

Australian Transport Assessment and Planning Guidelines

F4 Detailed business case of preferred option



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Contents

Step 4: Business cases for proposed initiatives	2
At a glance	3
1. Introduction	4
2. Growing the Business Case	5
3. Key principles	7
4. Contents of a Business Case	8
References	11

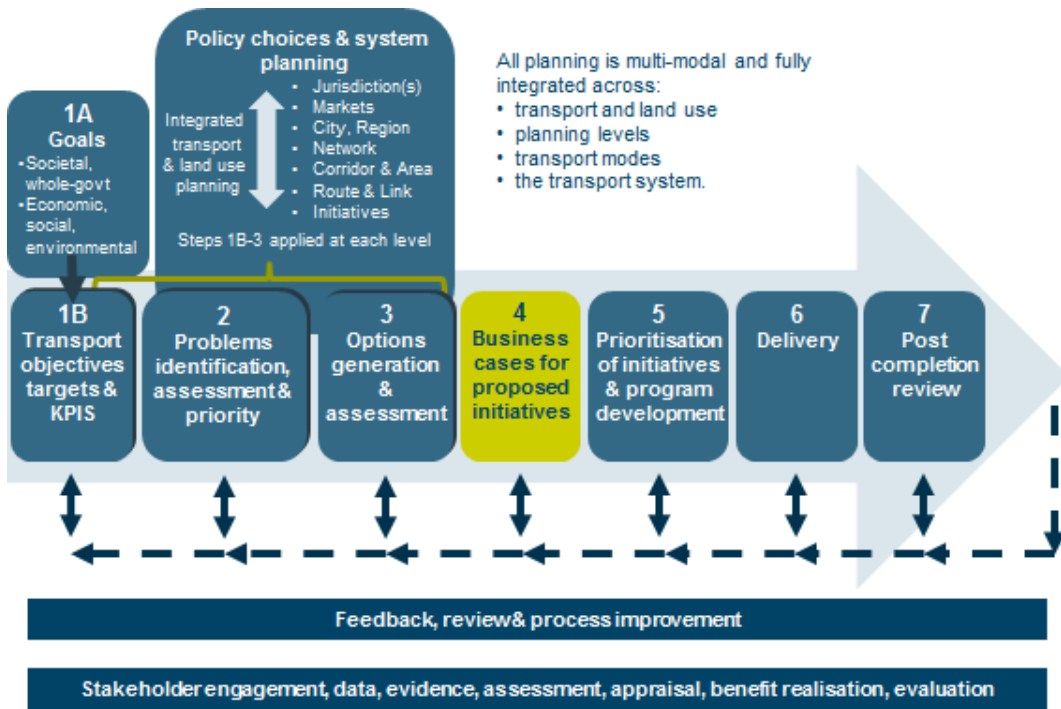
Figures

No table of figures entries found.

Tables

Table 1 Business Case stages	6
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Step 4: Business cases for proposed initiatives



At a glance

The Business Case should be in an accessible format and contain all of the information that the decision-maker requires for a fully informed decision. This should include all supporting material outlining the assumptions and assessment techniques used in the assessment process.

The Business Case is the centrepiece for a proposed initiative. It should clearly state and demonstrate the merit and justification for the initiative, and ensure all required evidence is properly documented.

The Business Case should be developed in stages as progress is made through the planning and assessment Framework. The Business Case at each stage should be referred to by a different name to distinguish the different stages. The naming proposed in the ATAP Guidelines is: Business Case: Strategic, Rapid; and Full/Final.

1. Introduction

This section provides guidance on Step 4, Business Case development.

By the end of Step 3, a long list of options to solve a priority problem (identified in Step 2) will have been generated, and assessed. The assessment will first have identified a short- list of options through rapid assessment, and then a preferred solution through rigorous detailed assessment. If economically justified, the preferred solution becomes a 'proposed initiative'. Step 4 involves the development of a Business Case that provides the justification for the proposed initiative, summarising all the work undertaken and results obtained in Steps 2 to 3. The proposed initiative can then proceed to Step 5 for prioritisation alongside other proposed initiatives.

