

Business Case Gate Review Workbook

Gate Two

Gateway is part of NSW Government Procurement Policy

FURTHER INFORMATION AND ASSISTANCE

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GATEWAY REVIEW SYSTEM

The NSW Government applies Gateway Reviews to the procurement of infrastructure, information technology, property, and goods and services. Through this, it aims to improve procurement discipline and outcomes by encouraging better performance in project planning, development and execution.

Gateway Reviews are essentially 'peer reviews' that assess whether the processes used in developing and implementing a project is sound.

Reviews can consider an individual project or a program containing several projects.

Projects have a defined beginning and objectives that identify completion.

Programs consist of a group of projects that are considered together because they have factors in common or interrelated developments, operations or service deliveries.

As programs develop, subsequent Reviews may focus on individual projects or continue to be reviewed as a program. It is important that individual projects contribute to overall program goals.

Projects could be grouped because of:

- their similar or supporting service deliveries
- similar governance requirements
- common stakeholder or change management or similar risk profiles
- similar planning, procurement or implementation timelines

Note that use of the term *project* in this workbook also covers a grouping of projects into a program.

In practice, Gateway is the application of high level, structured reviews at critical points (or gates) in the procurement process.

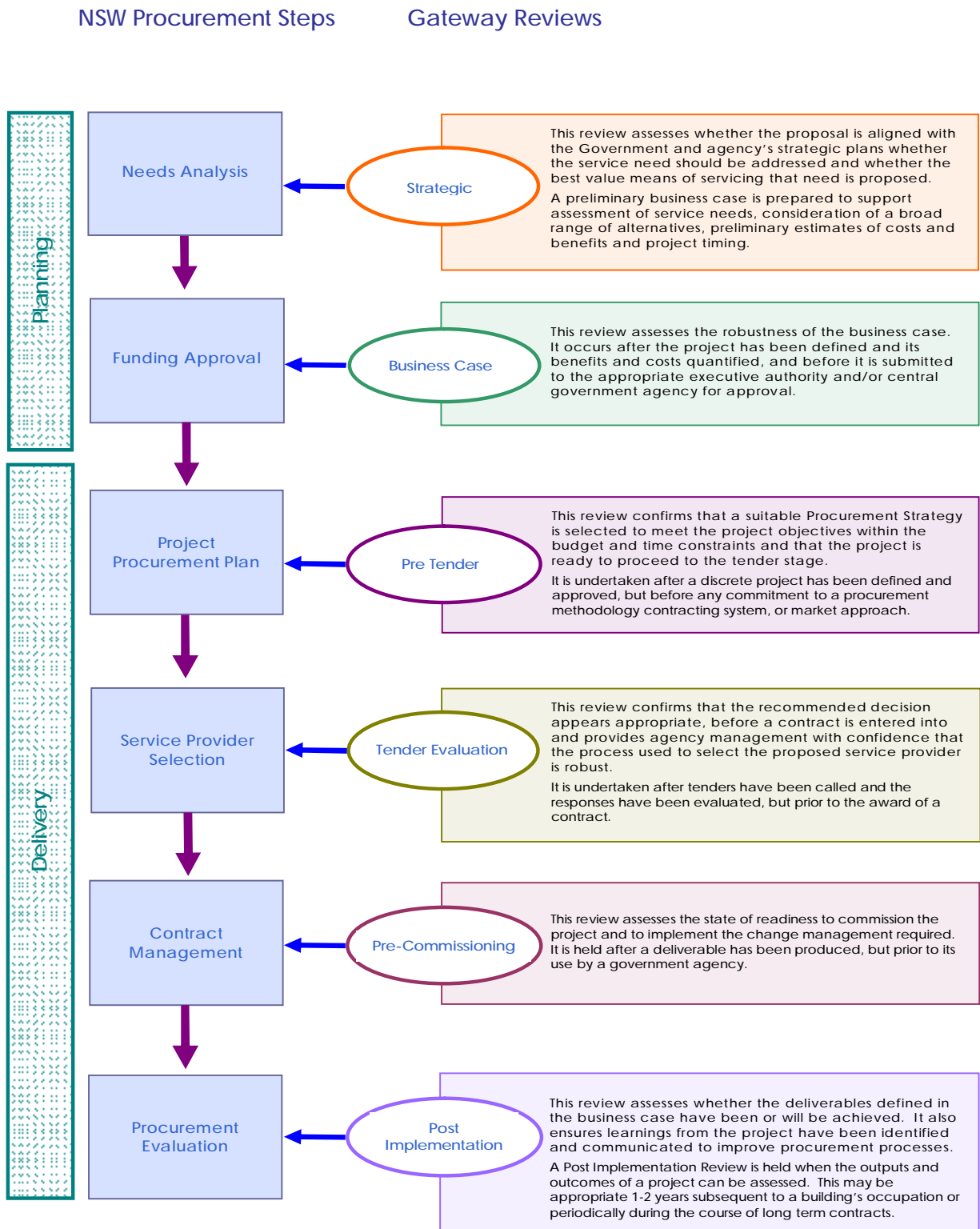
A small team of experienced procurement practitioners who are independent of the project undertake each review. They consider the:

