure, the Government has established the Infrastructure Implementation Group (IIG) within the Premier's Department and the Office of Infrastructure Management (OIM) within NSW Treasury.

Major infrastructure proposals are considered by the IPCC in conjunction with the OIM and the Department of Planning (DOP). Agency roles and responsibilities are outlined in Appendix D.

The OIM is responsible for developing the State Infrastructure Strategy (SIS), a ten (10) year rolling plan, drawing heavily from information in agencies' Asset Strategies and CISPs. The SIS also draws from the Metropolitan Strategy, other regional plans, and the supporting Growth Centres' plans, each developed by the DOP. The OIM and the DOP seek information from agencies to:

- Ensure the consistency of government decisions is maintained from the planning through to the project implementation phase (planning approval system).
- Provide an evidentiary basis to underpin prioritisation and sequencing of major infrastructure investment for the State.
- Achieve early identification and costing of infrastructure needs to support prudent government land use decisions (including the indicative timing and sequencing of land releases).
- Ensure infrastructure priorities reflect key government objectives for population growth, land use and settlement patterns, land release, service levels, pricing and funding.

Note:

- An agency should ensure that its CISP is developed in the context of whole-of-government asset/infrastructure planning, including the Metropolitan Strategy and Growth Centres plans, other Regional Strategies, and the State Infrastructure Strategy (SIS).
- An agency should ensure that all major infrastructure projects are considered by the OIM, in the context of their alignment with the Government's strategic direction and priorities, **before** being submitted for funding approval.

3 State Budget Process and the CISP

NSW Treasury reviews all capital project proposals received from agencies, in accordance with NSW Treasury's *Procurement Policy Reform* (see *Treasury Circular TC 04/07*), whether they are funded from the State Budget or from internal agency funds.

NSW Treasury needs to understand the scope, nature and priority of *each* project including ICT proposals in an agency's CISP, (i.e. what the Government is being asked to invest in), the services and results the project will contribute to, and the relative benefits, costs and risks of the project compared to other identified investment options. The information an agency provides in its CISP supports its later Budget funding proposals. The information in an agency's CISP, together with its Budget proposals, provides NSW Treasury with a scope and cost "envelope" for the project. NSW Treasury may require additional conditions to be met in order for the proposal to be further considered.

Projects requiring funds from the State Budget are subject to approval from the Budget Committee of Cabinet (BCC). Treasury's review will include advice and recommendations to the BCC for determination of agency allocations.

Some agencies are able to internally fund (or 'self-fund') major projects, which are not subject to BCC funding approval. NSW Treasury also reviews such proposals prior to them going forward for internal funding approval. These projects will also need to be referred to the BCC if they are Projects of State Significance (see *Guidelines for Assessment of Projects of State Significance* TPP02-4, available at Treasury's Website) or if Treasury considers that such referral is otherwise necessary.

In the Budget process, a distinction is drawn between proposed projects which "enhance" effort and those which "maintain" effort:

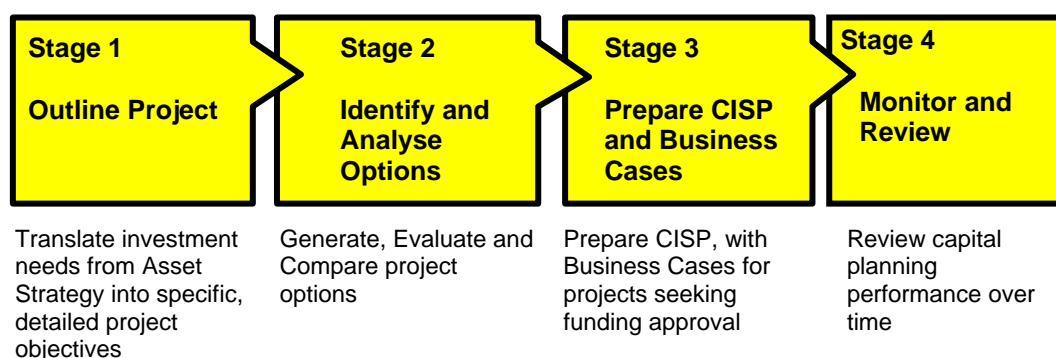
- **"Maintenance of Effort" proposals:** focus on the continuation of existing service levels. They do not require an invitation from NSW Treasury.
- **"Enhancement of Effort" proposals:** Are proposals which agencies have been invited by NSW Treasury to submit, dealing with new capital projects which enhance "effort". Generally, such proposals will have the effect of expanding service delivery availability, eligibility, quantity or quality.

NSW Treasury monitors the progress of all major capital projects through reports submitted by agencies at key decision points during the procurement cycle. NSW Treasury's *Procurement Policy Reform* contains specific provisions for construction projects, ICT and Goods procurement, as outlined at Appendix C.

Note:

- Before commencing any capital project an agency should check the **current** appraisal and monitoring requirements of the Governments *Procurement Policy Reform*, available on Treasury's Website, www.treasury.nsw.gov.au

4 The Capital Investment Strategic Planning Process



4.1 The process

Capital Investment Strategic Planning involves identifying and assessing project options to find those which provide the best value for money service delivery on an integrated (whole-of-agency) basis. The resultant CISP supports the agency's proposals for asset/infrastructure investment approval in the current Budget and also longer-term.

