

Business case



Gate 2



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Overview of Gate 2: Business case

About this workbook

This workbook supports Gate 2: Business case.

This review investigates the assumptions in the final business case (or similar document) and proposed approach for delivering the project. If there is procurement, the delivery strategy will include details of the sourcing options, proposed procurement route and supporting information. The review will also check that plans for implementation are in place.

Purpose of Gate 2: Business case

- Confirm the business case (or similar document) now that the project is fully defined.
- Confirm that the objectives and desired outputs of the project are still aligned with the program to which it contributes.
- Ensure that the delivery strategy is robust and appropriate.
- Ensure that the project's plan through to completion is appropriately detailed and realistic, including any contract management strategy.
- Ensure that the project controls and organisation are defined, financial controls are in place and the resources are available.
- Confirm funding availability for the whole project.
- Confirm that the development and delivery approach and mechanisms are still appropriate and manageable.
- If appropriate, check that the supplier market capability and track record are fully understood (or existing supplier's capability and performance) and that there will be an adequate competitive response for the market to the requirement.
- Confirm that the project will facilitate good client/supplier relationships in accordance with any relevant Queensland Government initiatives.
- Confirm that appropriate project performance measures and tools are being used.
- Confirm that there are plans for risk management, issue management (business and technical) and that these plans will be shared with suppliers and delivery partners.
- Confirm that quality procedures have been applied consistently since the previous review.
- For construction projects, confirm compliance with health, safety and sustainability requirements.
- For ICT-enabled projects, confirm compliance with ICT information security requirements and ICT standards.
- Confirm that internal organisational resources and capabilities will be available as required for the future phase of the project.
- Confirm that stakeholders support the project and are committed to its success.
- Evaluate actions taken to implement recommendations made in any earlier assessment of deliverability.

Business case

Following Gate 1: Preliminary evaluation, the project board determined that the project was feasible and there was a robust business case (or similar document). The next phase defines the delivery strategy, focusing on establishing a clear definition of the project and a plan for its implementation. Any outstanding assumptions from the business justification for the project should now be verified.

Gate 2: Business case assesses the project's viability, its potential for success, the value for money to be achieved and the proposed approach for achieving delivery of the project's objectives. If appropriate, the review will assess whether the project is ready to invite proposals or tenders from the market. This review assures the project board that the selected delivery approach is appropriate for the proposed business change, whether involving the acquisition of goods or services, effecting organisational change, policy implementation, rollout of services to citizens, or other development.

Note that where a strategic partnering arrangement is in place, procurement regulations may still apply along with market benchmarking, value for money assessments and potential contract changes, therefore the Gate 2 review must still be undertaken. The project team and review team must be satisfied that due consideration has been given to all the factors, including choices about proposed commercial arrangements with the existing supplier that offer value for money.

A project will normally go through a single Gate 2 review to validate the proposed delivery strategy before any commitments are made to prospective suppliers or delivery partners about the acquisition process. However, large procurement projects taking many months may need to go through more Gate 2 reviews.

Note: The terms supplier, bid, tender, contract etc. in the following sections should be interpreted in the context of the nature of the delivery solution and the likely commercial relationship between the client organisation and the delivery partner organisation.

Review guidance

This section contains key topics that are commonly considered when undertaking a Gate 2: Business case review. Because each project is unique, it should be used as a guide to the range of appropriate topics and evidence, not a complete checklist of mandatory items.

Review teams are expected to use their own expertise in determining which topics are the most relevant for the project being reviewed. Consideration should also be given to whether additional or different issues need to be addressed and evidence sought.

1. Assessment of delivery approach

Areas to probe		Evidence expected
1.1	Have all the relevant options for delivery been investigated and do these consider both the business needs of the agency and address relevant government priorities?	<ul style="list-style-type: none"> examination and assessment of options, including the use of internal resources.
1.2	Are the business needs clearly understood by the client organisation and likely to be understood by those involved in delivery?	<ul style="list-style-type: none"> detailed output or outcome-based definition of requirements specification to include key success factors to show how achievement of outputs or outcomes will be assessed appropriate quality criteria applied to information for the delivery agency (internal or external).
1.3	Are the project outputs/outcomes accurately reflected in the requirement specification?	<ul style="list-style-type: none"> depending on the nature of the delivery, an appropriate form of requirement specification reviewed and endorsed by stakeholders appropriate mechanism to articulate the requirement to potential suppliers, internal or external, quality assured to ensure that suppliers will understand what is wanted.
1.4	Where appropriate, have options for the procurement models been evaluated, including sources of supply?	<ul style="list-style-type: none"> all appropriate sourcing options examined (e.g. use of internal resources, single or multiple suppliers opportunities for collaboration and use of existing framework) for construction projects, evidence that integrated procurement models including Public Private Partnership (PPP), contracting, design and build have been fully evaluated for ICT-enabled projects, the decision to contract for an output or for constituent building blocks or activities is soundly based where Private Public Partnership (PPP) is the proposed option, confirmation that it is appropriate comparison with similar projects and analysis, supported by commercial intelligence on market capability reasons for selecting sourcing options documented and justified.
1.5	Will the project be attractive to the market?	<ul style="list-style-type: none"> detailed market sounding undertaken, including an examination of recent similar procurements by others or a commentary on the capacity of the market and the nature of the project's likely suppliers initial assessment of likely suppliers undertaken an assessment of market capacity to deliver