Each proposed initiative requires a Business Case. It is the centrepiece for a proposed initiative and a vehicle for communication. The Business Case should clearly state and demonstrate the merit and justification for the initiative and ensure that all required evidence supporting the assessment of the initiative is properly documented. The Business Case should provide all the information required to:

- Enable the reader to effectively comprehend and assess the merit of the initiative, and assess this against the criteria stipulated by funding agencies (e.g. Infrastructure Australia or a Treasury Department)
- Provide certainty to decision-makers (e.g. Minister, Cabinet, Board of Directors, Council, Government agency) that they have been provided with sufficiently detailed information to assure them they are making a fully informed decision on the initiative.

The Business Case should:

- Clearly describe the preferred solution
- Document the problem assessment that justified proceeding to the consideration of solution options
- Document the full list of possible options that were generated and assessed
- Demonstrate through detailed appraisal data the justification for supporting the preferred option/solution
- Provide sufficient documentation so that the reader can fully understand the logic and sound evidence that supports the decision, including all relevant information, expressed in monetised and non-monetised terms (as relevant), as well as quantitative and qualitative terms.

In a future stage of updating the ATAP Guidelines, Business Case guidance will be further explored. This will include checking for learnings from processes such as the Better Business Case process established in New Zealand (NZ Government, 2014).

2. Growing the Business Case

Progressing effectively through Steps 1 to 3 of the ATAP Framework is a necessary pre-requisite in order to generate a justified initiative. This is a progressive, evolving process, during which information about a problem, and options for solving that problem, grows.

The Business Case should grow and expand at the same time, becoming more detailed as the planning and assessment process progresses through the Framework. The Business Case should be revised, expanded and continually improved as more detailed and wide-ranging analyses are completed.

The Business Case is the vehicle for communicating this developing and evolving information. This can be achieved by creating a Business Case in stages, with the level and quality of information increasing from stage to stage.

The title of the Business Case can be varied during this progression to reflect the stage of development, and the growing sophistication of the information included. A logical naming scheme might be:

- Strategic Business Case
- Rapid Business Case
- Full/Final Business Case.

Table 1 illustrates the main focus the Business Case could have at each stage of development. The table closely reflects the approach used in the IA submission guidelines (IA, 2014, Table 1, p.13).

Table 1 Business Case stages

Aspect	Business Case Stage		
	Strategic	Rapid	Full/Final
Goals, Objectives, Targets	Strategic context well developed and explained: <ul style="list-style-type: none"> • Jurisdiction goals, transport system objectives and targets documented • Relevant objectives and targets within transport system (e.g. corridor) documented • Relevant scene-setting/influencing strategies, plans, policies documented 	As per Strategic	As per Strategic
Problem	Well developed: <ul style="list-style-type: none"> • Identified • Strategic significance of problem • Evidence-base of severity • Priority – initial assessment 	In addition to Strategic: <ul style="list-style-type: none"> • Strengthened evidence-base • Priority confirmed • Root cause well understood 	In addition to Rapid: <ul style="list-style-type: none"> • Strong evidence base • Problem well explained and presented
Options	<ul style="list-style-type: none"> • Long list of 'initial options' • Strategic Merit Test • 'Initial options' → 'Filtered options' 	In addition to Strategic: <ul style="list-style-type: none"> • Rapid appraisal of 'filtered options' • Rapid Cost-Benefit Analysis • Rapid AST • 'Filtered options' → 'Final options' 	In addition to Rapid: <ul style="list-style-type: none"> • Detailed appraisal of 'Final options' • Strong evidence base • 'Final options' → 'Preferred Solution'
Deliverability	Not required	Initial assessment	Detailed assessment

3. Key principles

A good Business Case should:

- Be well presented, well written and easily understood
- Use appropriate use of visual aids – maps, photographs, summary charts, graphs, tables – to assist the reader
- Be transparent in the way it presents data and information in order for a reviewer or assessor to properly understand and judge the standard and reliability of the assessments included
- Meet all the requirements for a Business Case at the relevant stage of development (see Table 1)
- Include all information needed to:
 - Support the decision-maker, and
 - Secure necessary approvals from relevant government agencies
- Be a stand-alone self-contained document
- Be designed so that supporting detailed data and information that address specific issues (e.g. Environmental Impact Statement, detailed CBA, etc) are provided in technical appendices or documents
- Have coverage and level of detail that matches the complexity and approval requirements for the particular proposal. Hence coverage and level of detail will vary between proposals

4. Contents of a Business Case

Have a clear and defined Benefits Management Plan (see T6) that contains a process developed and agreed with stakeholders to ensure expected outcomes from an initiative are defined and aligned to transport system objectives, and that includes the timing for evaluation and realisation of these outcomes.