The CISP process outlined above is a structured approach, which aims to enable an agency to develop and select the best options to meet the capital investment needs identified in its Asset Strategy. It is important for options selected to demonstrate consistency with whole-of-government service delivery and asset/infrastructure planning goals. For the CISP development process to be successful, an agency should have sound, holistic governance arrangements in place, in order to address physical assets at the strategic planning and process levels. The agency should also have a detailed knowledge of its asset portfolio and how these assets relate to its service delivery planning.

Options considered in the CISP may include non-build solutions such as demand management or direct procurement of service. However, these would generally have been identified and analysed during the development of the Asset Strategy and service delivery planning.

An agency's CISP should be projected over a ten year period. The CISP should incorporate a detailed plan for the upcoming Budget year and significant detail for the next three years, with a longer-term projection for the following six (6) years. This will allow:

- The development of a cross agency perspective on the use and redistribution of assets that may become available.
- Sufficient time for the planning and implementation of asset changes.
- Ongoing evaluation of asset procurement methods against current and future market trends to achieve the best long term financial performance.
- Agency plans to inform development of the SIS.

The CISP should also clearly identify *each* Growth Centres plan project. The Sydney Metropolitan Strategy website has key documents which will assist agencies with this requirement. These documents include:

- State Environmental Planning Policy (Sydney Region Growth Centres) 2006
- Growth Centres SEPP map, and
- Growth Centre Structure Plan

For further information see the Metropolitan Strategy website: www.metrostrategy.nsw.gov.au and the Growth Centres Commission website: www.gcc.nsw.gov.au

The level of detailed project assessment necessary will vary, depending on whether or not the agency is submitting a proposal for consideration in the current Budget, the size and complexity of the project and/or its funding time frame, with progressively less details for projects proposed for forward years.

In order to ensure that adequate project preparation / development has taken place before a Business Case for a project is formally submitted for Treasury assessment, agencies must provide Treasury with a:

- Preliminary cost / benefit assessment for major capital projects (projects valued at \$250,000 or more) programmed to commence within three years of the upcoming Budget year.
- Program for development and submission of Business Cases, including Gateway Review reports if appropriate, for major projects programmed to commence one year prior to the upcoming Budget year.

Projects proposed for funding approval in the upcoming Budget year require full Treasury assessment in accordance with the Government's Procurement Policy, which includes producing a Business Case (Project Appraisal Report). Reports and studies are required to be submitted as a part of the Business Case, the degree of which will vary depending on a project's value, level of procurement risk and timing. Such Documents may include a:

- Value Management Study
- Economic Appraisal
- Financial Appraisal
- Risk analysis
- Gateway Review report

In the case of Budget funded projects Business Cases must be presented to Treasury in the year prior to the Budget year in which funding approval will be sought. For non Budget funded projects Business Cases must be provided prior to funding approval.

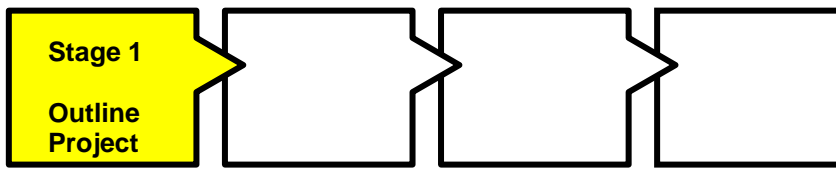
In addition to the detailed requirements of the Government's *Procurement Policy Reform, (TPP04-1)* further specific guidelines are available on NSW Treasury's Website, including:

- **NSW Government Guidelines for Economic Appraisal** – TPP97-2 & TPP99-1
- **NSW Government Guidelines for Financial Appraisal** – TPP97-4
- **Value Management Guideline** in the *Assessment and Decision Tools* section of the TAM Manual
- **Risk Management Guidelines** in the *Assessment and Decision Tools* section of the TAM Manual
- **Sustainable Development Guideline** in the *Assessment and Decision Tools* section of the TAM manual
- **Infrastructure and Communications Technology (ICT) Capital Investment Process** – TPP 06-10

Note:

- Agencies should discuss intended capital projects with NSW Treasury at the earliest opportunity in their strategic planning processes before developing detailed proposals to avoid wasted effort.

Stage 1 Outline Project



Develop Project Outline

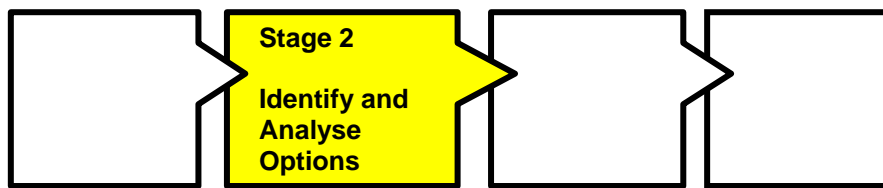
A Project Outline for capital investment can be developed based on the information provided in the Asset Strategy and service delivery planning documents. Robust capital investment requires competent Project Outlines. An Outline should provide performance and detail requirements of a capital investment project. Project Outlines should answer question such as:

- Specifically how will this project support service delivery?
- What level of service is required and how is the required service going to be provided?
- Who are the stakeholders/customers, what are their specific needs, how will this project address these needs?
- What asset capacity is required?
- What is the time period of the investment?
- What functionality is required?
- What is the expected reliability of asset?
- What are the environmental concerns?
- What will be the flow-on impact of the capital investment on the operation of other agencies and what consultations have occurred with them?
- How does this project fit in relation to other projects currently under way? (Note: For this and the following aspects, only summary details should be necessary as they should have been addressed in the Asset Strategy).
- Will this be a joint-agency (Cluster) project? If so, what is the rationale for adopting this approach? Also, which will be the lead agency, which other agencies are involved and what is the nature of their individual roles/involvements?
- Strategically, how does this project fit within the context of the agency's priorities and programs?
- What will be the risks to services and results of not proceeding with the project/proposal - what is driving the project timing (i.e. why do we need to proceed now)?