- alignment of the project with agreed objectives
- benefits and value for money offered
- management processes adopted to attain the current stage.

At the conclusion of the review, a report is issued to the Project Sponsor. It indicates the Gateway Review Team's assessment on the state of the project. The report provides recommendations on where further work may be required to improve aspects of the project.

Ultimately, Gateway Reviews help provide Government and agencies with the confidence that an appropriate level of discipline is being applied to the procurement process.

PROCUREMENT PROCESS AND GATEWAY



GATEWAY FRAMEWORK

This workbook provides a framework to conduct the Business Case Gate Review. It is based on considering the project against seven success factors, which are constants throughout the procurement process:

1. Service Delivery
2. Affordability and Value for Money
3. Sustainability
4. Governance
5. Risk Management
6. Stakeholder Management
7. Change Management

Indicators have been developed for each key success factor to assist the Gateway Review Team in considering a project. The Gateway Review Team is encouraged to expand this list of indicators to reflect the specific characteristics of the project if required.

It is intended that the Gateway Review Team use existing project documentation and interview project stakeholders to gather information for the indicators. When this is completed, each of the factors is rated to provide the project team with a snapshot of the project.

These ratings, as well as any observations or recommendations the Gateway Review Team make, are detailed in a report that is submitted to the Project Sponsor.

RED It is the Gateway Review Team's opinion that this aspect poses a significant risk to the project and must be clarified or addressed before further consideration of the project is made.

AMBER It is the Gateway Review Team's opinion that this aspect indicates a minor risk to the project and must be clarified or addressed as part of proceeding to the next stage of the project.

GREEN It is the Gateway Review Team's opinion that this aspect has been given adequate consideration as not to jeopardise the success of progressing to the next stage of the project.

These ratings, as well as any findings or recommendations a review team may have, are then compiled in a report. A report template is provided on page 17.

BUSINESS CASE GATE PURPOSE

The Business Case Review is undertaken after a project has been defined and its benefits and costs quantified. The Gateway Review occurs before the Business Case is submitted to the appropriate executive authority and/or central government agency for approval. This allows the project team to incorporate any recommendations from a review into the submission.

The Business Case describes the work to be done and what the project or program will deliver if funding is approved. The essence of the business case is the achievement of beneficial service outcomes, not the procurement of services.

The business case presents a range of options and supports the preferred option for procurement. Final estimates of the cost and benefit of the options and their timing is also included. The business case should also consider the governance structure for the project, how the project risks will be managed, stakeholder and change management.

The main question the review seeks to answer is:

“What evidence is there that the proposed project is ready to be considered for funding approval?” Specific questions the Business Case Review will address at each of the seven key success factors include:

- | | |
|--------------------------------------|---|
| 1. Service Delivery | Will the proposed project, on completion, achieve the service objectives and fulfil the identified need(s), which are consistent with Government policy and the agency's strategic services plan? |
| 2. Affordability and Value for Money | Are there sufficient resources (financial, physical and human) to deliver the project? Will the expenditure of these resources provide value for money over the project's life? |
| 3. Sustainability | Have the social, economic and environmental impacts of the project been identified and dealt with? |
| 4. Governance | Have the activities required to ensure a successful project, including resource allocation, time management and process management been addressed? |
| 5. Risk Management | Have major project or procurement risks been identified and an outline risk management plan been developed? Does it include the risk of the project not being funded (either in part or in full)? |
| 6. Stakeholder Management | Have the stakeholders been identified and their views considered in the development of the project? |
| 7. Change Management | Have the changes that are necessary to achieve the project's service outcomes been identified and a plan outlined to assure their realisation? |

DOCUMENTATION

Along with the Business Case, the Review Team will need to review all relevant project documentation. This includes documentation that provides for the context, planning and delivery priorities of the project.