This section complements Table 1 by providing further details of what a Business Case should contain. The discussion below aims to be comprehensive. Whether any given Business Case will require coverage of all these elements will vary from case to case. Generally, the Business Case will vary in line with the scale and complexity of the specific initiative. The larger and more complex the initiative, the greater the extent and depth of coverage of the items below.

The Business Case should include:

- An Executive Summary
- Clear description of the initiative
- The strategic context
- Description of the problem to be addressed
- A description of the 'problem identification, assessment and priority' process, and the evidence-based results (see F2)
- Description and quantification (if possible) of the relationships between the problem and other parts of the transport system. This could include inter-relationships between problems, or with other initiatives (see F3)
- Discussion of the contribution that solving the problem will make to achieving the jurisdiction's agreed transport system objectives and targets (see F1)
- The basis and results of the Strategic Merit Test (SMT) and the resulting degree of strategic alignment (see F3)
- A description of the 'options generation and assessment' process, and the evidence-based results that led to declaring the preferred option/solution (see F3)
- The cost-benefit analysis (CBA) (detailed, or rapid if detailed appraisal has not yet commenced) results and methodology, including separation of benefits and costs (see T2)
- Adjusted CBA details and results - if this approach was used by the proponent
- An Appraisal Summary Table (AST) summarising monetised and non-monetised benefits and costs side-by-side (see F3)
- Stakeholder views and details of the process used to gather those views
- Social impacts, gainers and losers
- Risk assessments
- A Benefits Management Plan
- A Benefits Register

- Assessment of readiness of the proposed initiative
- Timing, costs, staging
- Relevant reports associated with benefit management and realisation.

Additional items that should be included in a Final Business Case, but not necessarily in the earlier Business Cases, include:

- A financial analysis (clearly distinguishing it from the CBA) where relevant
- A review of funding and financing options (e.g. role of user pays, public private partnerships)
- A distributional and equity analysis
- Budgetary impacts (e.g. the cost of the initiative as reflected in the budget of the relevant government agency)
- A suitable environmental assessment and, in cases required under legislation, an Environmental Impact Statement (if required and if available)
- Land use planning implications
- Legal issues
- An initiative implementation plan (e.g. contracting arrangements and risk management).

Private sector participation introduces additional issues into the Business Case such as:

- Long-term budgetary impacts when private sector participation creates recurrent spending obligations
- Examination of risks accepted by the government, including contingent liabilities
- Effects of leveraging on BCR (see NGTSM06, Volume 3, section 2.18).

For guidance on initiatives involving the private sector, see the *National Public Private Partnership Policy and Guidelines* (Australian Government, 2016).

Other points to note:

- The Business Case will contain the results of the SMT, CBA, AST and other analyses discussed earlier.
- For smaller initiatives, the SMT and rapid appraisal may suffice. For larger, more complex initiatives, the Final Business Case will also report the results of detailed appraisal.
- The format of the Business Case will differ between jurisdictions, so no attempt has been made in the ATAP Guidelines to develop a detailed template. Treasury Departments and bodies such as Infrastructure Australia and the Australian Department for Infrastructure and Regional Development may provide templates or specify particular information requirements that should be included in the Business Case.
- To facilitate and support decision-making, the assumptions, issues and results of analyses for short-listed options should be presented in a way that readily enables comparison.

- The Business Case should list and discuss all the options generated and assessed, with issues and results of analyses for the different options presented side-by-side for comparison.
- Developing the Business Case should be an iterative process. During the process, the proposal may be revised many times to explore and modify options and to ensure that the necessary information is provided and necessary analyses undertaken.

References

Australian Government 2016 *National Public Private Partnership Policy and Guidelines*:
https://infrastructure.gov.au/infrastructure/ngpd/index.aspx#anc_public-private

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<http://www.infrastructure.govt.nz/publications/betterbusinesscases>

