GATE 2 REVIEW GUIDE
Business Case

Contents

Introduction

Purpose

The Infrastructure SA Assurance Framework (ISAAF) sets out the requirement for assurance reviews on major infrastructure projects.

The ISAAF makes provision for Gate Reviews to be undertaken prior to key decision points in a project's lifecycle and to inform key directions and decisions about how it should progress. The assurance review process provides a view on the current progress and an understanding of whether it is properly prepared to successfully proceed to the next stage.

The Business Case Gate 2 Review will be undertaken in accordance with the ISAAF, the Assurance Review Guide, this guide and the specific Terms of Reference (ToR) that will be developed and agreed to for each assurance review.

This guide should be used by the SRO/project team to prepare for the Gate 2 Review and the review team to conduct the Gate 2 Review. It offers key areas to explore and evidence to look for. As each project is unique and circumstances change, the guide should be used as a guide to the range of appropriate questions and evidence, rather than a full checklist of mandatory items.

The ISA *Assurance Review Guide* provides comprehensive guidance on how to undertake an assurance review in South Australia.

Assurance review objectives

The objective of the Gate 2 Review is to investigate:

- how well the recommended project option best meets the service need and maximises benefits at optimal cost
- how well the project is performing against the five key focus areas, and
- if the project is ready for an investment decision by Cabinet.

When the Gate 2 review is undertaken the sponsor agency should have finalised the detailed assessment of the shortlisted options progressed following the Gate 1 Options Analysis Review.

Once the Business Case is 95–100% complete and prior to an investment decision by Cabinet and any other funding partners, the sponsor agency will undertake a Gate 2 Business Case Review.

The Final Business Case recommends an option that best meets the service needs and maximises the benefits to users and the wider community at the optimal cost. The sponsor agency outlines procurement and contracting methodology and overall delivery strategy.

Documents

The assurance review team will require access to a range of documents. The *Business Case Template* outlines evidence expected to be available and the plans (either draft or final) that should be available for the Gate 2 Review.

In addition to these documents, the assurance review team may request other information it considers relevant for the review.

Required information 5 business days before the planning meeting.

- Strategic Assessment and Initiative Registration form (if not previously provided)
- Options Analysis (final).
- Previous assurance review report and recommendation action plan (RAP).
- Business case (draft/final).

Required information for the planning meeting:

- Overview presentation (PowerPoint) that provides an overview of the project and addresses the five key focus areas. This will be delivered at the planning meeting.

Minimum information required for the review.

- Benefits management plan and benefits register
- Design approach and concept and/or masterplan
- Technical documentation
- Stakeholder management plan
- Project budget (actuals and forecast) including final cost and revenue plans/reports (incl. any peer review reports)
- Final Cost Benefit Analysis (CBA) with Benefit-Cost Ratio (BCR) and Net Present Value for all options (or appropriate equivalent)
- Governance structures/documents/organisation chart for project/program
- ToR, minutes and agendas (last three) for project steering group
- ToR, agendas, minutes (last three) for project team
- Procurement strategy
- Project management plan/project implementation plan
- Change control plan and change management plan
- Project reports (last three)
- Issues register, risk management plan and register
- Examples of lessons learned captured by or used to inform the project
- Detailed program/schedule showing current status and remaining activities planned through to completion
- Any other information/documents sought by the review team.

OFFICIAL

Interviews

The assurance review team will interview key stakeholders involved in the project. Likely stakeholders to be interviewed include:

- Senior Responsible Officer (SRO)
- Project Sponsor (if not SRO)
- Project Director and/or Project Manager
- project team members involved in design/cost planning/scheduling/communication (sponsor agency, delivery agency and external)
- specialists/consultants that have contributed to the project
- senior agency representatives responsible for infrastructure planning and prioritisation
- senior representatives of the asset owner and operator
- stakeholders from other agencies, bodies and/or user groups (internal and external)
- intended users of the infrastructure solution.

The sponsor agency must provide a stakeholder list to ISA before the planning meeting. The review team will select who they would like to interview on the planning meeting. The sponsor agency (i.e. SRO) is responsible for ensuring that interviewees (or appropriate proxies) are available on the specified interview days. A final interview record is included in the review report.