Areas to probe		Evidence expected
		<ul style="list-style-type: none"> • an assessment of the competitive interest in the requirement • if appropriate, assurance that the agency has adequate expertise and capacity to undertake internal delivery of the requirement • analysis of potential variations or innovations.
1.6	Has the proposed procurement procedure been evaluated	<ul style="list-style-type: none"> • where legislative directives apply, an open, restricted, negotiated or sole supplier procedure has been identified • reasons for following this procedure are understood, related risks have been evaluated (such as impact on timeframes and bid costs for suppliers) and the decision has been justified and documented • if appropriate, other options have been considered and the risks and benefits evaluated • legal advice has been sought on any procurement approach • where relevant, evidence is available indicating good forward planning of the procurement process and time savings identified • where relevant, evidence that standard Queensland Government conditions of tender and contract have been used or that variations have been endorsed.
1.7	Is the selected delivery strategy defined and endorsed?	<ul style="list-style-type: none"> • delivery strategy clearly defined, showing reasons for selection, and agreed with stakeholders • evidence that relevant government policy has or will be taken into account in the tender documentation • evidence that the procurement is funded sufficiently to accept a tender, before tenders are invited • evidence that business continuity and future exit, handover and transition strategies have been considered at high level • confirmation of development, involvement and endorsement of the delivery strategy by the appropriate individuals • strategy to include, as appropriate: <ul style="list-style-type: none"> – description of the key objectives and constraints (e.g. timeframe), funding mechanism and risk allocation – the delivery model (how the strategy will be achieved), including sourcing option and contract strategy – procurement procedure – timeframe including timetable and milestones for pre-procurement activities, implementation and contingency in the event of unavoidable slippage – assessment of marketplace and potential suppliers, the roles, resources and skills needed to manage the delivery strategy – alignment with plans for implementation • procurement innovation and sustainability issues have been considered.

Areas to probe		Evidence expected
1.8	Have the factors that influence the delivery strategy been addressed?	<ul style="list-style-type: none"> documented evidence that key factors influencing the delivery strategy have been taken into account evidence that efficiency and predictability of delivery process have been considered with a process in place for addressing the impact of any deviation from the plan and timetable, and plans for two-way communications with stakeholders and suppliers.
1.9	Will the delivery strategy facilitate communication and co-operation between all parties involved?	<ul style="list-style-type: none"> communication strategy and support mechanisms in place evidence that the delivery strategy will include: <ul style="list-style-type: none"> early involvement of suppliers to ensure the design is fully informed by the delivery process clearly defined performance criteria with key performance indicators and a system for measuring performance.
1.10	Is there adequate knowledge of existing and potential suppliers? Who are the suppliers most likely to succeed?	<ul style="list-style-type: none"> evidence showing that adequate knowledge of existing and potential suppliers has been considered evidence of commercial market intelligence, market sources and potential suppliers evidence of track records from public and private sector considered: <ul style="list-style-type: none"> public sector's ability as a customer to work in this way private sector track record in meeting similar or equivalent business need indications of the types of suppliers most likely to succeed in delivering the required outcomes.
1.11	Is the contract management strategy robust?	<ul style="list-style-type: none"> contract management strategy takes account of key factors such as the required informed purchaser skills, proposed relationship and management of single or multiple suppliers evidence of continuity of key project personnel.
1.12	Has the project team complied with the relevant policies and guidelines in preparation of the tender documents?	<ul style="list-style-type: none"> evidence of the procurement process complying with the relevant procurement policies and guidelines tender documentation reviewed and shown to be complete with an accurate description implications of the requirement thoroughly considered (e.g. ensuring take-up of new services by citizen) with contingency plans for phasing out current ways of providing service tender documents including, evaluation criteria and weightings have taken into account relevant policies.

