

Policy and Guidelines: Submission of Business Cases

TPG22-04

February 2023



Acknowledgement of Country

The NSW Treasury acknowledges that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

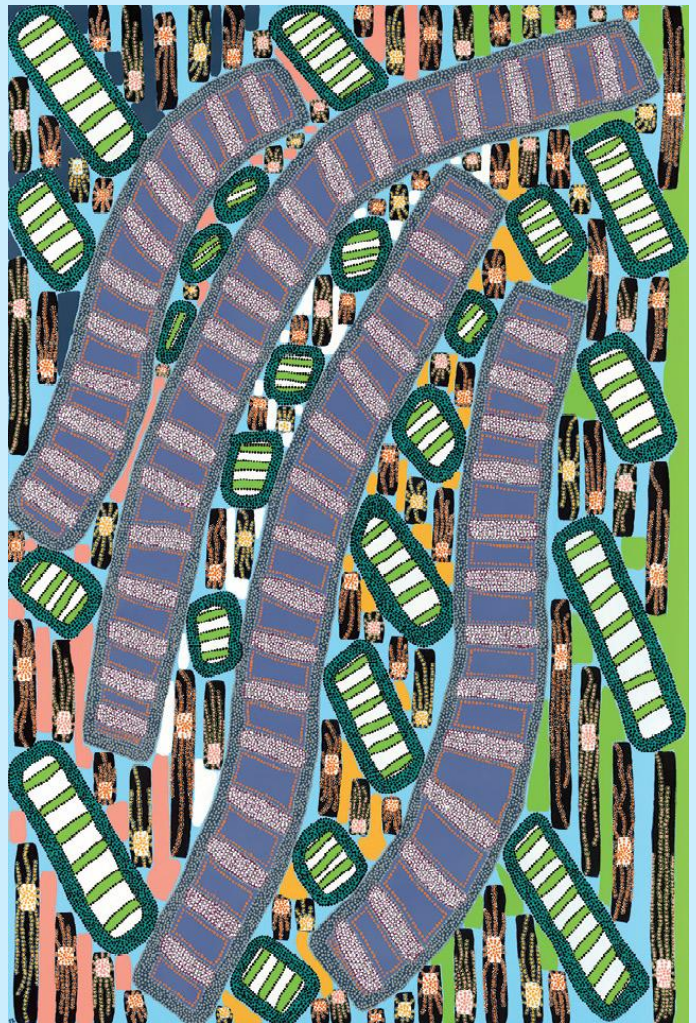
We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas, and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families, and communities, towards improved economic, social and cultural outcomes.

Artwork: 'Regeneration' by Josie Rose



Contents

Acknowledgement of Country

Contents.....

Submission of Business Cases Policy.....**3**

Purpose3

Overview3

Submission of Business Case5

Submission of Business Cases for Commonwealth Funded Initiatives.....7

Supporting of Monitoring and Evaluation Plan.....8

Supporting Information9

Definition10

Links to resources11

Key information	
Treasury Policy and Guidelines (TPG) is relevant to?	<input checked="" type="checkbox"/> Government Sector Finance Agencies <input checked="" type="checkbox"/> General Government Sector <input checked="" type="checkbox"/> Public non-financial corporation <input checked="" type="checkbox"/> Public financial corporation <input checked="" type="checkbox"/> State Owned Corporations <input type="checkbox"/> Other
	<input checked="" type="checkbox"/> Executive agencies related to Departments
	<input type="checkbox"/> Subsidiaries of the NSW Government established under the Corporations Act 2001
Date issued	February 2023
Review date	2028
<input checked="" type="checkbox"/> Replaces <input type="checkbox"/> Replaced by	TC12-19 Submission of Business Cases
Issuing/Publishing entity	NSW Treasury
Related instrument(s)	TPP18-06 NSW Government Business Case Guidelines TPP17-03 NSW Government Guide to Cost Benefit Analysis TPG22-22 NSW Government Evaluation Guidelines TPP18-05 Major Projects Policy for Government Businesses TPP18-09 Outcome Budgeting TPG22-12 NSW Gateway Policy
Document approver	Joann Wilkie, A/Secretary, NSW Treasury
Contact	Centre for Evidence and Evaluation cee@treasury.nsw.gov.au
Document contains	
<input checked="" type="checkbox"/> MANDATORY POLICY compliance set out by NSW Treasury.	
<input checked="" type="checkbox"/> RECOMMENDED POLICY reflecting best practice standards.	
<input checked="" type="checkbox"/> GUIDANCE/ADDITIONAL INFORMATION to provide clarity or explain requirements in detail.	

Revision history

Document version number	Approval Date	Author	Approver	Description

Submission of Business Cases Policy

Purpose

These Policy and Guidelines set out mandatory requirements, recommendations and guidance for NSW General Government Sector agencies and other government entities for the submission of business cases.

