

# Project Assessment Framework

**Policy Overview**

July 2015



Queensland  
Government

# Component of the Project Assessment Framework (PAF)

This document forms part of the Project Assessment Framework, as outlined below.

Overarching policy document	
✓	Policy overview
Guidance material	
	<i>Strategic assessment of service requirement</i>
	<i>Preliminary evaluation</i>
	<i>Business case development</i>
	<i>Supply strategy development</i>
	<i>Source supplier/s</i>
	<i>Establish service capability</i>
	<i>Deliver service</i>
	<i>Benefits realisation</i>
Supplementary guidance material	
	<i>Cost-benefit analysis</i>
	<i>Alliance establishment and management</i>
Related policy documents	
	<i>Queensland public private partnership supporting guidelines</i>
	<i>Guidelines for the assessment of market-led proposals</i>

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# 1

## Purpose

This policy overview document provides information on the Project Assessment Framework's (PAF) application and its alignment with certain Queensland Government legislation, standards, frameworks, policies and guidelines including the National PPP Guidelines. The PAF suite of documents is designed to be read in conjunction with this policy overview.

# 2

## The Government project environment

The Queensland Government has a number of frameworks, policies and guidelines that assist in the delivery of projects. In broad terms, all can be classified into three categories which include:

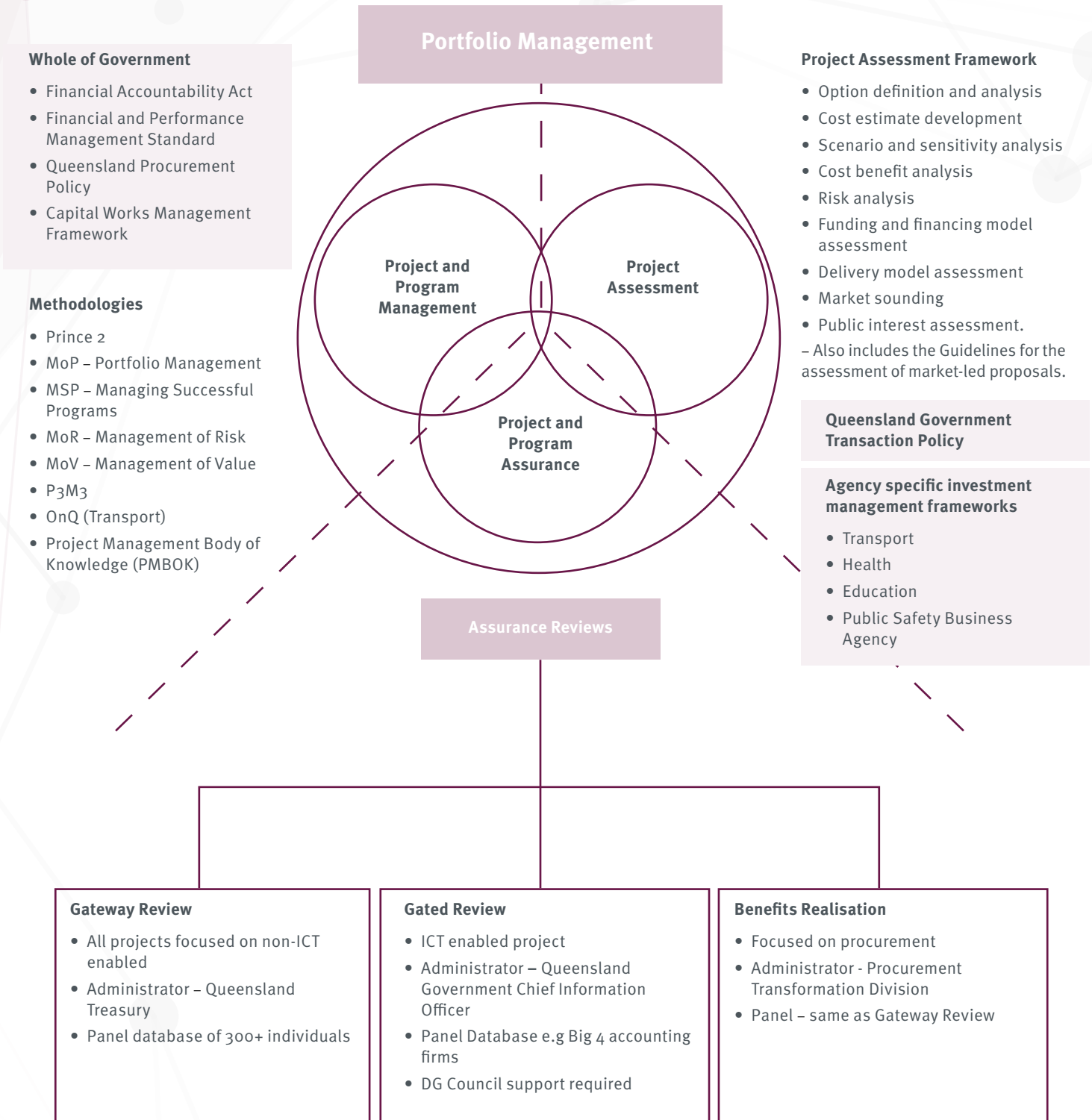
- Project Assessment – assists decision making, e.g. the PAF.
- Project Management (PM) – assists delivery, e.g. Prince 2.
- Project Assurance – assists governance, e.g. Gateway Review / ICT Gated Review.