Key focus areas (KFAs)

Strategic Fit

This KFA examines the strategic alignment, the case for change, integration and the intended benefits and outcomes of the project.

In particular, the review team should confirm:

- the project is strategically aligned and meets the specified need
- the scope and requirements specifications are realistic, clear and unambiguous
- there is a service plan is in place and project will be fully integrated, and
- benefits and outcomes have been confirmed and the benefits management plan is in place.

In addition to the ToR, the review team should explore the following areas and evidence.

Areas and questions		Evidence expected
Strategy		
1.1	Will the recommended option meet wider government and organisational policies, strategic objectives, standards and business change programs?	• Clear understanding of how the initiative is aligned to the greenhouse gas emission reduction targets. • Clear alignment with government strategies, frameworks, plans, policies and standards. • Clear alignment with organisational strategies, frameworks (including strategic asset management plan), plans and policies. • Clear alignment with any wider program or policy initiative. • Strategic justification for the government to proceed with the investment and overall project.
1.2	How has the project confirmed the need for the investment?	• Clear definition of current state and current service model. • The service need and future demand is clear and appropriately modelled and defined. • Confirmation that government intervention and recommended investment is required. • The consequences and risks of inaction are clearly identified and described.
Integration		
1.3	Is there a service plan and are all the interfaces with the broader service network factored into the project?	• Service plan is approved. • Confirmation/agreement on how the project will integrate with services across government and non-government entities. • Confirmation/agreement on how the services will integrate across the asset portfolio and the relevant sector. • Interfaces with other programs including dependencies and direct impacts are considered. • Systems changes (technology, processes or procedures) are considered.

Areas and questions		Evidence expected
1.4	Have the interfaces with the sector's assets and infrastructure network been considered and addressed?	• Confirmation/agreement on how the asset will integrate with government and non-government infrastructure. • Confirmation/agreement on how the project will integrate with other proposals including dependencies and direct impacts. • Interfaces with other programs, including dependencies and direct impacts are considered. • Confirmation that asset owner and operational requirements across affected organisations are integrated into options developed (especially the recommended option).
1.5	Will the project successfully integrate into the built environment (place-making)?	• The project has incorporated best practice design principles. • Potential land use changes (requirements/opportunities) and integrated urban development and place making opportunities (with relevant partners/stakeholders) have been considered. • Integrated development opportunities that will be delivered, have agreement from relevant partners.
1.6	Is there an appropriate concept design/ masterplan and a clear approach for planning approvals?	• Concept and/or masterplan has been developed to an appropriate level/percentage to inform the cost and revenue assumptions and financial and economic appraisals. • Development of functional brief. • Design principles for design, development and delivery are in place. • Design reviews and planning requirements are/will be followed and completed. • Evidence that the project schedule allows sufficient time for the development to the required design quality.
1.7	Is the project aware and compliant with legislative, policy and regulatory requirements?	• Consideration of applicable legislative, policy and regulatory requirements. • Compliance with property, health and safety, sustainability and design standards.
Benefits and outcomes		
1.8	Have the project benefits and outcomes sought been clearly identified?	• Clear definition of project scope and objectives that is realistic, clear and unambiguous, with a clear link between the problems and benefits to be delivered. • All benefits have been identified, qualified and/or quantified, and included in a Benefits Register and Management Plan. • Outcomes sought (including functional and performance requirements, operational capabilities, service changes) are clearly defined and can be delivered. • All benefits and outcomes can be delivered.
1.9	Have critical success factors been identified and can they be measured and delivered?	• Identification of the essential areas of activity that must be performed well if the benefits and outcomes are to be delivered.

Stakeholders

This KFA examines stakeholder identification, engagement and management and the level of support by users and key stakeholders.

In particular, the review team should confirm:

- there is support and agreement from key stakeholders for the project and that they have confidence that the project will meet their needs and requirements, and
- the asset owner and operator's requirements have been addressed.