The *Submission of Business Cases Policy* (the Policy) is part of an investment framework that informs policy and budget setting in New South Wales. The framework is used to build evidence to support achievement of State Outcomes, fiscal sustainability and improve wellbeing for the people of New South Wales.

Overview

A shared understanding of what works to deliver outcomes will support improved wellbeing, economic prosperity and fiscal sustainability for the people of New South Wales. Rigorous and regular assessment of initiatives – including before implementation (ex-ante appraisals) and after implementation (ex-post evaluations) – provides a strong evidence base that can inform our bank of evidence about what works and more effectively shape policy and service delivery to improve our wellbeing.

The preparation of a business case helps support the effective and efficient allocation of resources, and the NSW Government's application of regulatory powers. A business case should substantiate the need for an initiative, and consider alternative delivery options, including estimates for the associated financial and economic impacts. It is a key tool in demonstrating the benefits the initiative will deliver and ensuring that an investment aligns with NSW Government's priorities (State Outcomes). The implementation of this Policy should follow the associated guidelines *TPP18-06 NSW Government Business Case Guidelines* and *TPG22-22 NSW Evaluation Guidelines*.

To assist consideration by the Expenditure Review Committee (ERC) of Cabinet, agencies are required to prepare business cases for both recurrent and capital expenditure initiatives that fall within the requirements set out here. The assessment of the business case will inform NSW Treasury's advice to ERC on an initiative.

Treasury provides advice to the ERC on all submissions. This focuses on an initiative's strategic, economic, financial and social merits within the Outcome Budgeting framework. Treasury will verify costings and provide guidance on budget prioritisation. This is a separate process to the Gateway assurance process. The Gateway process supports the effective development and delivery approach for initiatives, to best achieve the desired outcomes.

Applicability: All General Government Sector agencies (as listed in NSW Budget Paper No. 1 appendix, Classification of Agencies) are subject to the Policy and should comply with the requirements.

Other agencies (i.e., Public Financial Corporations and State Owned Corporations) are not required to comply but are encouraged to adopt those elements of the policy that align with NSW Treasury

policies for Government businesses (e.g., *TPP18-05 Major Projects Policy for Government Businesses*). Government Businesses are expected to comply with this TPG when seeking funding from the Consolidated Fund for an initiative.

This Policy supersedes *TC12-19 Submission of Business Cases* and takes effect commencing the 2024-25 Budget. It incorporates the following updates (from *TC12-19 Submission of Business Cases*):

- Estimated Total Cost (ETC) submission threshold raised to \$10 million (previously \$5 million)
- Only a short form business case is required for initiatives with an ETC of \$100 million or less, except for ICT initiatives
- ICT and digital initiatives are regarded as being higher risk (reflecting the interface of technical change and sourcing complexities), so they are required to submit long form business cases for projects with an ETC of more than \$20 million.
- The evidence that is required to support initiatives subject to Commonwealth funding agreements
- Program evaluation thresholds and requirements.

This Policy is one of a suite of investment policies and guides – including *Outcome Budgeting (TPP18-09)*, *NSW Government Business Case Guidelines (TPP18-06)*, *NSW Government Guide to Cost-Benefit Analysis (TPP17-03)*, *NSW Government Evaluation Guidelines (TPG22-22)*, *Major Projects Policy for Government Businesses (TPP18-05)* and *NSW Gateway Policy (TPG22-12)* – that establish the framework to provide evidence to inform policy, prioritise investment, and maximise social benefits.

Submission of Business Case

Mandatory

Agencies must submit business cases to Treasury in accordance with the following ETC threshold categories¹:

Table 1: Submission of Business Case thresholds

ETC	<\$10m	>\$10-20m	>\$20-100m	>\$100m
Capital and Recurrent Initiatives	Business case not required by NSW Treasury	Strategic and Detailed Business Case required (short form business case template)		Strategic and Detailed Business Case required (long form business case template)
ICT & Digital Initiatives	Business case not required by NSW Treasury	Strategic and Detailed Business Case required (short form business case template)	Strategic and Detailed Business Case required (long form business case template)	

Table 1 sets out minimum requirements for the submission of business cases. For categories for which only a short-form business case is required, agencies may, if they think appropriate, submit a long form business case. Agencies may also submit business cases to support their submissions, if they think appropriate, when the initiative is under \$10 million.

Agencies must submit long form business cases for initiatives that have been rated as Tier 1 and Tier 2 by a Gateway Coordination Agency (GCA), regardless of ETC threshold.

- Infrastructure NSW is the GCA for capital infrastructure initiatives
- Department of Customer Service is the GCA for ICT initiatives
- NSW Treasury is the GCA for recurrent initiatives.

