BUSINESS CASE DEVELOPMENT FRAMEWORK

STRATEGIC BUSINESS CASE
GUIDANCE AND TEMPLATE

RELEASE 2 | DECEMBER 2016
Building Queensland has been established under the *Building Queensland Act 2015* to provide independent expert advice to the Queensland Government about infrastructure.

This document forms part of the Building Queensland Business Case Development Framework, as follows:

### OVERARCHING FRAMEWORKS

- Business Case Development Framework
- Benefits Management Framework

### GUIDANCE MATERIAL

- Strategic Business Case
- Preliminary Business Case
- Detailed Business Case

### SUPPLEMENTARY GUIDANCE MATERIAL

- Investment Logic Mapping Guide
- Social Impact Evaluation Guide
- Cost Benefit Analysis Guide

### RELATED DOCUMENTATION

- Project Internal Assurance Framework
- Engaging with Building Queensland Guides

Building Queensland acknowledges the following work which has informed this guide:

- Investment Management Standard, Department of Treasury and Finance, Victoria
- Project Assessment Framework, Queensland Treasury
- Investment Management and Better Business Case Guidance, The Treasury, New Zealand
- Assessment Framework, Infrastructure Australia.

Building Queensland thanks members of the Building Queensland Reference Groups for their assistance and support in developing the Business Case Development Framework documents.

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**Attribution:** Unless otherwise noted, content from the Business Case Development Framework should be attributed to: Building Queensland Business Case Development Framework.

**V2.1 December 2016**
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AMENDMENTS FROM RELEASE 1

- General guidance separated from content requirements.
- Diagrams included in each section to illustrate the activities and information providing input and where the outputs lead to.
- Refocus on content requirements for SBC rather than how to prepare an Investment Logic Map (ILM).
- Detailed guidance on preparation of an ILM included in a separate ILM Guide.
- Improved content alignment with the Queensland Government’s Project Assessment Framework (PAF) and Infrastructure Australia’s Assessment Framework requirements.
- Clarity regarding the function of the Strategic Business Case (SBC) in conceptualising the service need.
- Enhanced focus on addressing ‘service need’ rather than problems.
- Explicit acknowledgement of the importance of a systems/program view and effective integration across initiatives.
- Clearer articulation of the requirement to align with strategic priorities and support state, national, regional and local plans (where appropriate).
- Increased focus on benefits, risk, quality assurance, project assurance and stakeholder engagement.
Infrastructure investment decisions have a direct impact on Queensland’s economic and social domain. Good decision making relies on quality proposals, well-developed Business Case documentation and robust review processes. In line with the requirements of the Building Queensland Act 2015, Building Queensland’s Business Case Development Framework (BCDF) aims to enhance the way in which infrastructure proposals are developed in Queensland to support improved infrastructure outcomes. The BCDF focuses on the development of the following core Business Case documents:

- Strategic Business Case (SBC)
- Preliminary Business Case (PBC)
- Detailed Business Case (DBC).

These documents are supported by a number of other Building Queensland guides, as illustrated in Figure 1.

**Figure 1: The Business Case Development Framework**

Building Queensland’s Project Internal Assurance Framework, provides additional support for the effective development of quality Business Cases. Contact Building Queensland for further information.

**i. Purpose of the Business Case Development Framework**

The BCDF provides detailed section-by-section guidance on the requirements for Building Queensland Business Cases. Specifically, the BCDF aims to:

- reduce the costs of developing Business Cases
- reduce the time taken to develop Business Cases
- align with best practice to ensure Business Cases meet state and federal government requirements (e.g. Queensland Government’s Project Assessment Framework (PAF) and Gateway Reviews)
- enable government to assess Business Cases consistently and compare investment opportunities
- clarify Building Queensland’s expectations for Business Cases (including those contained within the Infrastructure Pipeline Report).
The BCDF guides a proposal from conceptualisation (Strategic Business Case), to options generation and analysis (Preliminary Business Case), and finally to the detailed analysis of the preferred option/s (Detailed Business Case). Supplementary guidance is provided for Cost Benefit Analysis and Social Impact Evaluations.

ii. The Business Case Development Framework and the Project Assessment Framework

The foundation for the BCDF is the Queensland Government’s Project Assessment Framework (PAF). The BCDF supplements the PAF process by providing guidance on how to complete the assessments required to develop robust Business Cases. Figure 2 illustrates the alignment between the BCDF and the PAF.

Figure 2: Alignment of the Building Queensland Process with the PAF

The BCDF differs slightly from the PAF at the Strategic Business Case (SBC) and Preliminary Business Case (PBC) stages. In the BCDF, the SBC culminates in identifying high-level initiatives only, leaving the identification of detailed options and shortlisting to the PBC. This is designed to minimise the work required in the SBC before a decision is made to move forward. It also encourages authors to focus on articulating the service need rather than potential solutions.

Gateway reviews are included in the BCDF as an important aspect of assurance.

iii. Purpose of a Strategic Business Case

The SBC is the first document in the Business Case suite of the BCDF. It aims to ensure the service need is substantiated and effectively articulated and that the benefits sought are achieved through the proposed initiatives. Completing a Building Queensland SBC supports the integrity and quality of the PBC and DBC. The progression of the proposal through the BCDF documents is illustrated in Table 1.