*Figure 1* (see page 2) provides a conceptual overview of the government project environment and demonstrates the overlap between the three categories and therefore the overlap between the various frameworks, policies and guidelines. Depending on the materiality or nature of a project, different areas within the Government are required to use specific project frameworks, policies and guidelines. While not exhaustive, *Figure 1* also highlights other relevant whole-of-government requirements.

As described within *Figure 1*, there is overlap between the various project frameworks, guidelines and policies within the Queensland Government. The information below helps to identify some key differences:

- Gateway / Gated / Peer / Benefits reviews – these assurance techniques use specific processes (based on the United Kingdom's Office of Government Commerce Gateway Review process). These are not an assessment tool like the PAF.
- Prince 2 / Project Management Body of Knowledge (PMBOK) / other PM techniques – these tools primarily aid delivery and management. These are not an assessment tool like the PAF.
- Procurement advice – the PAF directs users to the Queensland Procurement Policy (QPP) in the first instance and then supplements that with guidance on how the QPP is applied within the various stages of the PAF.

**Figure 1—Overview of the government project environment**



# 3

## Project Assessment Framework

The PAF provides tools and techniques to assess projects throughout the project lifecycle and is not limited to infrastructure projects or public private partnership (PPP) projects. The PAF defines the lifecycle of a project to include:

- Strategic assessment of service requirement (what is the need?)
- Preliminary evaluation (development and assessment of options)
- Business case development (detailed assessment of options and option recommendation)
- Supply strategy development
- Source supplier/s
- Establish service capability
- Deliver service
- Benefits realisation.

Section 9 provides a more detailed summary of each stage.

Assessment tools and techniques include, but are not limited to, the following:

- option definition and analysis
- cost estimate development
- scenario and sensitivity analysis
- cost benefit analysis
- risk analysis
- funding and financing model assessment
- delivery model assessment
- market sounding
- public interest assessment.

In addition to dedicated guidance material on each lifecycle stage, the PAF suite of documents also includes supplementary guidance material on *Cost-benefit analysis* and *Alliance establishment and management*. *Queensland public private partnership supporting guidelines* and *Guidelines for the assessment of market-led proposals* are also available.

# 4

## Application of the PAF

### 4.1 Entities required to apply the PAF

As required under section 23(4) of the *Financial and Performance Management Standard 2009 (FPMS)*, departments and statutory bodies must have regard to the PAF in preparing evaluations concerning the acquisition, maintenance or improvement of significant assets.

*The Financial Accountability Handbook Volume 1, Information Sheet 1.4 Entity Types* includes public service offices, statutory authorities and corporations sole within the definition of departments and statutory bodies (depending on the requirements of their enabling legislation). *The Financial Accountability Handbook Volume 1, Information Sheet 1.4* refers to departments, public service offices, statutory bodies, statutory authorities and corporations sole as 'agencies' and this term 'agencies' is used throughout the PAF to refer to in-scope entities.

## 4.2 Exclusions

Local Governments are not required to apply the PAF and are not included within the PAF's use of the word 'agencies'. This is in line with the exclusion of Local Governments from the scope of the *Financial Accountability Act 2009* (FAA), as outlined in section 9(2)(c).

Local Governments may wish to adopt the assessment approach contained in the PAF as a matter of best practice when developing a capital investment proposal for projects.

## 4.3 Other entities

Other types of entities within the Queensland public sector, including joint ventures, Government Owned Corporations, proprietary limited companies (special purpose vehicles), and controlled entities have financial management and reporting requirements stipulated under other specific legislative requirements, such as the *Corporations Act 2001*. As a result, these agencies are not required to have regard to the PAF.