Notes:

- **Value Management:** studies may be used to generate and to answer these questions, and to ensure stakeholders input. Further details are available in the TAM Manual, accessible at Treasury's Website.
- **Agency Accreditation for ICT Procurement:** An agency accreditation process for project risk and feasibility assessment is being developed, for implementation during 2006, from a date to be advised. The process will require that, for all ICT procurement projects valued at >\$1 million or High risk (using the Risk Profile Assessment developed for the Gateway Review Process), non-accredited agencies must obtain external expert support to assist them in **this** and **all** subsequent phases of planning and procurement for ICT projects - see NSW Treasury's **Procurement Policy Reform** accessible at Treasury's Website.

Stage 2 Identify and Analyse Options



Generating Options

All available options for satisfying the Project Outline should be examined, to ensure that the solution chosen optimises value for money. In generating options, it is important to confirm/ensure that alternatives to capital project procurement have been considered, although these should have been assessed during the formulation of service delivery planning and the Asset Strategy.

Each option should be identified and developed sufficiently to enable subsequent evaluation / appraisal. Lateral thinking is encouraged to produce as many practicable options as possible, including alternatives to purchase such as leasing, ICT solutions, contracting out or private sector participation.

Options should be checked against the Project's Outline. Any significant non-compliance with the Outline will require the option to be modified or discarded. Depending on the size, complexity and nature of the project the use of a *Value Management* study may be beneficial to fully canvas and develop options for subsequent evaluation.

If less-asset intensive solutions are identified as the preferred service delivery options, this information should be validated and confirmed by the agency's service planners. Ideally, asset managers, finance managers and corporate/service planners should work closely together, year round to ensure alignment between an agency's service delivery and asset plans.

In the early stages of project planning, consider how procurement achieves the intended result. Project options and procurement strategy for all projects need to cover both *what* and *how* a solution will be implemented. The capability of in-house resources may need to be complemented by external services.

The proposed solution and Business Case should describe the procurement strategy in sufficient detail for assessing whether the project options are feasible and achievable. Full Business Cases are required by Treasury prior to funds for the proposal being sought. Detailed design development and assessment of procurement strategy is usually not required until a project has received Budget approval and before tender award.

Note:

- **Agency Accreditation for Construction Projects:** For all construction projects valued at >\$50 million and for those <\$50 million and assessed as Medium risk or greater (using the Risk Profile Assessment developed for the Gateway Review Process), non-accredited agencies must obtain external expert support to assist them in **this** and **all** subsequent phases of planning and procurement for construction projects - see NSW Treasury's *Procurement Policy Reform* accessible at Treasury's Website.

Evaluating Options

Once verified against the Project Outline options should be evaluated, including *broad* consideration of procurement strategy, particularly any constraints which may surround particular options (e.g. financial, physical, time, functional and design).

The level of assessment should enable selection of a preferred option. Projects proposed for funding approval in the current Budget require full assessment in accordance with NSW Treasury's *Procurement Policy*. Progressively less detail would be required for projects proposed for funding consideration in forward years. Agencies should discuss intended projects and details to be provided with NSW Treasury at the earliest opportunity in their strategic planning processes.

Various 'tools' are available to assist in evaluating options, including *Economic Appraisal, Financial Appraisal, Risk Analysis and Sustainable Development Assessment*. For further details, refer to the respective guideline in the *Assessment and Decision Tools* section of the TAM Manual, accessible at Treasury's Website.

Selecting Preferred Options

The inherent guiding principle in selecting preferred options is to maximise benefits to the Government generally, including the agency and its key stakeholders (i.e. maximising value for money overall), while minimising costs (time, disruption and dollars). It is essential to ensure that all project options have been fully canvassed and assessed, and that preferred (recommended) options are likely to deliver value for money. Evaluation of verified options enables each option to be compared against the others with respect to (but not limited to):

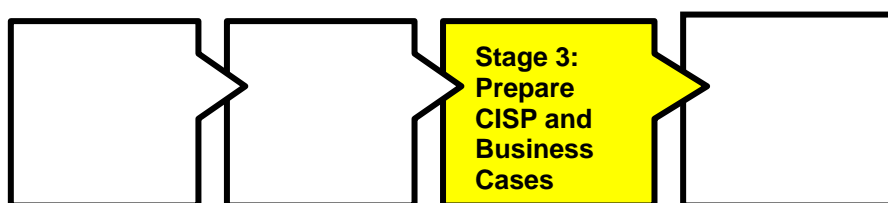
- meeting service delivery requirements;
- level of risks and their management;
- key assumptions;
- stakeholder considerations;
- timing/sequencing considerations;
- economic considerations;
- cash flows;
- budgetary considerations; and
- sustainability issues.

The CISP should present a summary of each option considered, including the analysis of each, together with the reason(s) for selecting (recommending) the preferred options.