Detailed Business Cases must include the following 5 components:

1. Case for change (including logic model)
2. Cost benefit analysis
3. Financial analysis
4. Commercial analysis
5. Management analysis, including monitoring and evaluation plans

¹ The threshold category should be consistent with the Gateway Coordination Agency (GCA) Framework applied. Where multiple categories could apply for an initiative, agencies should make a judgement about the applicable threshold category, informed by the cost shares of each element. Treasury will clarify application of the categories if needed.

Notwithstanding the above thresholds Treasury may request a business case for any initiative deemed high risk or high profile. For example, an initiative may: have a high risk of a cost overrun, be subject to significant community attention, or have significant economic, financial and social welfare impacts.

Parameter and Technical Adjustments recognised by Treasury to be outside of the control of the agency (as per *TC14/28*) and proposals for feasibility studies are exempt from this Policy.

Recommendation

Where a business case is required, the following critical questions should be addressed, as per *TPP18-06 Business Case Guidelines*:

1. **Case for change (including a logic model)** – What is the business need and strategic fit? What is the problem being solved and reason for government intervention? What are the objectives? Is the initiative a priority for the agency? What is the supporting evidence informing the initiative’s design and appraisal (e.g., from an evaluation or policy review)? Evaluation evidence includes:
 - For new initiatives, identifying where relevant evaluation evidence has informed the development and appraisal of the submission.
 - For ongoing initiatives:
 - the findings and recommendations from a prior evaluation, and the agency response
 - other review processes (audit, assurance, or other) – the findings and recommendations, and the agency response.
2. **Cost Benefit Analysis (CBA)** – Does the CBA outline the base case and identify other realistic options? What are the dollar costs and benefits of each option, the Net Present Value or Benefit Cost Ratio? Does the CBA identify other qualitative costs and benefits and distributional impacts? Does the CBA include sensitivity analysis?
3. **Financial analysis** – Are the costs realistic? How will the initiative be funded? What are the implications for the agency’s budget controls, the Government’s Budget Results and the balance sheet?
4. **Commercial analysis** – Is the initiative deliverable and commercially viable?
5. **Management analysis** – Is there a clear and thorough implementation plan? Has adequate consideration been given to risk mitigation and management? Does the business case have clearly defined benefits realisation process, or a monitoring and evaluation plan?

While a business case is not required for initiatives under the \$10 million threshold, agencies must justify the initiative’s rationale and demonstrate value for money. The *Problem Definition template* is recommended to be used. Agencies should seek guidance from Treasury on the level of evidence needed.

Submission of Business Cases for Commonwealth Funded Initiatives

Mandatory

All Commonwealth Funding Agreements are required to comply with *TC22-04 Commonwealth – NSW Funding Agreements*.

Any programs subject to Commonwealth and State co-funded agreements, for which the NSW Government’s contribution exceeds \$10 million, must comply with business case requirements per **Table 1** above.

For programs fully funded by the Commonwealth with a cost greater than \$20 million (over the life of the agreement), agencies must advise NSW Treasury whether they have been subject to a robust Commonwealth assurance process. NSW Treasury can request a business case to clarify impacts on the NSW community. This helps ensure value for money for New South Wales, given that Commonwealth funding could have been reallocated for another New South Wales purpose.

Table 2: Commonwealth funded business case thresholds

ETC	<\$10m	≥\$10m
Commonwealth and NSW Co-Funded Initiatives	Not required by NSW Treasury if the NSW funding component is less than \$10m	Where the NSW component exceeds \$10 million, required to comply with business case requirements per Table 1 .
ETC	<\$20m	≥\$20m
Fully funded Commonwealth Initiatives	Not required by NSW Treasury	<p>Agencies to advise NSW Treasury of supporting evidence provided to Commonwealth Government and any Commonwealth assurance processes undertaken.</p> <p>Treasury can request a Strategic and Detailed Business Case if a robust Commonwealth assurance process has not been undertaken or to clarify impacts on the NSW community.</p> <p>(Only a short-form business case is required, but agencies may submit a long form business case.)</p>

Supporting of Monitoring and Evaluation Plan

Mandatory

Agencies must submit a monitoring and evaluation plan with the detailed business case when a business case is required as per this policy. This may be done either using a monitoring and evaluation framework, or a benefits realisation management plan, as per *TPG22-22 NSW Government Evaluation Guidelines*. The plan should be appropriate to the size, priority, and risk of the initiative.

It is good practice to develop a monitoring and evaluation plan regardless of the size of an initiative.

Recommendation

Initiatives between \$10-50m	Initiatives >\$50m
Coordinate monitoring and evaluation to provide evidence of costs, outcomes and benefits.	Coordinate monitoring and evaluation to provide evidence of outcomes and net social benefits and assess value for money. For all Tier 1 and 2 capital infrastructure initiatives, coordinate monitoring and evaluation. For Tier 3 and 4 infrastructure initiatives select a sample to provide evidence of outcomes and net social benefits and assess value for money (tiering is determined through Gateway Investor Assurance frameworks). For all pilot initiatives, coordinate monitoring and evaluation to provide evidence on outcomes and benefits and consider value for money.