However, such entities may benefit from using the PAF when developing and implementing project assessment methodologies.

## 4.4 Thresholds

It is recognised that agencies undertake a range of projects which have varying levels of complexity and cost. As such, the application of the PAF on less complex/costly projects could be unnecessarily onerous. It is for these reasons that the PAF uses the following dollar thresholds for application purposes:

1. Agencies are to apply the PAF to projects with an estimated capital cost of \$100 million or more.
2. For projects with estimated capital costs of \$50 million or more (but less than \$100 million), all agencies are to apply the PAF or obtain written approval from their Director-General (or equivalent) should they seek to use an 'assessment methodology' other than the PAF.
3. For projects with estimated capital costs below \$50 million, agencies should use the PAF if their agency lacks an established project assessment methodology.
4. For all other projects identified by an agency as concerning a significant asset, where not captured by points 1-3 above, agencies must have regard for the PAF as required by the FPMS.

In determining whether to apply the PAF, agencies should adhere to the following principles and maintain a record of their decision:

- transparent decision making
- evidence-based support for the decision
- strategic alignment to agency objectives.

Agencies should contact Queensland Treasury if they require advice on whether or not to apply the PAF to specific projects.

**Note** – 'capital costs' are defined in Section 1.4, *Non-Current Asset Policies for the Queensland Public Sector – NCAP 1 Recognition of Assets*.

<sup>1</sup> The *Financial Accountability Handbook, Information Sheet (IS) 3.8 Property, Plant and Equipment* identifies that each agency is to determine what a 'significant asset' is in their particular circumstances.

# 5

## Relationship to the Financial and Performance Management Standard 2009 and Financial Accountability Act 2009

Section 23(4) of the FPMS states that departments and statutory bodies must have regard to the PAF in preparing evaluations concerning the acquisition, maintenance or improvement of significant assets.

'Have regard to' is defined in the Overview of *Queensland's Financial Accountability Framework* and means that an agency must consider the contents of the document (i.e. the PAF) and comply when its contents are applicable in the agency's circumstances.

The thresholds defined in section 4.4 do not exclusively define whether an asset is considered significant. The *Financial Accountability Handbook, Information Sheet (IS) 3.8 Property, Plant and Equipment Systems* identifies that each agency is to determine what a 'significant asset' is in their particular circumstances. In making this determination agencies would need to consider the following factors:

- dollar value
- materiality
- business as usual
- risk
- complexity.

**Note** – refer to *IS 3.8 Property, Plant and Equipment Systems* for further detail on defining a 'significant asset'.

# 6

## Relationship to other legislation, standards and policies

The PAF recognises the *Queensland Procurement Policy* (QPP) as the Government's overarching policy for the procurement of goods and services. The QPP and PAF are closely aligned and the PAF complements the QPP. The procurement related stages of the PAF are to be consistent with the QPP. The QPP and related guidance are available at [www.hpw.qld.gov.au](http://www.hpw.qld.gov.au).

Agencies will also be bound by other applicable legislation, standards, frameworks, policies and guidelines. The PAF does not aim to stipulate the requirements for each individual agency, and this must be determined on a case by case basis by each agency.



# 7

## The project development process and private sector involvement

Under the PAF, projects have one pre-project stage (*Strategic assessment of service requirement*), six generic project stages (*Preliminary evaluation; Business case development; Supply strategy development; Source supplier/s; Establish service capability; and Deliver service*) and one post-project stage (*Benefits realisation*). These stages have been categorised such that at the end of each stage, a decision should be able to be made about the readiness to proceed to the next stage of the project.

In response to increasing fiscal constraints, the PAF requires agencies to place greater emphasis on private sector investment in all circumstances (including financing options). Options analysis should consider and progress delivery models with private sector investment unless there is demonstrable evidence that this will not deliver the best value for money for the Government. Agencies should note that where the PAF is applicable, projects with a capital cost equal to or more than \$100 million must be considered as potential PPP candidates. This threshold is a separate test to the applicability threshold discussed in section 4.4 of this *Policy Overview*.