Note:

Agencies must provide NSW Treasury with preliminary cost / benefit assessments three years prior to the upcoming Budget year, and a program for development and submission of Business Cases, including Gateway Review reports, if appropriate, one year prior to proposed project approval .

Stage 3 Prepare CISP and Business Cases



Preparing the CISP and Business Cases for funds approval

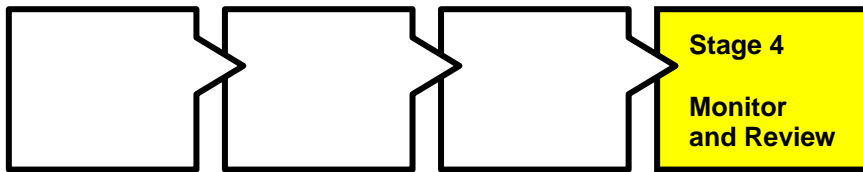
Agencies should develop and submit to NSW Treasury a CISP which includes a summary table of proposed capital investments/acquisitions (i.e. projects) in the format of Appendix B and also address the following:

- **Governance:** The agency's governance arrangements for TAM planning and implementation more broadly should have been outlined in the Asset Strategy. The CISP should outline how, in particular, those arrangements guide its development.
- **Planning Horizon and Alignment:** The CISP should cover a ten (10) year planning horizon to align with and inform the State Infrastructure Strategy (SIS) and should align with relevant Regional Strategies. To ensure alignment, agencies should ensure they consult with the Department of Planning as appropriate, and the Office of Infrastructure Management regarding major infrastructure proposals early in their strategic planning processes.
- **Enhancement and Maintenance of Effort:** Projects receiving any State Budget funding should be classified as either enhancing 'effort' or maintaining 'effort'. Only *invited* agencies are to submit *detailed* proposals for capital proposals which enhance 'effort'. Proposals for maintenance of 'effort' are not conditional upon prior invitation.
- **Prioritisation:** Each proposed investment in capital assets / projects shown in the CISP should be prioritised against the others. The information generated for options analysis in stage 2 should enable this prioritisation. The CISP should include **all** capital assets/projects identified in the Asset Strategy e.g. construction projects, plant, equipment, ICT, fleet and collections, *irrespective* of whether they are funded internally or from the State Budget. Proposals should be included in the CISP in increasing detail as they near the year in which funding will be sought. However even projects ten years out from funding should be based on sound projections of service needs and costs and have the concurrence of the agency's Treasury analyst. The CISP is strategic. It is not a wish list.
- **Project Profile:** Irrespective of whether they are funded internally or from the State Budget, for each project, the CISP should provide, in *appropriate* detail, information on the scope, nature and objectives of the project, including a summary of the Project Brief (from Stage 1). For each project funded (in whole or part) from the State Budget, linkages with the agency's Asset Strategy, and supporting Asset Maintenance and Asset Disposal (as appropriate) Plans should also be outlined.
- **Business Case:** Agencies should develop and submit to NSW Treasury a Business Case (Project Appraisal Report) for all capital works projects proposed for funding approval in the current Budget cycle, whether they are funded internally or from the State Budget. A program for the development and submission of the Business Case and Gateway Review reports, if appropriate should be provided to Treasury the year prior to the upcoming Budget year, and a preliminary cost / benefit assessment should be provided three years prior. Also, specific provisions apply for the procurement of ICT and Goods & Services Procurement. The specific information required to be submitted to NSW Treasury for appraisal/monitoring for all projects prior to their funding is outlined at Appendix C, with details accessible at Treasury's Website.

Notes:

- **Additional Information:** In some cases, Treasury may require the agency to submit supporting information or reports to establish the credibility of the Economic Appraisal or Financial Appraisal reports.
- **Early Treasury Consultation:** Agencies should discuss intended projects with NSW Treasury at the earliest opportunity in their strategic planning processes and before development of detailed proposals, especially projects primarily for *enhancement of effort*. This should ensure wasted effort is avoided and appropriate levels of detail are provided by agencies as required.

Stage 4 Monitor and Review CISP



Monitoring and Reviewing CISP Implementation

The agency's governance and strategic planning arrangements should ensure that:

- The CISP, as a ten (10) year rolling plan, is updated annually and constantly reviewed to ensure that it incorporates, as practicable, changes to the service strategy as well as changes to resources available, including funding.
- Updates are provided to Treasury on the progress of agencies' capital investment programs/projects throughout the year. Agencies should ensure they have in place the processes to monitor the progress of, and expenditure on all capital projects both to manage the procurement process and to report the program status to Treasury.
- Completed capital projects are reviewed and the results compared to the Project Outlines and cost estimates developed for them. Did they deliver the project objectives? Significant failures to deliver the objectives set down should result in a review of the capital investment strategic planning process. It may indicate that the agency's service delivery strategy was not clearly defined or that alternative delivery strategies were not adequately considered. Alternatively it may show that the project objectives did not adequately translate the service delivery strategy or that there were problems with the project options generated. Documented measures should be put in place to prevent recurrences.

Reviews of the CISP should not be limited to projects that failed to deliver the specified objectives. Regular reviews should attempt to identify more efficient and effective ways of obtaining the assets required for service delivery. Constant reviews of the services delivered should be undertaken in terms of changes in the demand for the services and improved ways of delivering them from advances in techniques or technology. Procurement options should also be reviewed to identify alternatives that may offer better value and risk distribution.