Table 1: Progression of Business Case Development

<table>
<thead>
<tr>
<th></th>
<th>STRATEGIC BUSINESS CASE</th>
<th>PRELIMINARY BUSINESS CASE</th>
<th>DETAILED BUSINESS CASE</th>
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<tbody>
<tr>
<td>Purpose</td>
<td>Conceptualisation:</td>
<td>Options consideration:</td>
<td>Preferred option/s analysis:</td>
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<tr>
<td></td>
<td>- articulates the service need to be addressed</td>
<td>- re-confirms service need</td>
<td>- develops evidence for investment decision making</td>
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<td></td>
<td>- identifies intended benefits</td>
<td>- generates possible options</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- analyses options</td>
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<td></td>
<td></td>
<td>- identifies preferred option/s</td>
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<td></td>
<td></td>
<td>- confirms whether to invest in a DBC</td>
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<tr>
<td>PAF stage</td>
<td>Strategic Assessment of Service Requirements (SASR)</td>
<td>SASR (Shortlist Options)</td>
<td>Business Case</td>
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<td>Supporting documents</td>
<td>Benefits Management Framework</td>
<td>Benefits Management Framework</td>
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<td></td>
<td></td>
<td>Cost Benefit Analysis Guide</td>
<td>Cost Benefit Analysis Guide</td>
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The SBC is developed in the pre-project phase and is used to determine whether further investigation of the identified service need is warranted. The SBC should:

- provide evidence for the clearly articulated service need
- document the benefits sought by responding to the service need and providing a minimum benefit against which any options generated in the PBC can be compared
- identify a range of strategic initiatives that might respond to the service need and achieve some (or all) of the benefits sought
- provide decision makers with the information needed to consider whether to further progress the proposal.

Most significantly, the service need conceptualised in the SBC forms a solid foundation for the development of Preliminary and Detailed Business Cases.

The SBC is made up of four parts:

1. Introduction—which documents the background and context of the service need
2. Service Need Conceptualisation—which describes the service need and provides evidence of its scope, imperative and benefits sought
3. Response—which describes the proposed strategic response, business changes and potential initiatives. This section should link the proposed strategic response with the service need and the benefits sought. It also documents how those potential initiatives would align with the State Infrastructure Plan
4. Further Work and Recommendation—which describes what further work is necessary, makes recommendations about the progression of the proposal and, if appropriate, includes a plan for developing a PBC.
All parts should focus on how benefits will be achieved and risk will be managed to ensure the most appropriate initiatives are progressed as illustrated in Figure 3. Effective stakeholder engagement is important to ensure the service need identified reflects the needs of stakeholders.

**Figure 3: High-Level Aspects of the Strategic Business Case**

### Purpose of this Guide

This guide aims to assist in the development of quality, robust SBCs that support investment decision making. It is designed to focus SBC authors on developing a clear definition of the service need, ensuring that any investment decision addresses the underlying ‘root causes’ of the problem/s. Through the process of identifying the underlying causes of the service need and the service need’s impacts on the community, the guide encourages SBC authors to focus on benefits that will be realised when the service need is effectively addressed. The guide deliberately leads SBC authors to consider non-build solutions through investigating alternate solutions in line with the State Infrastructure Plan. The SBC is, therefore, intended to initiate a broad investment discussion that encompasses a wide range of potential initiatives rather than just an asset-focused solution.

This guide is divided into three parts:

A. Introduction to the BCDF and this guide
B. Overarching guidance for the development of an SBC
C. Guidance on how to prepare an SBC (with an SBC contents list provided in Appendix 1).

This guide provides a preferred approach for developing an SBC and details the work required to successfully complete a Building Queensland SBC. It outlines a minimum standard and is not intended to cover all policy obligations or agency requirements.

This guide is not intended to provide a step-by-step process for SBC development. As noted in Section C, SBC development will vary according to the complexity of the proposal and the complexity of the development process. High-level, generic tools in this guide include:

- input and output diagrams at the start of each chapter which indicate how the information in sections connects to other sections
- control points after sections 2, 4, 6, and 10 to provide authors with an opportunity to assess whether work has been completed appropriately before moving on
- critical decision points in the control points to provide authors with an opportunity to reflect on whether the proposal should continue or cease.
v. When to Use this Guide

The BCDF applies to nominated government-owned corporations and government agencies.

The BCDF is used for infrastructure proposals led by Building Queensland which have an estimated capital cost of $100 million or more, or if the net present value of financial commitments entered into by the state for the proposal is estimated to be $100 million or more.

The templates and guidance may be used for proposals below this threshold and their use is encouraged for projects where Building Queensland assists in preparing Business Cases (those with an estimated capital cost or net present value of state financial commitment of $50 million to $100 million).

vi. Further Information and Support

Contact Building Queensland on 07 3237 7500 for further information and assistance on:

- Strategic and Preliminary Business Case development (Early Stage Project Development Group)
- Investment Logic Mapping (Early Stage Project Development Group)
- Detailed Business Case development (Business Case Group)
- Social Impact Evaluation (Social Benefits Manager, Frameworks Group)
- Cost Benefit Analysis (Cost Benefit Analysis Manager, Frameworks Group)
- Quality and Project Assurance (Internal Assurance Manager, Frameworks Group)
- Feedback or clarification on any BCDF document (Frameworks Group)
- Infrastructure Pipeline (Strategy Group).
B. OVERARCHING GUIDANCE FOR STRATEGIC BUSINESS CASE DEVELOPMENT

The Building Queensland BCDF promotes the development of quality Business Cases through a focus on benefits and ongoing management of risk. This aims to ensure that investment proposals are effectively targeted and can be reasonably expected to deliver the required outcome/s for stakeholders. For this reason, all Business Cases in the BCDF should be developed with a continual focus on the effective management of:

- benefits
- risk
- quality
- stakeholder engagement.

This section provides overarching guidance of how benefits management, risk management, quality and project assurance and stakeholder engagement integrate within the development of an SBC. Further detail is included in the Business Case Development Framework, overarching document and the Benefits Management Framework.

i. Benefits Management in the Strategic Business Case

A focus on realising benefits (social, economic, environmental as well as financial) ensures that the investment proposal will achieve outcomes that are valued by stakeholders and contribute to strategic imperatives.

During SBC development, the dominant benefits-management activity involves benefits identification (illustrated in Figure 4).