*Figure 2* illustrates the project stages through which a project typically progresses. Each project will have varying levels of potential private sector involvement and/or investment. This analysis is undertaken during the *Preliminary evaluation* stage after:

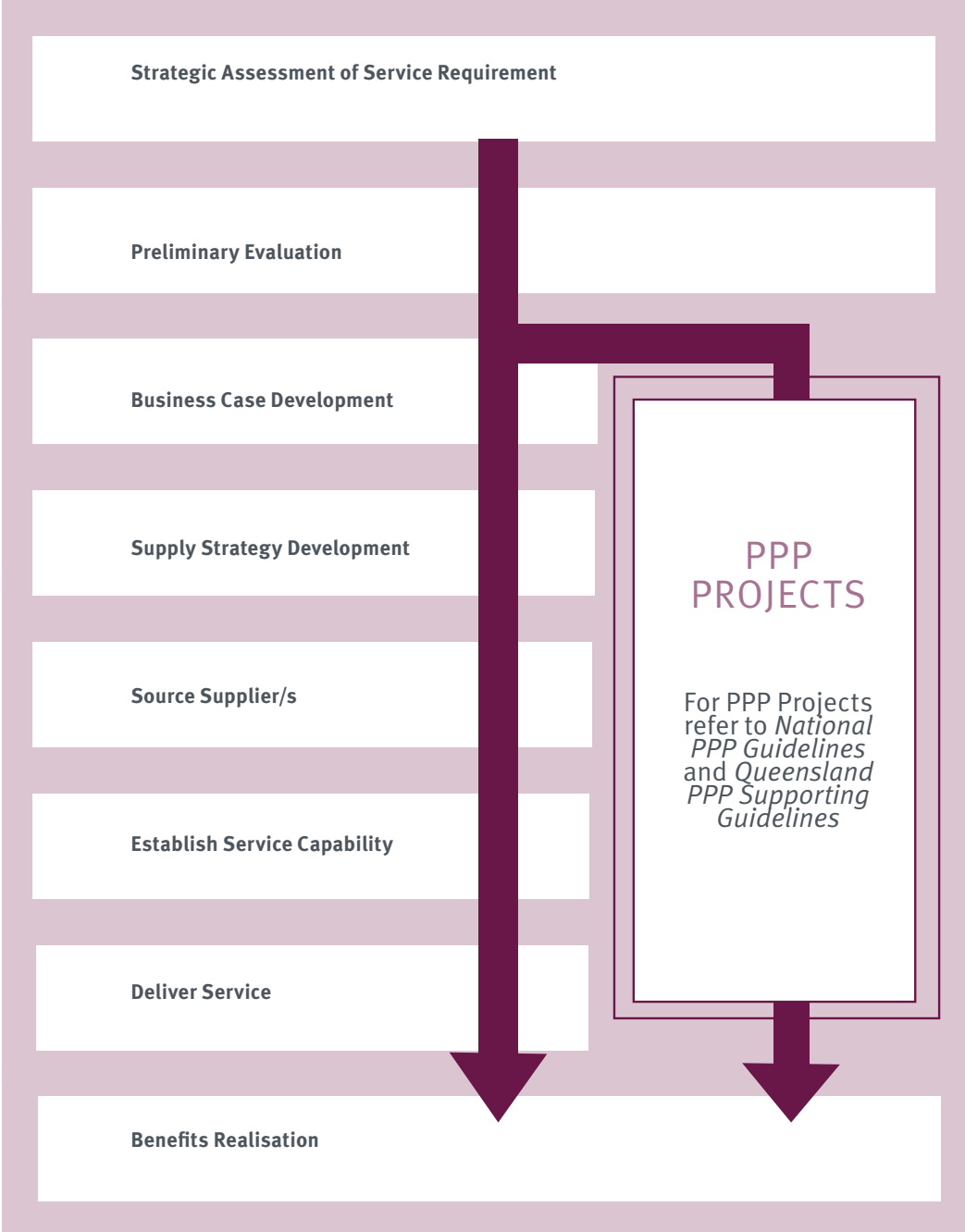
- the service requirement has been identified as a priority for further consideration, and
- the set of options generated to meet the service requirement is identified.

If at the end of the *Preliminary evaluation* stage a project is deemed suitable for further development as a potential PPP, it proceeds under the *National PPP Guidelines* in conjunction with the *Queensland PPP supporting guidelines*.

If the project is not deemed potentially appropriate for PPP delivery (but is still viewed as a priority and is affordable) it proceeds to the *Business case development* stage of the PAF, where more detailed analysis of options involving the private sector (or potentially traditional government financed arrangements) is evaluated.