Appendix A Capital Investment Strategic Plan Checklist

Stage 1 Prepare Project Outline

- Identify assets/asset segments (existing and proposed assets) to meet service delivery requirements (from Asset Strategy).
- Identify if assets require alteration, upgrading, extension, etc. or if a new asset is required, for inclusion in the Capital Investment Strategic Plan (from Asset Strategy).
- Identify the range of services and results supported by each asset (from Asset Strategy, with links to the RSP).
- Identify the risks to services and results of not proceeding with the project/proposal (from Asset Strategy, RSP and Corporate Planning).
- Identify all stakeholders, including customers and ensure that their requirements are included in Project Outline (a Value Management study may be beneficial).
- Establish how long assets are required to continue delivering service.
- Determine the scope and objective of each project (i.e. asset construction/procurement).
- Determine performance parameters for each asset or asset segment.
- Set performance levels for each performance parameter.
- Determine required asset functionality.
- Determine required asset capacity.
- Determine expected asset reliability.
- Identify environmental concerns and issues of the sustainability of both the assets and the service delivery.
- Identify any flow-on impact of the capital investment on the operation of other agencies and what consultations have occurred with them
- Indicate if this is a joint-agency project If so, outline the rationale for adopting this approach Also, identify the lead agency, the other agencies involved and the nature of their individual roles/involvement
- Indicate whether the project will have an impact on any of the Government's Regional Strategies eg the Sydney Metropolitan Strategy.

Stage 2 Identify Options and Analyse

- Generate Options:
- Conduct Value Management Studies to generate project options for Economic Appraisal (not to determine a preferred option).
- Review procurement options (broadly), including alternatives to purchase such as leasing, use of IT solutions, contracting out, purchasing of services, private sector participation.
- Review any alternative or less asset intensive solutions to achieve required service outcomes, which emerge after completion of the Asset Strategy.
- Review involvement of other agencies in providing solutions to service delivery requirements, where this was not thoroughly reviewed in the Asset Strategy.
- Identify and incorporate any specific Regional Development needs in planning process.
- Evaluate Options:
- Conduct Risk assessment of all proposed options.
- Decide the level of risk the agency is prepared to accept in their service delivery (this information should be obtained from service delivery planning documents).
- Conduct Sustainable Development Assessment of all project options.
- Conduct Economic and Financial Appraisals of all project options (identified in above VM) (ensure that whole-of-life costs are included).
- Determine overall capital investment strategies (i.e. build solution, shared services, use of private sector).
- Compare Options and Selected Preferred Option:
- Collect all information about each project option.
- Review risk management plan and analyse outcomes.
- Analyse economic considerations including short term and long term impact.
- Assess cash flow requirements and their impact on delivery of the project.
- Select preferred options.
- Document decision process.

Stage 3 Prepare Capital Investment Strategic Plan and Business Cases

- For each proposed project, prepare summary of the Project Outline.
- Re-examine agency service and asset strategies to confirm or adjust the proposed sequencing/priority ranking of each project, as necessary.
- Prepare a Business Case (Project Appraisal Report) for each project to be submitted for Budget funding approval in the current Budget cycle.
- Conduct a Business Case Stage Gateway review.
- Show new projects planned to commence in the Budget year and also in future years. Show, in “real” dollars (i.e. dollars of the date at which the CISP is finalised), the estimated total cost (ETC) and cashflow of each proposed project over a ten (10) year planning horizon, in the format of Appendix B. Show longer-term planning where appropriate.
- For each project, prepare Risk Management Plan, in appropriate detail. Projects for which funding is sought in the upcoming Budget year should have a detailed Plan.
- Commit any maintenance works covering the life cycle of proposed new assets to the Maintenance Strategic Plan, and cross-reference. Ensure that these costs are allowed for in the agency’s asset maintenance budgeting.
- Establish linkages to the agency’s Asset Disposal Plan where projects involve replacement of existing assets or identify surplus assets for disposal.
- Establish linkages to the agency’s IM&T Plan where projects involve ICT assets.
- Prepare a preliminary cost / benefit assessment for projects programmed to commence within three years of the upcoming Budget year and a program for development and submission of Business Cases, including Gateway Review reports, for projects programmed to commence within one year of the Budget year.

Stage 4 Monitor and Review Capital Investment Strategic Plan

- Develop reporting and feedback processes to provide information for Treasury monitoring requirements (as applicable) and agency annual strategic planning cycle.
- Review Capital Investment Strategic Plan and asset strategies where asset performance is not meeting service delivery needs over time.
- Review Capital Investment Strategic Plan to identify more efficient and effective ways of achieving the required asset availability and standards over forward years.
- Amend Capital Investment Strategic Plan to incorporate all changes and ensure the Plan is modified/updated for future years.