In addition to the ToR, the review team should explore the following areas and evidence.

Areas and questions		Evidence expected
Management		
2.1	Are stakeholders and project partners being well engaged and well managed?	• Stakeholder engagement and communication plan(s) has been developed, showing roles and responsibilities, stakeholder role and key messaging.
2.2	Is communication effective?	• Communication strategy/plan and materials have been developed and implemented during engagement activities. • Communication in the project team and with internal and external stakeholders, as well as the local and wider community, is working well.
Internal and asset owner/operator		
2.3	Have all key internal stakeholders been identified and engaged, and do they support the recommended option?	• Project development and decision-making process is inclusive of all relevant internal stakeholders and is both efficient and effective. • Key internal stakeholders have been consulted and their views have been incorporated in the development of the recommended option(s). • Internal and end-user stakeholder endorsement of the investment and recommended option(s). • Clear documentation of consultation outcomes (including decisions and results) that are communicated back to key internal stakeholders.
External and asset users		
2.4	Have all key external stakeholders been identified and engaged, and do they support the recommended option?	• Project development and decision-making process is inclusive of all relevant external stakeholders and is both efficient and effective. • Key external stakeholder and partner endorsement of the recommended option(s). • Project development and decision-making process has considered the impacts on the local and broader community from both delivery and desired outcome perspectives. • Key end-user endorsement of the recommended option(s).

Areas and questions		Evidence expected
		• Clear documentation of consultation outcomes (including decisions and results) that are communicated back to key external stakeholders. • The local and broader community will (or will likely) support the recommended option(s).
2.5	Have Aboriginal stakeholders been identified and are their views and/or needs clearly understood?	• Assessment of Aboriginal significance and engagement. • Documentation of consultation outcomes.

Impact and Value for Money

This KFA examines the economic, social, environmental, sustainability and financial impacts and the overall value for money, affordability and commercial viability.

In particular, the review team should confirm:

- objective assessment criteria and an objective process has been utilised to arrive at the recommended option
- an appropriate economic, social, environmental and sustainability assessment has been undertaken
- an appropriate economic and financial appraisal has been completed, the proposed budget is appropriate and overall approach is generally affordable and achievable, and
- the project is likely to achieve value for money.

In addition to the ToR, the review team should explore the following areas and evidence.

Areas and questions		Evidence expected
Impact		
3.1	Are the shortlisted options still the best options to address the need?	• The shortlisted options remain aligned to the desired outcomes and business requirements. • The long listed options eliminated during Options Analysis should not be further analysed or recommended.
3.2	Have all the locational constraints and opportunities been identified and confirmed?	• Location, site history and heritage considerations. • Land and built form constraints are considered and opportunities are confirmed. • Aboriginal significance is considered and opportunities are agreed to and integrated into the project. • Environmental conditions and features are considered and opportunities are confirmed.
3.3	Have economic, social and environmental impacts and opportunities been identified and assessed for the shortlisted options?	• Key economic, social and environmental impacts and opportunities have been identified and documented. • Impacts and opportunities have been clearly assessed as either being qualified, quantified or monetised (and those monetised are included in a Cost Benefit Analysis (CBA)).

3.4	Are sustainability and resilience constraints and opportunities well understood and incorporated into the option analysis?	• Detailed assessment of future adaptability.
		• Detailed assessment of overall resilience, including:
		  – shocks and stressors
		  – adaptability/flexibility.

Value for Money		
3.5	Is there sufficient evidence to support the monetised benefits for each option?	• Appropriate approach to identify and maximise monetised benefits. • Project whole-of-life benefits have been considered. • Appropriate sourcing of benefits (including from guidelines and standards).