Figure 4: Benefits Management in Business Case Development
Benefits-management activities in SBC development focus on:

- identifying the benefits sought in response to the service need; this provides:
  - a goal for identifying strategic responses, business changes and potential initiatives
  - a baseline to compare the expected benefits of potential initiatives

- identifying potential beneficiaries (including stakeholders who may be impacted either positively or negatively), identifying other stakeholders, and articulating the relationship between stakeholders and the benefits sought; this:
  - ensures that appropriate stakeholders are engaged in the development of the proposal
  - enables the true service need is identified and addressed
  - supports identification and management of stakeholder interdependencies

- identifying and documenting benefits dependencies; this ensures that potential initiatives are appropriately designed to reduce potential negative impacts and unintended consequences

- identifying the benefits to be achieved by potential initiatives; this:
  - enables documentation of additional benefits that may be achieved from the each potential initiative
  - enables engagement with potential additional stakeholders
  - enables assessment of potential initiatives against the initial benefits sought

- identifying any potential negative consequences (dis-benefits) and considering how they might affect the potential initiatives; this enables potential initiatives to be either adjusted or discarded to minimise the negative consequences

- identifying any benefits risks, which enables those risks to be addressed in the design of potential initiatives

- identifying any risks to maximising the benefits.

This initial stage of identifying and conceptualising benefits must be undertaken within the context of the entire benefits lifecycle to ensure the benefits selected are able to be effectively managed, monitored and realised.

A preliminary Benefits Register should be prepared to document the identified benefits. An example is included in Appendix 2.

### ii. Risk Management in the Strategic Business Case

Risk should be addressed throughout the SBC development process to ensure risks are effectively considered and managed in the potential initiatives. Risk-management activities to be completed during the development of the SBC include:

- identifying proposal risks to ensure the potential initiatives are designed to effectively address those risks where possible—i.e. risks associated with the proposal background, service need, benefits, strategic responses, business changes and potential initiatives

- identifying process risks, including stakeholder engagement activities, timing, etc., to ensure the process for developing the SBC maximises its potential outcomes.
Thorough risk consideration and management in the SBC enables subsequent assessments in the PBC and DBC to adequately recognise and account for risk.

Ongoing assessment and documentation of risks is required during SBC development. A preliminary Risk Register should be developed to capture risks identified in the SBC stage. Refer to your agency’s risk-management policy and the Australian Standard (AS NZS ISO 31000:2009 Risk Management–Principles and Guidelines) for guidance on conducting a risk assessment. The PAF and National PPP policy (if applicable) also provide guidance on risk assessment. An example Risk Register is included in Appendix 3.

iii. Quality and Project Assurance in the Strategic Business Case

Careful attention to quality and project assurance activities aims to improve the efficiency and effectiveness of a project and the quality of its outputs. Even if the development of an SBC is not established as a formal project, Building Queensland recommends:

- establishing appropriate governance arrangements to oversee the SBC development
- managing the SBC process day-to-day in accordance with the agency’s project management methodology
- establishing a working group to identify and manage issues, including representatives from other government agency stakeholders
- peer and technical review of data (and the supporting assumptions and modelling analysis) to ensure the data are valid, reliable and accurate, and to ensure data effectively support the process of identifying the service need
- internal document quality review
- Building Queensland Frameworks Alignment Review
- Gate 0 review.

Gateway Reviews are mandatory for ICT initiatives. The Queensland Government Chief Information Office (QGCIO) can provide further information on the requirements of Gateway Reviews.

Further detail on quality and project assurance activities is included in the Business Case Development Framework overarching document and Building Queensland Project Internal Assurance Framework.

iv. Stakeholder Engagement in the Strategic Business Case

Community consultation and stakeholder engagement are highly recommended during SBC development, but depend on the risk appetite of the agency, the nature and complexity of the service need to be addressed, the complexity of assessments in the SBC and the nature of the stakeholders themselves. A risk assessment should be undertaken to consider the potential benefits and adverse impacts of engaging with stakeholders.

Stakeholder engagement activities in the SBC stage can support:

- greater understanding of different stakeholders’ perceptions of the service need, which can help in identifying appropriate initiatives
- effective identification of stakeholders’ expectations regarding the potential project and the benefits they seek
- better outcomes and greater accuracy in identifying possible strategic responses, business changes and potential initiatives
- establishment of ‘social licence’
- effective risk management
- improved project outcomes resulting from liaison between agencies when there are overlapping jurisdictions or when approvals are required from multiple departments or independent regulatory agencies (these improved project outcomes may relate to time, cost and user satisfaction).

Although stakeholder engagement can provide better outcomes and improved articulation of the service need, there are risks associated with stakeholder engagement. Stakeholder expectations must be carefully managed.

Where stakeholders are engaged, an initial Stakeholder Engagement Plan (SEP) should be developed and approved by the Senior Responsible Officer. This will guide stakeholder engagement activities throughout the SBC development. The SEP should be refined as SBC activities identify emerging stakeholders. An example SEP should be included in Appendix 4.

Any risks associated with the decision to engage (or not engage) with stakeholders should be considered and documented in the Risk Register (refer to the example in Appendix 3).

Further detail on stakeholder engagement is included in the Business Case Development Framework–Overview document.

v. Useful Resources

AS/NZ ISO 31000:2009 Risk management–Principles and guidelines


Social licence resources:

- [http://sociallicense.com/](http://sociallicense.com/)
- [http://learningforsustainability.net/social-license/](http://learningforsustainability.net/social-license/)


C. GUIDANCE FOR PREPARING A STRATEGIC BUSINESS CASE

There are many available methods that support the process of conceptualising investment proposals. Building Queensland recommends two logic maps for developing an SBC: Investment Logic Mapping (ILM) (which supports the development process) and an Initiatives Map (which summarises the SBC). Building Queensland’s ILM process is adapted from the work of the Department Treasury and Finance in Victoria.

The development of an SBC involves:

- conducting initial research to understanding the background and context of the identified problem or opportunity
- identifying potential stakeholders to understand their perspectives and requirements
- establishing a shared understanding of the service need
- identifying the benefits sought when addressing the service need
- identifying strategic responses and business changes necessary to achieve the benefits sought and address the service need
- identifying potential initiatives.

Key activities and control points are illustrated in Figure 5.

*Figure 5: Development of the Strategic Business Case*

The following sections form the basis of a Building Queensland SBC. An SBC is expected to include all of the numbered sections from this point forward. A contents list of SBC sections (without supporting explanation) is included in Appendix 1.