Appendix B Proposed Capital Investments/Acquisitions Summary Table

PROPOSED NEW PROJECTS (In Budget year and also in Forward years)	Estimated Total Cost (ETC)	Cash-Flows										Balance to Complete	Growth Centres related project (Y/N)	
		Budget year Year 1 (\$,000)	Year 2 (\$,000)	Year 3 (\$,000)	Year 4 (\$,000)	Year 5 (\$,000)	Year 6 (\$,000)	Year 7 (\$,000)	Year 8 (\$,000)	Year 9 (\$,000)	Year 10 (\$,000)			
MAJOR PROJECTS (in priority order)														
Individual project														
Individual project														
Individual project														
MINOR PROJECTS														
Minor projects (aggregated)														

Notes:

- Project cost/cash-flow figures must be provided in **real** dollars (i.e. dollars of the date at which this table is produced).
- Projects for which funding is sought in the upcoming Budget year (i.e.Y1) must have undergone a Gateway Review if appropriate and be accompanied by a Business case.
- Each project identified must be appropriately detailed in the agency's Capital Investment Strategic Plan.
- Each capital investment proposal for maintenance of an existing asset should be detailed in and cross-referenced to the *Maintenance Strategic Plan*.
- Each **Growth Centres** related project should be clearly identified. Further information on the Growth Centres plans is available at www.metrostrategy.nsw.gov.au
- Major projects are ones with ETC of **\$250,000** or more.
- For each project identified in year two, a program for development and submission of a Business Case, including a Gateway review report if appropriate, must be provided.
- For each project identified in year four, a preliminary cost/ benefit assessment must be provided. Note: Non-accredited agencies must obtain external expert support at this point. See NSW Treasury's Procurement Policy Reform on Treasury's website.

Appendix C Enhanced Treasury Appraisal and Monitoring

WHAT MATERIAL IS PREPARED AND SUBMITTED TO NSW TREASURY FOR BUDGET AND NON-BUDGET FUNDED CONSTRUCTION PROJECTS?

Stage of process	Agency <u>completes</u> all the material listed below	Agency <u>submits</u> material to Treasury when the project is:			
		High risk ⁽¹⁾ or:	Not high risk and:		
		> \$50m	\$10m–\$50m	\$1m–\$10m	\$0.25m–\$1m
In support of funding proposal	Gateway Risk Profile Assessment ⁽¹⁾	✓	✓	✓	✓
	Business Case ⁽²⁾ , with supporting documents ⁽³⁾ :				
	• Project profile, with links to RSP and TAM plans	✓	✓	✓	✓
	• Financial Impact Statement ⁽⁴⁾	✓	✓	✓	✓
	• Economic/Financial Appraisal ⁽⁵⁾	✓	✓	✓ ⁽⁶⁾	
	• Risk Assessment, Mitigation & Valuation Report	✓			
	• Supporting Info eg engineering reports	✓			
	• Business Case Gateway Review Report and agency response ⁽⁷⁾	✓	✓		
Prior to going to tender	Procurement Strategy Report ⁽³⁾	✓	✓		
	Pre-Tender Estimate Report ⁽³⁾	✓	✓		
Prior to contract award	Post-Tender Review Report ⁽³⁾	✓			
Post contract award	Material Variations Reports ⁽³⁾	✓			

⁽¹⁾ See Gateway Risk Profile Tool at www.asset.gov.com.au/ppa.

⁽²⁾ See Premier's Dept website www.premiers.nsw.gov.au for Business Case Guidelines.

⁽³⁾ See www.treasury.nsw.gov.au/procurement/procure-intro.htm for Treasury Appraisal/Monitoring Arrangements.

⁽⁴⁾ template to be provided

⁽⁵⁾ Required for projects \$1m or over. See www.treasury.nsw.gov.au for Guidelines Papers 99-1, 97-4, 97-2.

⁽⁶⁾ For projects in this category, summaries of economic/financial appraisals are sufficient to submit to Treasury.

⁽⁷⁾ See www.treasury.nsw.gov.au/procurement/procure-intro.htm for information on the Gateway Review Process.

The above requirements apply to projects which:

- represent either enhancement of effort or maintenance of effort; and
- are funded from an agency's existing budget or funding received during the Budget process.

Your agency should retain all relevant material it uses and completes – even if it is not required to be submitted. Treasury may need to call upon this information when reviewing projects.

Where can I get more detail about the above requirements?

Go to the NSW Treasury website – www.treasury.nsw.gov.au for:

- Treasury Circular *Procurement Policy Reform* (NSWTC 04/07)
- Treasury Circular *Total Asset Management (TAM) Policy Reconfirmation* (NSWTC 04/09)
- First allocation letter issued in early October

**WHAT MATERIAL IS PREPARED AND SUBMITTED TO NSW TREASURY
FOR BUDGET AND NON-BUDGET FUNDED ASSET ACQUISITION PROJECTS
(OTHER THAN CONSTRUCTION AND ICT)?**

Asset Acquisition Projects (Other than Construction and ICT projects)

Guidance on asset acquisition projects of:

- a construction nature (eg build or upgrade a new hospital wing, school or road) can be found in Information Sheet 13; and
- an ICT nature (eg purchase of hardware or software licenses and development of applications) can be found in Information Sheet 15.

This sheet provides guidance on the remaining types of asset acquisition. These projects are typically purchases of large capital assets such as vessels, land and non-ICT equipment.

Stage of process	Agency <u>completes</u> all the material listed below	Agency <u>submits</u> material to Treasury when the project is:			
		High risk ⁽¹⁾ or:	Not high risk and:		
		> \$10m	\$5m-\$10m	\$1m-\$5m	\$0.25m-\$1m
In support of funding proposal	Gateway Risk Profile Assessment ⁽¹⁾	✓	✓	✓	✓
	Business Case ⁽²⁾ , including: links to RSP and TAM plans; Financial Impact Statement ⁽³⁾ ; Economic/Financial Appraisal ⁽⁴⁾	✓	✓	✓ ⁽⁵⁾	✓
	Business Case Gateway Review Report and agency response ⁽⁶⁾	✓			

⁽¹⁾ See Gateway Risk Profile Tool at www.asset.gov.com.au/ppa .