The information is commonly found in documents such as:

Business Case Gate Documents

- Business Case
- Financial Appraisal
- Economic Appraisal
- Feasibility/Options Study
- Value Management Report
- Financial Plan
- Benefit Realisation Register (for ICT Projects)
- Asset Strategy
- Project Brief
- Project Cost Estimate (Public Sector comparator If prepared for Private Sector financing)
- Environmental Impact Assessment/Statement
- Outline Change Management Plan
- Outline Stakeholder Management Plan
- Outline Risk Management Plan

BUSINESS CASE – REVIEW INDICATORS

1. SERVICE DELIVERY

The Review needs to consider whether the proposal will achieve the desired outcome(s) and/or fulfil identified need(s).

Indicators to consider include:

- A need for the proposed or continuing service has been clearly demonstrated.
- The service needs and proposed level of service are clearly defined.
- The scope, scale and requirements of the project have been properly identified and are realistic, clear and unambiguous.
- The agency has demonstrated that the project in its proposed form will meet the identified service needs.
- The proposed service aligns with the Government’s priorities/objectives (e.g. State Infrastructure Strategy etc).
- The proposed service aligns with the agency’s strategic goals as set out in its Results and Services Plan (or equivalent).
- There has been a comprehensive assessment and analysis of all reasonable, feasible alternative means of meeting the need other than by procurement.
- Criteria for measuring the success of the project and the benefits to be delivered have been defined, quantified and target dates assigned for achievement of benefits and successful service delivery.

Comments:

RATING	RED	AMBER	GREEN
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2. AFFORDABILITY AND VALUE FOR MONEY

Affordability considers whether adequate resources will be available to achieve the proposal.

Value for money considers all factors relating to a proposal including experience, quality, reliability, timeliness, service, capital costs, opportunity costs, whole of life costs, to meet the agency's requirements and Government's social and economic policies.

It is essential that a project demonstrate that it provides value for money in an economic/financial appraisal.

Achieving value for money ensures that funding decisions are made having regard to costs, the appropriateness, efficiency and effectiveness of service delivery mechanisms.

Indicators to consider include:

- The appropriate analysis has been undertaken i.e. a financial and/or economic appraisal.
- The analysis conforms to the relevant NSW Government guidelines.
- The project has been defined appropriately for analysis. It has not been disaggregated or overly aggregated.
- There has been a reasonable analysis of a range of alternative options (including a realistic base case) undertaken. The alternatives are reasonable and offer a similar level of service delivery. Where an option has not been evaluated an explanation is provided.
- The expected benefits have been identified, quantified (where possible), validated and accepted by the Project Sponsor. They are considered realistic and most likely to be achieved.
- All costs throughout the life of the project have been identified, quantified (where possible), validated and included in the analysis.
- Contingency allowances appear to adequately cover risk management strategies

Comments:

2. AFFORDABILITY AND VALUE FOR MONEY (CONT'D)

- The assumptions underlying the analysis are clearly articulated.
- The appropriate discount factor has been used.
- Sensitivity analysis of the results to varying critical parameters is included.
- Funding options have been considered and where appropriate the business case is to be submitted to central agencies for funding approval.
- The economic and/or cost/benefit analysis support the recommended option i.e. the option has the greatest net benefit or is the most cost effective if the project benefits are equivalent.
- The Project contingency management approach is outlined.

Comments:

RATING	RED	AMBER	GREEN
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3. SUSTAINABILITY

Will the project meet the need(s) of the present without compromising the ability of future generations to meet their needs?