Control points should not be included in the final SBC document. If a task or section is not completed, the explanation for the omission should be included in the Methodology (Section 3).
1. INTRODUCTION

The Introduction sets the context for the SBC. Figure 6 illustrates the inputs needed to inform the Introduction and the outputs that result from it.

**Figure 6: Inputs and Outputs to the Introduction**

![Diagram showing inputs and outputs to the Introduction]

The Introduction should clearly articulate and document the background to the service need, including:

- its context (including political aspects), and how a response to the service need would align to an agency’s mission and vision and to the strategic priorities of relevant governments
- its background (such as when the service need was first identified, and the scope and depth of any previous investigations, studies or actions)
- the nature of the issue and impact to justify government involvement
- any linkages to other initiatives/activities
- the relative importance of the service need.

If an ILM workshop is used, this information should be gathered prior to any workshop to provide background information for participants.

1.1. Methodology

This section describes the approach used to develop the SBC, including:

- the approach used to identify the service need, benefits and potential initiatives
- the approach to risk management
- the approach to stakeholder engagement.

Where an ILM approach is used to develop the SBC, authors should note this in the Methodology and provide information on any changes to the process detailed in Building Queensland’s *Investment Logic Mapping Guide* and any issues that arise during the ILM. Contact the Building Queensland Early Stage Project Development Group on 07 3237 7500 for information about the ILM and how a facilitated ILM workshop can assist.
2. SERVICE NEED

This section should clearly articulate the service need to be addressed. The service need may result from a problem or opportunity, and this section must include evidence of why it is necessary to address that problem or opportunity (i.e. an initiative developed in response to a current or future service need that may be ‘nice to have’ but is not supported by evidence that a response is necessary should not be progressed). Figure 7 illustrates the inputs required to develop the Service Need section and the outputs that result from it.

Figure 7: Inputs and Outputs to the Service Need Section

This section should be sufficiently robust to convey to decision makers the level of detail and planning undertaken to support the identified service need.

2.1. Understanding the Service Need

Understanding the service need requires:

- preliminary research, including stakeholder consultation and data collection to substantiate and clearly articulate the service need; a high-level economic analysis may also be used to build an evidence base
- agreement of key stakeholders (including potential service delivery partners) about what the service need constitutes. An ILM workshop is an effective mechanism for achieving this shared understanding. The ILM workshop will produce a number of statements that clearly articulate the problem or opportunities underpinning the service need, to be included in column 1 of the ILM.

The challenge in articulating the service need is to focus on the problem/opportunity itself and why it must be addressed (rather than focusing on identifying potential solution/s). The problems/opportunity should be analysed from two perspectives: the cause and the effects. Understanding both the likely causes and the effects of the problem/opportunity enables SBC authors to identify:

- potential strategies and business changes that might remove or minimise the causes
- potential strategies and business changes that might minimise (or maximise) the impacts
- benefits sought
- sources of data to measure the benefits sought
- impacted stakeholders
- stakeholders who can influence the causes or effects.

Focusing on causes and effects helps to ensure the SBC development focuses on outcomes sought rather than potential solutions.
Root cause analysis is a tool that can help to ‘unpack’ the issue by exploring the source of the problem. The following fictional example illustrates the line of questioning used in root cause analysis.

Example: Cause and effect questioning to identify the real problem (root cause analysis)

We have an issue around ‘High levels of toxicity in a national park’.

Question: What caused the high levels of toxicity?
Answer: Declining water quality.

Question: What is causing the decline in water quality?
Answer: Pollution from a nearby factory.

Question: What is causing the factory pollution?
Answer: Lack of standards-based filtration equipment.

Question: Why don’t they have appropriate filtration systems?
Answer: Cost and lack of monitoring to ensure compliance (the root cause).

2.2. Documenting the Service Need

Information to be incorporated in a Statement of Service Need includes:

- the problem or opportunity to be addressed, including the location
- the geographic and demographic reach of the problem or opportunity, including relevant maps and supporting graphics
- identifying the stakeholders
- the impacts of the problem (potential impacts for the opportunity)—economically, socially and environmentally, with evidence provided
- whether the problem/opportunity is of national significance
- why is it necessary to address the problem or opportunity, with evidence provided
- the timeframe for any potential impacts
- the root causes of the problem, and whether these causes will change over time (worsen or improve)
- whether changes in service demand (anticipated or existing) will affect the service need, with evidence provided
- what is expected to occur if the current state is maintained
- any urgency in responding to the problem or seizing the opportunity
- any relevant planning works or feasibility studies previously undertaken, noting their scope, depth and results
- how addressing the service need will contribute to the State Infrastructure Plan or other strategic plans
- how the response will support or integrate with other initiatives and projects within the broader system or program.

Problems or opportunities identified in the Statement of Service Need must be supported by evidence, which can be included as an attachment to the SBC.
It is imperative that the Statement of Service Need and title of the SBC do not pre-empt the choice of solution (e.g. the SBC title for a fictitious high school could appropriately be ‘Responding to Educational Needs in South Western Queensland’ rather than ‘Adavale High School Replacement’).

2.3. Consider Relative Importance

Each problem/opportunity should be ranked to provide a broad indication of its relative importance compared to the others. This provides a priority listing for identifying strategies and business changes. When an ILM workshop is used and problem/opportunity statements are developed when articulating the service need, the workshop participants should agree on the relative importance.

CONTROL POINT 1

Before progressing the SBC, complete the following checklist. If an item has not been completed, include an explanation in the Methodology (Section 1.1).