Supporting Information

The level of detail required in a business case depends on the scale and risk of the initiative, and the stage of development. Agencies are encouraged to consult with Treasury as early as possible to clarify requirements. The following guidance and short and long form templates and tools for business cases is available on the NSW Treasury website

(<https://www.treasury.nsw.gov.au/information-public-entities/business-cases>):

- *TPP18-06 Business Case Guidelines*
- *TPP17-03 Guide to Cost-Benefit Analysis*
- *TPG22-22 NSW Government Evaluation Guidelines*

A robust business case assists in resource allocation decisions by:

- clarifying and documenting how an initiative contributes to Government priorities
- contributing to the delivery of better outcomes for the people of New South Wales with increased transparency, accountability and value for taxpayer dollars
- giving confidence that the initiative is sufficiently well developed to be approved for funding and that the capability exists to implement effectively
- providing a delivery road map including how the achievement of objectives will be assessed, to help increase the likelihood of successful implementation and value for money.

CBA is a key component of a business case. This should:

- assess a range of realistic options to meet or contribute towards the policy objectives (community, environmental or economic needs) identified in the case for change
- establish a base case with the projection of costs and benefits 'without' the initiative
- estimate the economic, social and environmental costs and benefits for each option in monetary terms where practicable, including items for which there is no market value, relative to the base case
- identify the option that maximises value for the government and the public by comparing the costs and benefits, and the impacts on the NSW community, taking into consideration all relevant external and internal factors.

The management analysis component of a business case should include risk management, and a monitoring and evaluation plan. This plan should provide the foundations for assessing the outcomes and benefits of an initiative. Early planning:

- helps to ensure that the initiative is designed and implemented in a way that incorporates monitoring and evaluation
- supports the use of best-practice evaluation methods including the establishment of relevant monitoring and base-line data collection processes
- ensures monitoring and evaluation costs are adequately incorporated into the business case.

Definition

Term	Definition
Estimated Total Cost (ETC)	Total capital and recurrent spend of the initiative over the period of time as defined in the initiative's business case. This usually refers to nominal undiscounted cost.
Evaluation	A systematic and objective process that can be used to assess the appropriateness, implementation, efficiency, effectiveness and net benefits of an initiative. Ex-post evaluation can be undertaken during the lifetime of a project or at its end (also known as post-implementation or post-completion review). Please refer to Step 25 & 27 of the <i>TPP 18-06 Business Case Guidelines</i> and <i>TPG22-22 NSW Government Evaluation Guidelines</i> .
Gateway Process	The Gateway Process provides assurance to the NSW Government that a program or a project is effectively developed and delivered in line with Government objectives. The Process also supports agencies in the development and delivery of a project or program to successfully achieve the outcomes. Gateway requirements, per <i>TPG22-12 NSW Gateway Policy</i> , are a separate process from this Policy.
ICT & Digital Initiatives	This is the common term for the entire spectrum of technologies for information processing, including software, hardware, communications technologies and related services. Digital initiatives apply the culture, processes, business models & technologies of the internet era to respond to people's raised expectations. In general, IT does not include embedded technologies that do not generate data for enterprise use. This may include stand-alone Operational Technology initiatives and initiatives as agreed with INSW. Operational Technology includes hardware and software that detects or causes a change through the direct monitoring and control of physical devices, processes and events in the enterprise.
State Outcomes	The primary purposes for which budget funding is being expended, i.e., the goals that the NSW Government is seeking to achieve for its citizens. Refer to <i>TPP18-09 Outcome Budgeting</i> for more details.

Links to resources

TAB	Document Name	Link
A	Long form business case template	weblink
B	Short form business case template	weblink
C	Problem definition template	weblink
D	TPP18-06 Business Case Guidelines	weblink
E	TPP17-03 Guide to Cost-Benefit Analysis.	weblink
F	TPG22-22 NSW Government Evaluation Guidelines	weblink

52 Martin Place
Sydney NSW 2000

GPO Box 5469
Sydney NSW 2001

W: treasury.nsw.gov.au

This publication is protected by copyright. With the exception of (a) any coat of arms, logo, trade mark or other branding; (b) any third party intellectual property; and (c) personal information such as photographs of people, this publication is licensed under the Creative Commons Attribution 3.0 Australia Licence.

The licence terms are available at the Creative Commons website at:
creativecommons.org/licenses/by/3.0/au/legalcode

NSW Treasury requires that it be attributed as creator of the licensed material in the following manner:
© State of New South Wales (NSW Treasury), (2022).