Indicators to consider include:

- The social impacts of the project have been documented and assessed as contributing to Government policy directions. Social impacts can include workforce diversity; local employment; employee well-being and corporate governance practices.
- The economic impacts of the project have been documented and contribute to Government policy directions. Economic impacts can include economic development; local industry participation; regional and state employment and the involvement of small to medium enterprises.
- Consideration has been given to the requirements of regulators and suppliers.
- The agency has demonstrated that the environmental impacts of the project have been documented and can be successfully managed.
- The consumption of natural resources including water, energy, and scarce materials has been minimised and recycled materials have been used wherever possible.
- The business case addresses the requirements of the NSW Government Sustainability Policy for buildings, fleet, waste, recycling and purchasing.
 1. Building energy reduction is being planned for minimising needs, optimising usage and the use of renewables.
 2. Building water usage reduction is being planned for minimising need, optimising efficiency and use of alternative sources.
 3. Where applicable the following is being planned to comply with policy:
 - a) Waste recycling
 - b) Procurement
 - c) National Australian Built Environment Rating System for office accommodation (NABERS)
 - d) Fleet management

Comments:

RATING	RED	AMBER	GREEN
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4. GOVERNANCE

This factor assesses whether the activities required to ensure a successful project, including resource allocation, time management and process management have been addressed.

Indicators to consider include:

- Issues raised at the Strategic Gateway Review (if undertaken) have been resolved and the recommended actions completed.
- The proposal is supported by the agency CEO.
- Studies such as value management studies and feasibility studies demonstrate that a range of options have been considered and analysed. These studies support the preferred option to implement the project.
- The cost of managing procurement has been budgeted for and funds are available and/or identified.
- The appropriate expertise for the project team has been identified and is available.
- Roles, responsibilities and accountabilities have been allocated to project team members including the Project Sponsor, Project Steering Committee, Business Owner, and Project Director/Manager.
- Plans to manage the development phase of the project are realistic.
- The period anticipated for the project and its milestones appear achievable.
- Responsibility has been assigned for the management and reporting of benefits to be delivered by the proposal.
- The agency has demonstrated its capability and capacity to establish the proposed project governance structure identified in the proposal.
- Major project parameters are reassessed throughout the project and decisions to proceed with the project are reviewed to avoid implementing a project with a negative net benefit

Comments:

RATING	RED	AMBER	GREEN
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7. CHANGE MANAGEMENT

Change management is the task of managing the change resulting from the project, both inside and outside the managing agency, in a structured and systematic fashion so that the project is implemented efficiently and effectively.

Indicators to consider include:

- Change that would be necessary to implement the project has been assessed and documented, included in the proposal costs and included in budget risk quantification.
- Affected organisations and/or business units have confirmed that the impacts of change are manageable.
- The managing agency has an established process for developing a change management program.
- The proposal identifies the scale and extent of change and business process reform required.
- The managing agency has demonstrated in its project governance and implementation plans that it is committed to achieving the required level of change and business process reform identified in the proposal.
- The proposal outlines how current business/work practices will be enhanced/improved and/or changed as a result of the proposal's implementation.
- Processes to review and determine business process reform are planned and documented.
- Agreed business changes have been incorporated into procurement processes.
- Processes to manage change and benefit realisation over the project life cycle have been determined.

Comments:

RATING	RED	AMBER	GREEN
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GATEWAY REVIEW REPORT TEMPLATE

Project:

Sponsor Agency:

Gateway Review: Business Case

Status of Report:

Project Sponsor:

Review Dates:
(Planning/Interviews/Report)

Gateway Review Team:

Gateway Manager:

This report is prepared under the NSW Government Procurement Policy.

Background

The aim of this project is [Outline the key intended outcomes of the project]

The driving force for the project is [Describe the context for the project in terms of government priorities or agency directions]

The proposed benefits of the project are [Describe the core benefits that will be delivered]

The current position of the project in relation to the Gateway Review Process is [State whether previous reviews have taken place]

Conduct of the Review

A Business Case Review of [Insert name of project] was carried out on [Insert dates] at [Insert location/s of the Review meeting/s]

The Gateway Review Team consisted of [Insert names of Gateway Review Team, agencies or organisations employing the Gateway Review Team and identify Review Leader and Gateway Manager]

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The review considered if sufficient procurement discipline is being applied to the development of the proposed project providing recommendations, where appropriate, on improving opportunities.