<table>
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<tr>
<th>#</th>
<th>Have the following been completed?</th>
<th>Section</th>
<th>Yes</th>
<th>No</th>
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<td>Problems/opportunities identified</td>
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</tr>
<tr>
<td>2</td>
<td>Cause and effects of problems/opportunities analysed</td>
<td>2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Service need identified, substantiated and clearly articulated</td>
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<tr>
<td>4</td>
<td>Alignment to agency and government strategic priorities and planning articulated</td>
<td>2.2</td>
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<tr>
<td>5</td>
<td>Relative importance of the problems/opportunities established</td>
<td>2.3</td>
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<tr>
<td>6</td>
<td>Benefits Register created and commenced</td>
<td>Appendix 2</td>
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<td>7</td>
<td>Risk Register created and commenced</td>
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<td>8</td>
<td>Column 1 of the Investment Logic Map completed (if appropriate)</td>
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<td>9</td>
<td>Initial Stakeholder Engagement Plan created</td>
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</table>
3. STAKEHOLDERS

This section of the SBC documents stakeholder information. Stakeholders include individuals, groups or organisations impacted by the problem/opportunity as well as those who can influence the outcomes of any proposed initiative. Potential service delivery partners are included as stakeholders.

A stakeholder’s perspective influences how they frame or understand the problem, the service need and any potential response. Different stakeholders will have different perspectives, and stakeholders’ perspectives of the problem/opportunity will ultimately shape the identified range of potential initiatives.

Effective problem definition is likely to involve canvassing multiple stakeholder perspectives. Early engagement with central agency representatives (e.g. Treasury and Premier and Cabinet) and with contacts in other agencies will enable the service need to be effectively considered within a strategic context.

Stakeholders will be identified throughout the preparation of the SBC, as the proposal progresses. Engaging stakeholders ensures stronger investment logic and, therefore, a stronger and more robust SBC.

Figure 8 illustrates the inputs required to develop the Stakeholders section and the outputs that result from it.

Figure 8: Inputs and Outputs to the Stakeholders Section

3.1. Identifying Stakeholders

Stakeholders should be identified based on the initial notion of the problem/opportunity. Stakeholders’ perceptions of the problem/opportunity and ultimately their perceptions of the service need will provide input into the articulation of the service need. Relevant stakeholders for a problem/opportunity may include individuals, organisations or agencies (including other government agencies) who:

- may be impacted by a problem, potential project or failure to take up an opportunity
- can influence the problem/opportunity
- can contribute to the identification of innovative solutions
- may potentially be disadvantaged if the service need is addressed
- are responsible for other projects or initiatives, which are not directly related to the problem/opportunity but could achieve enhanced benefits or improved outcomes from either effective integration with the proposed project or effective synchronisation to achieve further benefits (e.g. extended periods of construction employment or upgrading transport infrastructure to support a new hospital).

Particular attention should be given to identifying stakeholders who belong to minority or disadvantaged groups.
3.2. Engaging with Stakeholders

Engaging with stakeholders to clarify and document their needs can take many forms, including primary and secondary research. Evidence of stakeholders’ need and the impacts identified should be documented. It is recommended that stakeholders who may be involved in implementing subsequent projects or related initiatives should participate in an ILM workshop to ensure the development of shared understanding and agreement of the service need and potential initiatives.

A Stakeholder Engagement Plan (SEP) should be developed to clearly articulate how, when and where stakeholders will be engaged during the SBC development. As the SBC progresses, additional stakeholders will be identified and the SEP should be adjusted accordingly. The method and frequency of engagement is usually based on the level of interest and influence that stakeholder groups may have on the potential project.

All stakeholders should be made aware that the preparation of an SBC is a pre-project (or scoping) exercise and does not necessarily mean that any initiative will progress.

3.3. Documenting Stakeholder Information

The SEP should include the following information:

- details of stakeholders who can influence the causes/gaps underpinning the service need
- details of stakeholders who are impacted by the problem underpinning the service need or gap which provides the opportunity
- stakeholders’ needs and expectations (both process and outcome); note any needs or expectations that are mandatory
- the extent of each stakeholder/stakeholder group’s interest and influence
- the most appropriate engagement mechanism (i.e. inform, consult or active participation) for each stakeholder/stakeholder group
- any risk of engaging (or not engaging) with stakeholders and how should these risks should be managed
- any conflicts or opportunities for collaboration between stakeholders.

Risks relating to stakeholder engagement should be included in the Risk Register and inform any modifications to stakeholder engagement activities. An initial SEP should be included as an attachment to the SBC.
4. BENEFITS SOUGHT

This section of the SBC documents the benefits sought in responding to the service need. The benefits sought are an initial concept of what the service need aims to achieve. Documenting the benefits sought provides a baseline for comparing the benefits expected to be achieved by each potential initiative. This allows potential initiatives to be ranked with respect to their potential benefits. Benefits sought should be linked to stakeholders.

Figure 9 illustrates the inputs required to develop the Benefits Sought section and the outputs that result from it.

Figure 9: Inputs and Outputs to the Benefits Sought

The Benefits Sought section should document:

- the intended outcome/s for the initiative and the benefits sought by it
- the stakeholders affected
- the stakeholders able to support achievement of the intended outcomes/benefits
- the anticipated beneficiaries
- stakeholder needs and expectations
- any assumptions that underpin the benefits sought
- any identified and documented dependencies of the benefits sought
- any urgency or criticality relating to the intended outcomes and benefits sought
- any potential dis-benefits (adverse impacts) and risks to achieving the benefits sought (this information should be included in the Risk Register)
- any benefits that are more highly regarded than others.

Stakeholder engagement and activities such as an ILM workshop are effective processes for identifying benefits. Understanding the benefits sought, required or expected by stakeholders will:

- support an investment focus rather than a project-delivery approach to the problem/opportunity
- focus attention on why an investment is being made rather than on the asset that may be delivered.

Key questions when considering benefits are:

- What value will we get out of this investment and how will we know whether value has been delivered?
- What benefits can be expected in successfully addressing the service need?
- What outcomes will we get from addressing this problem/opportunity?
- What benefit will government and community get from an investment?
- What part of the government agenda will this investment support?
- What Key Performance Indicators (KPIs) will demonstrate value and are outcome focused?

4.1. Benefits Statements

Statements of the benefits sought when addressing the service need should be included in the Benefits Register (Appendix 3) and, when an ILM workshop has been held, in the benefit column in the ILM.