Areas and questions		Evidence expected
		• Appropriate planning, programming and scheduling of benefits to underpin benefit realisation assumptions.
		• Appropriate benchmarking of benefits against comparable projects/programs.
		• There is no double counting of benefits.
3.6	Is there sufficient evidence to support the total revenues for each option?	• Appropriate approach to identify and maximise revenue.
		• Project and operational whole-of-life revenues have been considered.
		• Detailed revenue report to support the base and risk-adjusted revenues underpinning the financial analysis.
		• Appropriate planning, programming scheduling assumptions for revenues underpinning the financial analysis.
		• Appropriate benchmarking of revenues against comparable projects/projects.
3.7	Is there sufficient evidence to support the total costs for each option?	• Appropriate approach to identify and reduce costs without significantly reducing benefits or desired outcomes.
		• All Project capital and operational costs (including whole of life) have been considered.
		• Has the Project factored in appropriate escalation rates?
		• Appropriate sourcing of cost estimates, commensurate to the design confidence level.
		• Detailed cost estimate schedule to support the base and risk-adjusted costs underpinning the cost plan.
		• Sufficient planning, programming and scheduling of costs to underpin/confirm project costs.
		• Appropriate benchmarking of costs (capital and operational) against comparable projects/programs.
3.8	Is risk appropriately factored in into the cost estimate?	• Probabilities and impacts appear reasonable.
		• Modelling includes P50 and P90 values or other appropriate approach.
		• P50 and P90 values reflect the level of noted in the risks register.
		• There is no double counting of risk.
3.9	Has a complete and integrated assessment been undertaken (eg Cost Benefit Analysis) and does the recommended option(s) meet the service need and maximise benefits at optimal cost?	• Comprehensive and complete integrated analysis on the shortlisted options.
		• Monetised economic assessment that incorporates an appropriate CBA, including Benefits Cost Ratio and Net Present Value analysis.
		• The CBA appraisal of the options has been undertaken in accordance with the ISA Impact Analysis Cost-Benefit Analysis methodology and sector guidance materials.

Areas and questions		Evidence expected
		• Where a CBA is not appropriate, Cost-Effective Analysis (CEA) has been undertaken.
		• All impacts, whether they are qualified, quantified or monetised (in the CBA), have appropriately influenced the section of recommended option(s).
		• Methodology, evidencing and assessment to select the recommended option(s) is clearly documented.
		• The recommended option(s) will meet the service need and maximise benefits at optimal cost.
3.10	Has appropriate sensitivity and scenario modelling occurred?	• Appropriate sensitivity modelling and scenario testing.
		• Selection of the recommended option(s) is still justified under the variable sensitivities and scenarios.
3.11	Is the project affordable and are funding sources confirmed?	• The recommended option(s) appear viable, affordable and achievable.
		• Funding sources have been confirmed (especially for the recommended option).
3.12	How has the delivery strategy been determined and is it realistic?	• The market can deliver/purchase/finance the project.
		• The procurement approach is aligned to delivering the benefits and incorporated into the financial (and economic appraisal).

Governance and Risk Management

This KFA examines governance, project management, risk management, change management and decision-making.

In particular, the review team should confirm:

- recommendations from the Gate 1 Options Analysis Review have been actioned
- project controls are defined and in place
- there is internal and external authority and support for the project, and
- that risks have been identified and are being managed.

In addition to the ToR, the review team should explore the following areas and evidence.

Areas and questions		Evidence expected
Governance		
4.1	Is the approach to managing the project clearly defined and is it appropriate for the scale of the project?	• Project management plan is approved, up-to-date and being implemented. • Utilisation of project management framework and project management tools. • Assurance reviews are planned and prepared for.
4.2	Is change being planned for, managed and controlled?	• Change control plan. • Change management plan. • Appropriate decision registers/change logs are used.
4.3	How is project managing contractors and suppliers?	• Requirements for 'intelligent customer' capability considered. • Structure and approach for managing contractors/suppliers. • Where multiple suppliers are likely to be appointed, high-level plans for managing the interfaces. • Appropriate relationship determined and optimum scale of contract(s) considered.
4.4	Is the project governance structure appropriate and is it fully utilised and effective?	• Documented governance and reporting arrangements. • Organisation charts with named individuals in key positions (such as SRO, project sponsor, project director, stakeholder representation). • Project governance chart showing relationships between Agency Governance/Executive, project Executive/Steering Committee(s), other project management group(s) and reference groups. • RACI matrix. • Key project steering and control and/or management bodies/groups are regularly meeting and provided with sufficient information for steering/decision-making purposes. • Issues are discussed and acted upon, as required.