	Areas to probe	Evidence expected
1.13	Is the evaluation strategy (including how to demonstrate value for money) accepted by stakeholders and compliant with relevant procurement policies?	<ul style="list-style-type: none"> • evaluation criteria and model(s) approved by stakeholders • key evaluation criteria linked to business objectives and given appropriate weighting • separated financial and non-financial evaluation • evaluation criteria and priorities in meeting that need included in tender documents such as quality of service and innovation • where appropriate, the evaluation includes benchmarking the value for money offered by partnering, internal supplier or framework/call-off arrangement • consideration of contract duration in relation to value for money and whole-life costs.

2. Business case and stakeholders

Areas to probe		Evidence expected
2.1	Does the business case continue to demonstrate business need and contribution to the agency's business strategy?	<ul style="list-style-type: none"> continued confirmation that the project will meet business needs (including confirmation that priorities remain unchanged where any external factors may have an effect) confirmation that the objectives and desired outputs of the project are still aligned with the program to which it contributes, if appropriate.
2.2	Is the preferred way forward still appropriate?	<ul style="list-style-type: none"> continued confirmation of the way forward, supported by assessment based on indicative assumptions about factors such as interdependencies with other programs and projects, reliance on partners to deliver and availability of internal resources.
2.3	Is the proposed arrangement likely to achieve whole-life value for money?	<ul style="list-style-type: none"> basis for calculating costs (value of requirements) and comparison of delivery approaches (e.g. tenders) agreed with key stakeholders updated business case on the basis of the full project definition, market assessment and initial benefits plan delivery strategy reflected in business case examination of sensitivities and financial implications of handling major risks and assessment of their effect on project return projects that are not designed to achieve a financial return should include comparisons with similar successful projects to assess the potential to achieve value for money and to set targets.
2.4	Are the costs within current budgets? Is the project's whole-life funding affordable and supported by the key stakeholders?	<ul style="list-style-type: none"> reconciliation of projected whole-life costs with available budget, reviewed and accepted or approved by key stakeholders project costs within agencies' forecasted spending plans.
2.5	Is the agency still realistic about its ability to achieve a successful outcome?	<ul style="list-style-type: none"> comparison with similar projects (and similar agencies), assessment of past track record in achieving successful change, plans to manage known weaknesses, where applicable plans for incremental/modular approaches and contingency plans in place if the project traverses organisational boundaries, there are clear governance arrangements to ensure sustainable alignment with the business objectives of all agencies involved.
2.6	Is there a clear definition of the total project scope?	<ul style="list-style-type: none"> updated document showing total project scope including business change, where applicable (Gate 1: Preliminary evaluation).
2.7	Are the risks and issues relating to business change understood? Is there an initial plan to address these issues?	<ul style="list-style-type: none"> risks and issues relating to business change logged with a management plan and owner for each relevant impact assessment and appraisal issues (such as regulatory impact, sustainable development and environmental appraisal) are documented.

Areas to probe		Evidence expected
2.8	Do stakeholders support the project? Is the agency still fully committed?	<ul style="list-style-type: none"> documented involvement of and endorsement by stakeholders.
2.9	Are the benefits to be delivered by the project understood and agreed with stakeholders? Is there an initial plan for realising and evaluating benefits?	<ul style="list-style-type: none"> benefits are clearly stated initial plan for realising and evaluating delivery of benefits, including costs offset (e.g. improved quality of service and/or savings over the project's expected life) critical success factors for the project are still valid and agreed with stakeholders.

3. Risk management

Areas to probe		Evidence expected
3.1	Are the major risks and issues identified, understood, financially evaluated and considered in determining the delivery strategy?	<ul style="list-style-type: none"> major issues and risks logged and up to date with evidence of appropriate action taken, including strategic, political, commercial, legislation, in addition: <ul style="list-style-type: none"> interdependencies identified, if applicable, with other projects within this program and with other programs within and outside the agency for construction projects, health and safety risks for the whole life of the project identified for ICT-enabled projects, risks relating to ICT and information security and take-up (where applicable) identified each risk assessed financially and included in business case either as sensitivity or a separate risk allocation assessment of all technical risks documented, such as buildability and risks associated with innovation.
3.2	Are there risk management plans?	<ul style="list-style-type: none"> project risk management strategy in place, developed in line with best practice risk management plans and responsibilities for managing each risk clearly identified, allocated and approved by stakeholders risk reporting process in place for upward referral of risks contingency and/or business continuity plans developed if required.
3.3	Have all the issues identified been satisfactorily resolved?	<ul style="list-style-type: none"> issue and risk logs are regularly reviewed by project team and evidence of appropriate action taken.
3.4	Are the external issues being addressed? These include the statutory process, communications, public relations and environmental issues?	<ul style="list-style-type: none"> list of external issues related stakeholders listed, with plans for contact with each to meet the project needs external relations plan developed and implemented as part of communications strategy.