The Benefits Statement includes an overarching statement that provides a line-of-sight to the outcomes the organisation seeks. It may be supported by one or two high-quality KPIs where the benefit can be quantified or monetised. The Benefits Statement should provide a clear connection to government or agency outcomes, contextualised to indicate their local impact.

Although Benefits Statements should not necessarily be excluded at SBC stage, it is necessary to consider the eventual need to effectively manage and measure the benefits. To be articulated in the Benefits Statement, a benefit needs to pass three tests:

- it needs to remove or mitigate the defined problem/s (or optimise the opportunity/s) and be aligned with the outcomes valued and articulated by the organisation
- it needs to be supported by one or two KPIs that are meaningful, preferably measurable (or able to be described qualitatively) and attributable to this investment. KPIs assist when developing the Strategic Response (refer to Section 5.1)
- it must be resource effective—the effort required to monitor and measure the benefit should be commensurate with the value and insight it provides the organisation.

KPIs should be outcome focused, rather than output or activity focused. The emphasis of KPIs should be on the results or impact of the work undertaken to deliver the benefit and overcome the problem.

The number of benefits sought and corresponding KPIs will vary with the complexity of the problem and the number of stakeholders involved. Benefits identified during the SBC will be refined and filtered during the Impact Risk Assessment conducted as part of the Social Impact Evaluation, if the proposal proceeds to PBC.

Risks relating to achieving benefits should be included in the Risk Register.

4.2. Consider Relative Importance

Benefits should be ranked in the same way as the service need or problem/opportunity. Aspects to consider when ranking benefits include:

- relative merit of the benefit sought
- risk
- impact on stakeholders
- scope of benefit.

In Section 6, the statement of benefits sought in a response to the service need will be compared with the benefits to be achieved from potential initiatives (and resultant options). This will provide an assessment of which initiatives should/could be progressed.
CONTROL POINT 2

Before progressing the SBC, complete the following checklist. If an item has not been completed, include an explanation in the Methodology (Section 1.1).

<table>
<thead>
<tr>
<th>#</th>
<th>Have the following been completed?</th>
<th>Section</th>
<th>Yes</th>
<th>No</th>
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<td>2</td>
<td>Stakeholder information documented</td>
<td>3.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Stakeholder Engagement Plan updated</td>
<td>Appendix 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Benefits sought in addressing the service need identified and documented</td>
<td>4</td>
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<td>5</td>
<td>Relative importance of the benefits sought assessed</td>
<td>4.2</td>
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<tr>
<td>6</td>
<td>Column 2 of the Investment Logic Map completed (if appropriate)</td>
<td>Appendix 2</td>
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<td></td>
</tr>
<tr>
<td>7</td>
<td>Benefits Register updated</td>
<td>Appendix 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Risk Register updated</td>
<td>Appendix 3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. STRATEGIC RESPONSE AND BUSINESS CHANGES

Strategic responses and business changes are the internal and external activities that may be implemented to affect change. The identification of strategic responses and business changes should focus on achieving the benefits, without being constrained by organisational boundaries. Potential service delivery partners may be identified as a result of articulating an effective strategic response and business change.

Figure 10 identifies the inputs required to develop the Strategic Response and Business Changes section and the outputs that result from it.

Figure 10: Inputs and Outputs to the Strategic Response and Business Changes Section
5.1. Strategic Response

A strategic response is a high-level intervention, and this section should describe high-level potential responses to the identified service need/s. A valid strategic response must have the potential to deliver some or all of the identified benefits and, in doing so, address the related service need. To ensure it is sufficiently strategic, its implementation must allow more than one possible solution.

A strategic response is most likely to be an action that changes behaviour externally. Strategic responses may include activities that:

- change demand—stop, slow, divert or decrease it
- improve productivity or efficiency—e.g. increase the throughput efficiency or improve effectiveness
- change supply—treat it, fix it or increase it.

Similarly, a strategic response can address the service need by:

- responding directly to the problem/opportunity to minimise or negate it
- implementing strategies to influence the causes of the problem/opportunity—e.g. reduce the likelihood of the problem occurring
- implementing strategies to influence the effects/impacts of the problem.

5.2. Business Changes

Business changes are the possible changes (or enablers) that could be made to deliver the strategic responses. Not all identified business changes will be required and some might be ‘either/or’ choices. Business changes may be linked to more than one strategic intervention.

Identifying a range of business changes will not necessarily mean that they will all be implemented. However, the list of business changes should, in their totality, address the service need (recognising that there may be ‘either/or’ choices to be made later).

For complex projects, business changes may be the responsibility of other agencies which will be required to deliver the changes and record and report on the metrics of the benefits delivered.

Risks relating to strategic responses and business changes should be included in the Risk Register.
6. POTENTIAL INITIATIVES

Potential initiatives are high-level activities to address the service need culminating from the strategic responses and business changes. Figure 11 illustrates the inputs needed to inform the Potential Initiatives section and the outputs that result from it.

Figure 11: Inputs and Outputs to the Potential Initiatives Section

Potential initiatives may, at some future point, become options, projects or elements of a program. Not all potential initiatives are likely to be implemented and some actions may become redundant as a result of other identified/implemented actions. However, the full set (or program) of potential initiatives should provide confidence, be capable of solving the problem and be capable of realising the benefits sought, recognising that some potential initiatives might be ‘either/or’ choices that will be addressed later.

6.1. Document Initiatives

Potential initiatives may include activities that improve the use of an asset, change behaviour or focus, improve the capacity of an existing asset or implement a new asset. These activities are generally referred to as non-asset, asset-lite and asset solutions.

Potential initiatives may not solve the entire problem and may only enable partial realisation of benefits. However, they may delay the need for implementing more expensive solutions and reduce the size of the problem.

Documentation of potential initiatives should include:

- a high-level concept of what the initiative will do (note: this will not specify options, but will conceptualise the response)
- identification of benefits that may be achieved in implementing the proposed initiative
- identification of stakeholders and beneficiaries (including stakeholders who may be impacted negatively by the proposed initiative)
- identification of any potential service delivery partners and/or integration opportunities
- any dependencies between the initiatives that may impact on the realisation of benefits
- a high-level cost estimate of the potential initiatives to provide decision makers with an opportunity to consider the potential initiatives in terms of comparative high-level cost.