*Appendix A* contains a flowchart outlining key stages in relation to applying the PAF, the consideration of private sector options, and the respective guidance to follow.

Figure 2 – Project stages within the Project Assessment Framework



# 8

## Roles and responsibilities

### 8.1 Cabinet and Cabinet Budget Review Committee

Underpinning the PAF is the Cabinet approval process to oversee the implementation of the project initiatives. The Cabinet Budget Review Committee (CBRC) is responsible for the review of each proposal as part of its consideration of the project's conformity to government policy, and the project's need priority and affordability. Regular Cabinet approval processes continue to apply in relation to projects progressed under the PAF.

### 8.2 Building Queensland

Building Queensland provides independent expert advice to the State on matters relating to infrastructure in Queensland. Building Queensland is responsible for the preparation of an infrastructure pipeline and either leading or assisting agencies with particular stages of the PAF, as outlined in its enabling legislation. Building Queensland may also become involved in the procurement or delivery of particular infrastructure projects at the direction of the Minister.

As an independent statutory body undertaking the evaluation of projects' stages on behalf of government agencies, Building Queensland will use the PAF as the base project assessment tool and may then supplement with more specific infrastructure assessment frameworks and key parameters for project evaluation using cost benefit analysis as necessary.

It is recommended that agencies with applicable infrastructure projects (as defined in Building Queensland's enabling legislation) contact Building Queensland prior to the start of preliminary evaluation to determine the specific requirements for their project.

### 8.3 Portfolio Ministers and relevant agency

The relevant Minister and the relevant agency are responsible for each project progressing throughout the project stages of the PAF. In the initial stages of a project, the agency will use their existing strategic planning and service review programs to identify the need for specific service developments. The Department of Infrastructure, Local Government and Planning (DILGP) will work with the relevant agency as part of this process. Agencies may receive additional assistance from Building Queensland or Queensland Treasury should the project include elements of private finance, such as a PPP delivery model.

### 8.4 The Treasurer and Queensland Treasury

Queensland Treasury's Commercial Group is responsible for optimising the State's investment in and provision of infrastructure to communities by investigating and evaluating funding, procurement and delivery models, and maximising private investment in Queensland's infrastructure. This includes administering the PAF (including the *Guidelines for the assessment of market-led proposals*), the Gateway Review (Assurance) Framework, and procurement and negotiation of PPPs and other privately financed projects.

The Fiscal Group within Queensland Treasury also plays an important role in the project development process. Among other things, the Fiscal Group can assist to assess the fiscal impact of a project, obtain suitable accounting advice, manage project contingencies, monitor key financial risks / benefits realised, and review and approve project budget. It is important that agencies engage with the Fiscal Group from the initial stages of project development. The Fiscal Group will also play an oversight role during the project stages post contract execution.

# 9

## Structure of the PAF

The PAF is represented through the following suite of documents:

- Policy overview (this document)
- Guidelines covering
  - the pre-project stage (*Strategic assessment of service requirement*)
  - the project stages (*Preliminary evaluation; Business case development; Supply strategy development; Source supplier/s; Establish service capability and Deliver service*)
  - the post-project stage (*Benefits realisation*).
- Supplementary guidance materials (*Cost-benefit analysis; Alliance establishment and management*);

Related policy guidance (*Guidelines for assessment of market-led proposals* and *Queensland PPP supporting guidelines*, which complements the National PPP Guidelines).

### 9.1 Strategic assessment of service requirement

The purpose of the *Strategic assessment of service requirement* pre-project stage is to provide information to assist in making an informed decision regarding whether to initiate a project to meet an identified service need.

This stage facilitates consideration of the appropriateness of varying responses to an identified service need. This includes defining the outcome desired from the service response to ensure options are developed in an effective manner that delivers value for money for the Government.

The key activities undertaken during the *Strategic assessment of service requirement* pre-project stage are to:

- define the need to be addressed and outcome sought, and identify its contribution to government priorities and outcomes
- scope the outcome sought
- identify potential solutions to achieve the outcome
- develop a detailed plan and budget for conducting a preliminary evaluation of the potential solutions
- consult with central agencies
- seek approval to proceed.

### 9.2 Preliminary evaluation

The *Preliminary evaluation* stage assesses the priority and affordability of the project options and the strategic decision of whether to invest in fully developing a business case. In this stage, it is also determined whether the project should progress as a potential PPP.