The people interviewed by the Review Team are listed in Appendix A.

The documents reviewed by the Review Team are listed in Appendix B.

Findings of the Gateway Review Team

[This section of the report summarises the Gateway Review Team's findings on each of the seven key success factors. Some suggested responses are included in the template below. The Gateway Review Team is however encouraged to improve or expand upon these statements to capture the issues identified by the review.]

The findings include the Gateway Review Team's rating for each factor based on the following scale:

- RED** It is the Gateway Review Team's opinion that this aspect poses a significant risk to the project and must be clarified or addressed before further consideration of the project is made.
- AMBER** It is the Gateway Review Team's opinion that this aspect indicates a minor risk to the project and must be clarified or addressed as part of proceeding to the next stage of the project.
- GREEN** It is the Gateway Review Team's opinion that this aspect has been given adequate consideration as not to jeopardise the success of progressing to the next stage of the project.

The Gateway Review Team's findings and observations in relation to each of the prescribed review topics are as follows:

1. Service Delivery

[Delete the inappropriate words]

The Review indicated that the need for the project in its proposed form had / had not been demonstrated and the project scope and objectives have / have not been defined and agreed.

-

The Review Team consider the service delivery aspects of the project to be Red/Amber/Green. [Select a rating]

2. Affordability and Value for Money

[Delete the inappropriate words]

The Review indicated that the procurement project has / has not been demonstrated to be affordable in terms of "life cycle" costs and offering value for money by producing benefits in excess of those of other options for the total life cost. [Delete the inappropriate words. Add comments or additional salient points].

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The Review Team consider the Affordability and Value for Money aspects of the project to be Red/Amber/Green. [Select a rating]

3. Sustainability

[Delete the inappropriate words]

The Review indicated that the fiscal, social, economic and environmental impacts of the project have / have not been demonstrated and documented and represent the option less likely to deplete financial, community and natural resources. [Delete the inappropriate words. Add comments or additional salient points].

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The Review Team consider the Sustainability aspects of the project to be Red/Amber/Green. [Select a rating]

4. Governance

[Delete the inappropriate words]

The Review indicated that a realistic and clear project plan has / has not been developed, including resourcing, funding, programming and accountability. [Delete the inappropriate words. Add comments or additional salient points].

-

The Review Team consider the Governance aspects of the project to be Red/Amber/Green. [Select a rating]

5. Risk Management

[Delete the inappropriate words]

The Review indicated that an outline risk management plan has / has not been developed and the risk assessment favours / does not favour proceeding with the project. [Delete the inappropriate words. Add comments or additional salient points].

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The Review Team consider the Risk Management aspects of the project to be Red/Amber/Green. [Select a rating]

6. Stakeholder Management

[Delete the inappropriate words]

The Review indicated that stakeholders and their views have / have not been considered and that a suitable strategy for stakeholder communications has / has not been developed. [Delete the inappropriate words. Add comments or additional salient points].

-

The Review Team consider the Stakeholder Management aspects of the project to be Red/Amber/Green. [Select a rating]

7. Change Management

[Delete the inappropriate words]

The Review indicated change that will result from the project has / has not been assessed and the need for change management has / has not been recognised and accepted.

[Delete the inappropriate words. Add comments or additional salient points].

-

The Review Team consider the Change Management aspects of the project to be Red/Amber/Green. [Select a rating]

Other Matters

If the Gateway Review Team wants to make comments about matters raised during the review, which draw together a number of the factors or sit outside of them, they can be included in this section.]

Conclusions and Recommendations

Based on documentation reviewed and interviews conducted, the Gateway Review Team considers that the Business Case has been / has not been suitably prepared.

Subject to agency approval requirements, it may be / may not be appropriate to proceed to the next stage of the project.

The Gateway Review Team recommends that additional work be considered on the following aspects of the project:

[List areas where deficiencies/gaps were identified. Be as specific as possible.]

APPENDIX A: REVIEW INTERVIEWEES

The Reviewers are grateful to the following people that gave generously of their time at the interviews. Their contribution assisted the Reviewers in coming to an understanding of the project and the path that led to its formulation.

Person	Agency	Project Role
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APPENDIX B: DOCUMENTS REVIEWED

Document Title	Author	Date of Publication
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