Additional benefits may be recognised during the identification and articulation of potential initiatives. These emerging benefits should be considered in the relative value of the initiatives. They will provide an indication of which initiatives should/could be progressed.
Risks relating to potential initiatives, including any risks to other projects or proposals, should be included in the Risk Register.

A summary of any potential initiatives is included in the final column of the Initiative Map.

6.2. **Consider Relative Importance**

The relative importance of the potential initiatives can be assessed by:

- comparing the benefits to be achieved if the initiatives are implemented with the initial benefits sought; this ensures that proposed initiatives remain focused on achieving the benefits sought
- considering how the potential initiative aligns with the criteria for success.

Initiatives that do not align with the benefits sought or the established criteria for success should be discarded or redefined.

NB: When considering the relative importance of the potential initiatives, any high-level cost estimate should not be used as a primary indicator of importance.

6.3. **Criteria for Success**

Include an outline of what is required to successfully achieve the outcome sought from the investment. Criteria for success will vary according to the outcome sought but may, in addition to the benefits sought, include:

- performance levels and availability
- major functions and operation
- accuracy, reliability and ease of use
- appearance and amenity
- security and safety
- target dates and timeliness of implementation
- value for money
- development and running costs.

6.4. **Aligning Initiatives to the State Infrastructure Plan Priority Model**

The potential initiatives should be ‘classified’ in line with categories included in the State Infrastructure Plan (2016) (refer to Figure 12). These categories are:

- Reform—typically non-asset initiatives
- Better use—typically improving service performance
- Improve existing—typically asset-lite solutions
- New—typically new assets.

The State Infrastructure Plan ranks initiatives from most preferred (reform) to least preferred (new).
CONTROL POINT 3

Before progressing the SBC, complete the following checklist. If an item has not been completed, include an explanation in the Methodology (Section 1.1).

<table>
<thead>
<tr>
<th>#</th>
<th>Have the following been completed?</th>
<th>Section</th>
<th>Yes</th>
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<td>2</td>
<td>Business changes identified and documented</td>
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<tr>
<td>3</td>
<td>Potential initiatives identified and documented</td>
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<td></td>
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<tr>
<td>4</td>
<td>Benefits to be achieved by potential initiatives identified, documented and assessed against initial benefits sought</td>
<td>6.1</td>
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<td>5</td>
<td>Relative importance of potential initiatives assessed</td>
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<td></td>
</tr>
<tr>
<td>6</td>
<td>Criteria for success documented</td>
<td>6.3</td>
<td></td>
<td></td>
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<tr>
<td>7</td>
<td>Potential initiatives aligned against State Infrastructure Plan</td>
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<tr>
<td>8</td>
<td>Benefits Register updated</td>
<td>Appendix 2</td>
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<td>9</td>
<td>Risk Register updated</td>
<td>Appendix 3</td>
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<td>Stakeholder Engagement Plan updated</td>
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<td>12</td>
<td>Columns 1, 2, 3 and 4 of the Initiatives Map completed</td>
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</table>
7. FURTHER WORK AND GOVERNANCE PROPOSAL

This section of the SBC focuses on identifying what initiatives, if any, are worth developing further. In particular, the focus should be on developing low-cost initiatives that deliver value (i.e. those that fit the ‘reform’ and ‘better use’ categories). Figure 13 illustrates the inputs to the Further Work and Governance section and the outputs that result from it.

Figure 13: Inputs and Outputs to the Further Work and Governance Section

7.1. Further Work

Further work documented in this section may consist of a range of activities, including:

- study or analysis of one or more initiatives
- consideration of how the proposal might effectively integrate with other initiatives and proposals
- analysis that rules out one or more initiatives
- analysis that identifies one or more very low-cost initiatives that can be implemented rapidly
- analysis determining that non-asset solutions will not overcome the problems sufficiently or realise sufficient benefits to warrant their implementation and concluding that investigations need to begin on the ‘improve existing’ category
- consideration of how the potential initiatives might contribute to strategic directions or be of national significance (including the strategic directions of state and regional plans)
- development of a project plan (where appropriate) to provide the decision maker with high-level details of likely resource needs, timelines, costs, scope and quality requirements for the proposed initiatives
- a coordinated program of work to develop a program Business Case, complete with cost, benefits and risk information, which identifies the optimum combination of initiatives to deliver the best value at the lowest cost
- completion of a Gate 0 review.

This section should also provide an indication of the timeframe and urgency of any further work.

7.2. Governance

Implementing certain initiatives will create a new baseline for any subsequent analysis of the service need. It is possible that these initiatives may fall under the responsibility of different agencies. If this is the case, the agencies will need to work in a coordinated manner when conducting any studies. Consider whether a program approach, with associated program steering committee oversight, might be necessary.
8. ASSURANCE

Prior to finalising the SBC a Gate 0 Assurance Review may be completed. Incorporate the results of the Gateway Review into the final document, and note them in this section.

The finalised Business Case should be reviewed to provide assurance that the SBC:

- is complete: i.e. includes all necessary information for the investment decision
- includes reliable and reasonable information: i.e. the quality of the information is appropriate and can be relied upon, assumptions and the methodology for assessments are documented, assessments were completed with appropriate expertise and rigour
- is comparable: i.e. the Business Case utilises assessment methods and data which enable the Business Case to be compared to other Business Cases
- establishes a transparent case for the investment: i.e. information has been prepared without bias and with all risks, implications and mitigations clearly documented
- clearly identifies ownership: i.e. the Business Case clearly articulates the single point of accountability for the development of the Business Case, engagement of stakeholders, and the delivery of the anticipated benefits.

9. RECOMMENDATION

The recommendation/s should be clear and provide detail of what actions are proposed (studies, investigations etc.) and at what cost. Any recommendations should capture the potential coordinating and oversight mechanisms for future documentation and analysis.