⁽²⁾ See Premier's Dept website www.premiers.nsw.gov.au for Business Case Guidelines.

⁽³⁾ template to be provided

⁽⁴⁾ Required for projects \$1m or over. See www.treasury.nsw.gov.au for Guidelines Papers 99-1, 97-4, 97-2.

⁽⁵⁾ For projects in this category, summaries of economic/financial appraisals are sufficient to submit to Treasury.

⁽⁶⁾ See www.treasury.nsw.gov.au/procurement/procure-intro.htm for information on the Gateway Review Process.

The above requirements apply to projects which:

- represent either enhancement of effort or maintenance of effort; and
- are funded from an agency's existing budget or funding received during the Budget process.

Your agency should retain all relevant material it uses and completes – even if it is not required to be submitted. Treasury may need to call upon this information when reviewing projects.

Where can I get more detail about the above requirements?

Go to the NSW Treasury website – www.treasury.nsw.gov.au for:

- Treasury Circular 04/07 - Procurement Policy Reform
- Treasury Circular 04/09 – Total Asset Management (TAM) Policy Reconfirmation
- First allocation letter issued in early October

**WHAT MATERIAL IS PREPARED AND SUBMITTED TO NSW TREASURY
FOR BUDGET AND NON-BUDGET FUNDED CAPITAL AND RECURRENT ICT PROJECTS?**

Stage of process		Activity and Documentation	Documentation Requirement			
			High risk or ETC:	Not high risk and ETC:		
			> \$10M	> \$5M and <\$10M	> \$1M and <\$5M	>\$0.25M and <\$1M
Planning	Proposal	Business Case ⁽¹⁾ and Risk Profile Assessment ⁽²⁾	✓	✓	✓	✓
		Financial Impact Statement ⁽³⁾	✓	✓	✓	✓
		Economic or Financial Appraisal ⁽⁴⁾ ⁽⁵⁾	✓	✓	✓	
		Strategic Planning Gateway Review and agency response	✓	✓	✓	
		Business Case Gateway Review and agency response	✓	✓		
Delivery	Throughout Delivery Phase	Quarterly Status Report ⁽⁶⁾	✓	✓	✓	✓
		Annual Project Quality Assurance Report ⁽⁷⁾	✓	✓		
	Prior to going to tender	Procurement Strategy Report ⁽⁸⁾	✓	✓	📄	📄
		Pre-Tender Estimate Report ⁽⁸⁾	✓	✓	📄	📄
	Prior to major contract(s) award	Post-Tender Review Report ⁽⁸⁾	✓	📄	📄	📄
	On project completion	Post Implementation Review Report ⁽⁹⁾	📄			

Key

Activity not required to be done. Agencies may however choose to do the activity.	
Documentation should be developed by the agency for its own purposes. No routine requirement to submit to TSY	📄
Submit documentation to Treasury	✓
Submit documentation to Budget Committee of Cabinet	📄

Notes

- (1) Business cases should reflect the complexity and scale of the proposed investment. Business case templates are available from the GCIO web site at <http://www.gcio.nsw.gov.au/pages.asp?CAT=764&ID=771>
- (2) Project risk is assessed with the Gateway Project Profile Assessment Tool available at www.asset.gov.com.au/ppa
- (3) A Financial Impact Statement is required for all proposals subject to Cabinet (including Budget Committee) consideration. Draft Financial Impact Statements to be referred to Treasury for review and sign off prior to consideration by Cabinet. Agencies should consult with their Treasury Analyst to confirm whether a Financial Impact Statement is required. See Treasury Circular TC 06/02 available at http://www.treasury.nsw.gov.au/pubs/06_tcirc/nswtc06-02.pdf.
- (4) Agencies should contact their Treasury Analyst for assistance and information as required.
Guidelines on economic and financial appraisals are available at http://www.treasury.nsw.gov.au/pubs/tpp97_2/ea-index.htm, http://www.treasury.nsw.gov.au/pubs/tpp99_1/prin_pro.htm and http://www.treasury.nsw.gov.au/pubs/tpp97_4/guidline.htm.
- (5) For low and medium risk projects between \$1M and \$5M, summaries of economic/financial appraisals are sufficient to submit to Treasury. Specific requirements should be discussed with the agency's Treasury Analyst.
- (6) Required for all projects individually listed in Budget paper No. 4 and other projects which are either high risk or have an ETC of at least \$5M, irrespective of the source of funds. All agencies must submit this report. Agencies already providing Treasury with quarterly project progress reports, e.g. through the Major Capital Projects Reporting System, or under the Commercial Policy Framework reporting arrangements already meet this requirement.
- (7) This is additional to the quarterly project progress reporting. This report is to confirm whether the project is on track to deliver the business case benefits.
- (8) See www.treasury.nsw.gov.au/procurement/procure-intro.htm for the procurement framework and ICT process map and Treasury TPP04-1 <http://www.treasury.nsw.gov.au/pubs/tpp2004/tpp04-1.pdf>. There may be several Pre-Tender Estimate and Post-Tender Review Reports where a project has several major contracts.
- (9) Required to be prepared on Budget Committee of Cabinet's request by agencies for identified projects that had an initial ETC, in nominal dollar terms, of at least \$10M. Report is submitted to Budget Committee of Cabinet.
Refer to the Treasury Post Implementation Review Guideline (TAM 04-11) available at http://www.treasury.nsw.gov.au/tam/pdf/post_implementation_review.pdf.