The key activities undertaken during the *Preliminary evaluation* stage are to:

- confirm the desired outcome
- define the options to be evaluated
- conduct a preliminary evaluation of the costs, risks and benefits associated with the identified project options
- identify potentially viable delivery models for the project. In all circumstances, the opportunity for private sector involvement must be considered, including private sector funding and/or financing options. If there is demonstrable evidence that private sector investment options will not deliver value for money, then traditional delivery mechanisms may be considered
- establish initial project organisation and governance arrangements for leading and managing the project
- develop a detailed plan and budget for progressing to the next stage in the project lifecycle (*Business case development*)
- consult with central agencies
- seek approval to proceed.

## 9.3 Business case development

The purpose of the *Business case development* stage is to undertake a more detailed analysis of the potentially viable options 'short listed' during the Preliminary evaluation stage to inform a decision on whether to invest in the proposed project.

The key activities undertaken during the *Business case development* project stage are to:

- confirm the outcome sought
- confirm the options to be evaluated
- determine the project organisation and governance arrangements
- conduct a detailed evaluation of the costs, risks and benefits associated with the identified project options
- recommend a preferred option, including a recommended delivery model
- develop a project implementation plan for the preferred option
- consult with central agencies
- seek approval to proceed.

## 9.4 Supply strategy development

When the approved delivery method requires procurement of some description, be it internal or external to the agency managing the project, the purpose of the *Supply strategy development* stage is to develop and/or refine a proposed procurement approach and undertake all preparations in readiness for conducting an internal sourcing or a competitive offer (or tender) process.

The key activities undertaken in the *Supply strategy development* stage are to:

- establish processes to ensure probity
- gather demand and supply information
- develop procurement specifications
- undertake supply market analysis
- undertake market sounding
- develop a procurement strategy
- develop offer (or tender) documents
- develop the offer (or tender) evaluation strategy
- refresh the business case (and update associated plans and registers)
- seek approval to proceed.

Procurement activities to be undertaken during the *Supply strategy development* stage are to be consistent with the QPP.

## 9.5 Source supplier/s

When the approved delivery method requires some form of procurement, the purpose of the *Source supplier/s* stage is to apply procurement policies in undertaking rigorous offer (or tender) processes and evaluation. It involves activities leading up to the point (of but not including) the awarding of a contract to the preferred supplier/s.

The key activities undertaken in the *Source supplier/s* stage are to:

- call for offers (or tenders)
- evaluate offers (or tenders)
- conduct a supplier appraisal
- undertake financial appraisal
- develop evaluation report
- negotiate and finalise the service contract
- refresh the business case
- seek approval to proceed.

Procurement activities to be undertaken during the *Source supplier/s* stage are to be consistent with the QPP.

## 9.6 Establish service capability

The purpose of the *Establish service capability* stage is to ensure the robustness of a solution before its delivery and the readiness of the organisation/s involved in implementing any associated business changes. It may involve delivering training or implementing other change management processes.

The key activities undertaken in the *Establish service capability* project stage are to:

- enter into (award) a contract
- establish contract management processes
- develop change management mechanisms
- create the good, service or output (product) required
- check organisational readiness
- refresh the business case
- seek approval to proceed.

## 9.7 Deliver service

The outcome from the *Deliver service* stage is to transition a project into its ongoing service delivery mode through commissioning, implementing or rolling out the goods, services or outputs (products) produced by the project. A key feature of the *Deliver service* stage is ensuring robust and effective contract management. A post-implementation evaluation is an important aspect of this stage, as well as planning for the *Benefits realisation* post-project stage.

The key activities undertaken in the *Deliver service* stage are to:

- operationalise project products
- manage the contract
- position for the future
- conduct post-implementation review
- manage and monitor supplier performance
- check contract exit and/or transition strategies
- plan to close the project
- plan to progress to the *Benefits realisation* post-project stage
- seek approval to close the project.

## 9.8 Benefits realisation

Upon completing the project, the *Benefits realisation* post-project stage assists to confirm that the benefits established and defined in the business case were achieved and the operational service (or facility) is running smoothly. It assesses the contribution of business change resulting from the project investment in addressing the outcome sought by the agency and the Queensland Government. It is also used to determine lessons learned so that improvements can be made not just for the current project but for future projects. It is a key feature of effective contract management.

The key activities undertaken in the *Benefits realisation* post-project stage are to:

- confirm the approach
- collect, analyse and compare benefits data
- identify findings and lessons learned
- disseminate the findings and lessons learned, including consultation with central agencies
- plan for future actions.

# Appendix A – PAF stage flowchart