Areas and questions		Evidence expected
		• Key decisions are made and documented during the development of the project. • Appropriate approvals at key milestones or when statutorily required.
4.5	Is project reporting effective?	• Regular reporting is being undertaken in accordance with project management and/or governance plans. • Reporting provides sufficient detail on key milestones, progress, issues, risks, and cost and accurately reflect the current status to inform decision making.
Risk Management		
4.6	Are there processes to identify, assess, allocate, manage and monitor current, anticipated and emerging risks and opportunities?	• Risk management plan is developed in accordance with best practice with defined roles, responsibilities and processes for managing and closing risks. • Ongoing identification and active management of risks and opportunities using a structured and formal methodology • Risk register – which includes assessment, categorisation, prioritisation and planned mitigation options and contingency plans of uncertain events that could adversely affect the achievement of the project objectives. Each event is assigned to an individual.
4.7	Have the risks for each of the options (especially the recommended option) been evaluated?	• Anticipated risks for the recommended option(s) classified by probability and impacts. • Risks which would jeopardise proceeding to the next phase fully assessed. • Risks have been appropriately factored into the project cost and budget.
4.8	Have the risks for the overall project been fully assessed and understood?	• Involvement of senior stakeholders in assessing strategic risks. • Senior stakeholders understand the risks and implications should they materialise. • Assessment of risk, costs and benefits to demonstrate appropriate balance of risk and reward in project, demonstrating planned risk-taking and support for innovation where appropriate. • Plans for managing and allocating risk through the contract(s).

Infrastructure Delivery

This KFA examines the capacity, capability and timeframes for the project. In particular, the review team should confirm:

- internal and external resources and capabilities are adequate, and

- there are plans for the next stage, planning assumptions are appropriate and that the project team can deliver the next stage.

In addition to the ToR, the review team should explore the following areas and evidence.

Areas and questions	Evidence expected
Capability and capacity	
5.1 Are project team skills adequate?	- Resource plan for internal staff. - Identification of skills required for next phase of the project. - Skills appraisal and plans for addressing shortfalls. - Training assessment and plans. - Project team has requisite skills or access to specialist expertise. - Current organisational culture, and leadership and organisational capability has been considered.
5.2 Are consultant/supplier arrangements logical, clear and transparent?	- Continuity of service up to transition to new suppliers/consultants. - Current suppliers will support due diligence during procurement phase. - Clear separation of roles where incumbent supplier is bidding for any replacement contract. - Consideration of workforce issues, where applicable. - Procurement/probity advice is sought (if required).
5.3 Is the project likely to be attractive to the market and will the market have capacity to deliver the project?	- Examination of recent similar procurements by others (if applicable). - There is adequate indication of sufficient capacity, capability and competitive interest in the market to meet the requirement. - Supply-side involvement to help determine and/or validate project outputs and outcomes sought are achievable by the market. - Senior management are sufficiently engaged with the market to identify and assess supply-side risks.
5.4 Has the project assessed whether it is breaking new ground in any areas?	- Similar projects or activities from which lessons may be drawn have been reviewed. - Innovative solutions and/or methodologies (options assessment, funding models, procurement models etc) have been identified and considered.

Areas and questions		Evidence expected
Time		
5.5	How is the project tracking against the project schedule and is the forward plan realistic?	• Detailed project schedule outlines future activities and project phases to a sufficient level of detail. • Validation of current assumptions informing schedule. • Critical path has been identified. • Targets/milestones set and are realistic. • Senior management are committed to the plan.
5.6	Does the project schedule incorporate activities to a sufficient level of detail and is there a realistic plan to reach the Gate 3: Procurement Review	• Schedule identifies approvals and statutory processes (including assurance reviews, Cabinet approvals, Public Works Committee, procurement, project delivery, commissioning, handover and operations). • Specific objectives, planning assumptions, constraints, activities, quality plans, deliverables and milestones defined and agreed for the next project phase.