When the SBC identifies opportunities for collaboration or cross-agency implementation, or when the root cause identifies that the problem/opportunity may belong to another agency, the recommendations should state where any future proposal may belong.

Where a proposal is considered to be of national significance, the recommendation should include making contact with Infrastructure Australia.

10. ADDITIONAL DOCUMENTATION

The SBC is a primary output of a PAF Strategic Assessment of Service Requirements (SASR). In accordance with the PAF, the SBC should accompany a submission to the appropriate agency’s decision maker (e.g. the Director-General/CEO).

If it is recommended that the proposal progress, a detailed plan and budget for the development of a PBC should be prepared to accompany the submission.

11. REFERENCES

The finalised SBC should include a list of all references and sources of evidence to support the Business Case and the assessments completed.
CONTROL POINT 4

Before finalising the SBC, complete the following checklist. If an item has not been completed, include an explanation in the Methodology (Section 1.1).

<table>
<thead>
<tr>
<th>#</th>
<th>Have the following been completed?</th>
<th>Section</th>
<th>Yes</th>
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<tr>
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<td>Potential governance arrangements documented</td>
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<tr>
<td>3</td>
<td>Gate 0 Gateway Review</td>
<td>7.1</td>
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<td>• the information is reliable and reasonable</td>
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<td>• is transparent</td>
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<td></td>
<td>• clearly documents ownership</td>
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<td></td>
<td>• assessments and documentation enables the Business Case to be compared to others.</td>
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<td>Recommendation/s documented</td>
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<td>6</td>
<td>Submission to the decision maker prepared</td>
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<td>Detailed plan and budget for a Preliminary Business Case developed (if appropriate)</td>
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<tr>
<td>9</td>
<td>Benefits Register updated</td>
<td>Appendix 2</td>
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<tr>
<td>10</td>
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<td>Appendix 3</td>
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</tbody>
</table>
APPENDIX 1: STRATEGIC BUSINESS CASE CONTENTS

1  INTRODUCTION

2  SERVICE NEED
   2.1  Investment Logic Map

3  STAKEHOLDERS

4  BENEFITS SOUGHT

5  STRATEGIC RESPONSE AND BUSINESS CHANGES

6  POTENTIAL INITIATIVES
   6.1  Initiatives Map

7  FURTHER WORK AND GOVERNANCE PROPOSAL

8  ASSURANCE

9  RECOMMENDATION

10 REFERENCES
APPENDIX 2: BENEFITS REGISTER

Benefits identified during the development of an SBC should be captured in a Benefits Register. Initially, the Benefits Register might only involve completed columns for:

- benefit description
- statement of problem/opportunity or proposed initiative the benefit relates to
- related stakeholder/s
- potential beneficiaries
- possible measures
- relative importance.

At SBC stage, the Benefits Register is used to ensure that strategic responses, business changes and potential initiatives address the benefits sought, and to enable stakeholders’ needs to be incorporated in the initiative design. Refinement of the Benefits Register occurs during the development of the PBC and DBC. Further information on refining benefits can be found in the [Social Impact Evaluation guide](#).

**Example Benefit Register**

<table>
<thead>
<tr>
<th>INITIAL BENEFIT REGISTER</th>
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</thead>
<tbody>
<tr>
<td>Benefit Description</td>
</tr>
</tbody>
</table>

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Example only
APPENDIX 3: RISK REGISTER

While developing an SBC, risks should be captured in a Risk Register. Initially, the Risk Register might only include completed columns for:

- risk description
- trigger
- impact.

At SBC stage, the Risk Register is used to identify and shape strategic responses, business changes and potential initiatives, and to identify stakeholders. Further details will be included in the Risk Register following the conceptualisation activities completed in the SBC.

Example Risk Register

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Risk Description</th>
<th>Trigger</th>
<th>Impact</th>
<th>Likelihood</th>
<th>Consequence of Risk</th>
<th>Risk Rating</th>
<th>Control Strategy</th>
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</thead>
<tbody>
<tr>
<td>Delivery</td>
<td>There is a risk that construction is delayed</td>
<td>caused by extended periods of rain</td>
<td>resulting in an extended construction period which may impact on...</td>
<td>Likely</td>
<td>Major</td>
<td>High</td>
<td>Ensure that the project schedule includes sufficient float to account for potential weather delay</td>
</tr>
<tr>
<td>Demand</td>
<td>There is a risk that local growth strategies may change under the newly elected local council</td>
<td>caused by new local councillors having a stronger preference for urban containment</td>
<td>resulting in lower traffic volumes and toll revenue</td>
<td>Possible</td>
<td>Moderage</td>
<td>Medium</td>
<td>Agency to keep in close and regular contact with council</td>
</tr>
</tbody>
</table>

Etc.
APPENDIX 4: INITIAL STAKEHOLDER ENGAGEMENT PLAN

A Stakeholder Engagement Plan (SEP) includes details of the stakeholders relevant to the service need/proposal and who should be considered in the development of an SBC. The SEP documents the methods and frequency with which stakeholders will be engaged. Approval is required for all stakeholder engagement activities prior to implementation. The SEP is a living document and will be adjusted throughout the development of the SBC.

Stakeholder engagement is highly recommended. However, where agencies choose not to engage with stakeholders during the development of an SBC, a draft SEP can be used as a register to document stakeholder interest in the initiative.

At SBC stage, the SEP should include:
- stakeholder name/description
- extent of stakeholder interest and influence in the service need/potential initiative
- proposed mechanism for stakeholder engagement (i.e. inform, consult or active participation)
- risks of engaging (or not engaging) with stakeholders
- proposed strategies for managing stakeholder risks.

Example Stakeholder Engagement Plan

<table>
<thead>
<tr>
<th>Stakeholder Name/Description</th>
<th>Interest Level (H,M,L)</th>
<th>Influence Level (H,M,L)</th>
<th>Proposed Mechanism and Actions</th>
<th>Risks</th>
<th>Risk Mgt Strategies</th>
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</thead>
</table>

Example only