The above requirements apply to projects which:

- represent either enhancement of effort or maintenance of effort; and
- are funded from an agency's existing budget or funding received during the Budget process.

Your agency should retain all relevant material it uses and completes – even if it is not required to be submitted. Treasury may need to call upon this information when reviewing projects.

Where can I get more detail about the above requirements?

Go to the NSW Treasury website – www.treasury.nsw.gov.au for:

- Treasury Policy Paper TPP06-10 – Information and Communications Technology (ICT) Capital Investment Process
- Treasury Circular 04/07 - Procurement Policy Reform.
- Treasury Circular 04/09 – Total Asset Management (TAM) Policy Reconfirmation.
- Treasury Policy Paper TPP06-6 – Guidelines for Capitalisation of Expenditure on property, Plant and Equipment.

Service Agencies

Agencies should have governance arrangements in place to guide strategic decision making, regulation and key administrative processes to be followed. These arrangements should also address responsibilities and accountabilities for managing organisational performance, including for TAM planning and implementation.

Agencies are required to prepare annual Capital Investment Strategic Plans (CISP) as part of their TAM planning. The CISP is one of a set of detailed, integrated TAM plans, including for maintenance, disposal, office accommodation and ICT, which have to be submitted to Treasury. These plans support the Asset Strategy and are part of the Treasury Budget process for Budget dependent agencies and support Treasury's role in appraising and monitoring major capital projects.

An agency should ensure that its CISP only contains capital investments which are derived from its Asset Strategy and ICT Strategic Plan, irrespective of whether they will be internally or externally (Budget) funded.

The agency should consult with the OIM to ensure that its CISP aligns with and informs the State Infrastructure Strategy (SIS). The agency should also consult with the Department of Planning to ensure its CISP is consistent with the Sydney Metropolitan Strategy, and the supporting Growth Centres plans and other regional planning strategies developed by that Department.

NSW Treasury

NSW Treasury reviews an agency's TAM plans including its CISP. NSW Treasury assesses all major new capital project proposals arising from an agency's CISP irrespective of whether they are funded internally or from the State Budget. For those projects proposed for funding from the State Budget, NSW Treasury's assessment informs its advice and recommendations to the BCC for determination of allocations to agencies.

For key infrastructure, the Government has put in place certain mechanisms which provide for early identification of infrastructure needs, establish clear administrative and coordination arrangements across Government, and provide for monitoring and management of risks to timely delivery. To support these arrangements the Government has established the Infrastructure Implementation Group (IIG) within the Premier's Department and the Office of Infrastructure Management (OIM) within Treasury.

The OIM is responsible for the development of the State Infrastructure Strategy. The OIM is also responsible for providing recommendations to the Government on individual infrastructure proposals and agency capital programs in the context of the overall Budget process, of which agencies' TAM plans are a key part. For more details see Premier's Memorandum M2005-09 *Major Infrastructure Coordination and Delivery*.

Treasury is also responsible for reviewing Government businesses' submissions on Projects of State Significance to ensure that the proper approvals process is followed and specific information is provided, including on post-completion reviews. Details are available in the *Guidelines for Assessment of Projects of State Significance* TPP02-4, available at Treasury's Website: www.treasury.nsw.gov.au

Appendix D Agency Roles and Responsibilities (*continued*)

Department of Planning

The Minister for Planning has responsibility for ongoing planning reform and its implementation, and for the development of the Metropolitan Strategy, Metropolitan Development Program and regional strategies. The Government will use the Metropolitan Strategy to respond to the growth and change that will occur in the Greater Metropolitan Region of Sydney over the next 25 years. Further information is available at www.planning.nsw.gov.au

Sydney's Growth Centres plans are one of the major directions of the Metropolitan Strategy. The Growth Centres, combined with existing land release programs, will provide between 30 to 40 per cent of new housing over the next 25 to 30 years.

The Growth Centres plans outline the development of substantial infrastructure, including roads, rail, bus networks, educational and health services, all linked to the staged release of land for new homes. These plans are integral to the development of, and access to, housing and jobs in key regional cities and major centres in western Sydney. Further information on the Growth Centres plans is available at www.metrostrategy.nsw.gov.au and www.gcc.nsw.gov.au

Department of Commerce

The Department of Commerce provides specific support to NSW Treasury in Procurement and Asset Management policy. In Capital Investment Strategic Planning and implementation, the Department of Commerce provides administrative support to agencies conducting Gateway Reviews, as well as maintaining the Gateway process, including training, documentation and reviewer panels. It also maintains a list of suitable experts for engagement by those agencies not accredited for the planning of construction projects.

These Commerce services are accessible through the NSW Procurement Help Desk (02) 9372 8600 or gpshep@commerce.nsw.gov.au

Also, the Government Chief Information Office (GCIO), within the Department of Commerce, is responsible for developing a government-wide information and communications technology strategy in collaboration and partnership with agencies. The GCIO reviews an agency's ICT Strategic Plan for consistency with the government-wide ICT strategy, which informs development of its TAM plans. Further information regarding the GCIO is available at www.oict.nsw.gov.au