4. Review of current phase

Areas to probe		Evidence expected
4.1	Is the project under control?	<ul style="list-style-type: none"> project running to schedule and costs within budget, as shown in project budget and timetable reports governance framework, stakeholder engagement plan, project plan and any other relevant critical documentation in place and appropriately managed.
4.2	What caused any deviations such as over or under-runs?	<ul style="list-style-type: none"> reconciliations set against budget and time frames, and in accordance with risk allowances reconciliations supported by variance reports which explain the reasons for and actions taken in response to these variances.
4.3	What actions are necessary to prevent deviations recurring in other phases?	<ul style="list-style-type: none"> analysis and plans documented in project management documentation that is continually reviewed and updated.
4.4	Are there any assumptions documented at Gate 1: Preliminary evaluation that have not been verified?	<ul style="list-style-type: none"> log of outstanding assumptions and plans to verify them, where applicable, classed and managed as issues.

5. Readiness for next phase - Investment decision

Areas to probe		Evidence expected
5.1	Is the project plan for the remaining stages realistic?	<ul style="list-style-type: none"> • clear objectives, deliverables and milestones for the next stage defined and signed off by stakeholders • recommendations from previous Gateway review actioned.
5.2	Are the project's timeframes reasonable?	<ul style="list-style-type: none"> • timelines are likely to meet business and legislative needs and have been verified with internal stakeholders and suppliers • comparisons with similar projects undertaken • where appropriate, relevant procurement policies and guidelines and their effect on timeframe taken into account • analysis of the effects of any slippage that will affect the project (e.g. procurement costs) and suppliers (e.g. bid costs) with supporting sensitivity analysis.
5.3	What are the arrangements for the next stage of the project? Has its activities been defined and resourced?	<ul style="list-style-type: none"> • plan showing roles, responsibilities, training requirements, internal and external resources, skills requirements and any project management mentoring resources available • involvement from a business, user and technical perspective • a suitable and appropriate plan for the selected delivery approach that identifies all key review and decision points, including any preliminary reviews • appropriate standard form of contract identified as the baseline for later adaptations as required.
5.4	Does the project have resources with, where required, the appropriate skills and experience?	<ul style="list-style-type: none"> • requisite skills available in the project team and access to external expertise as appropriate • requirements for informed purchaser capabilities, where appropriate, identified and plans for putting them in place • project relationships such as team work and partnering considered, with a plan to implement them where appropriate • internal and external commitment to provide the resources required • job descriptions for key project staff • skills audit undertaken and plans for addressing any shortfall • contract management staff identified to join the procurement team at an early stage to familiarise themselves with the project's intent and processes • appropriate allocation of key project roles between internal staff and consultants or contractors.

Project information required for Gate 2: Business case

The areas of investigation together with examples of evidence relevant to the areas of investigation should be available before the Gateway review commences.

The information is likely to be found in the documents suggested below, but may be located in other program or project documents or elsewhere in the agency's documentation system. These documents include:

- a final business case and initial plan for realising benefits
- the project's costs to date set against budget
- a plan for managing the business change
- specification of the project's expected outputs and outcomes
- the delivery or acquisition approach (including the procurement strategy if appropriate) and documented justification for the approach
- evaluation strategy and model to be used for evaluating proposals, if required
- well-developed requirements documentation, preferable as draft output-based specification or statement of requirements for procurement projects
- draft contract based on suitable standard contract model for procurement projects
- proposed implementation strategy for implementing the new service or works contract
- updated risk register, issue log and risk management plans
- current and planned business and technical policies, strategies and constraints (e.g. health and safety standards and information assurance requirements such as security schedule)
- outline project plans to completion and detailed plans for the next phase
- results of any business, commercial or technical benchmarking
- updated market intelligence and supplier assessment for procurement projects
- updated communications strategy and plan
- project quality documentation
- a strategy for measuring project performance, including health and safety for construction projects
- registration of interest documentation and tender evaluation criteria and weightings.

Further information

The following documents have been developed to provide further information on the Gateway review process:

- Gateway review process overview
- Gateway review guidebook for project owners and review teams
- Gate 0: Strategic assessment
- Gate 1: Preliminary evaluation
- Gate 2: Business case
- Gate 3: Contract award
- Gate 4: Readiness for service
- Gate 5: Benefits realisation

Further information is available on the Queensland Treasury website: <https://www.treasury.qld.gov.au/programs-and-policies/project-assessment-framework/gateway-reviews>

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