

Project Assessment Framework

Strategic assessment of service requirement

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Queensland
Government

Component of the Project Assessment Framework (PAF)

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

Overarching policy document	
	<i>Policy overview</i>
Guidance material	
✓	Strategic assessment of service requirement
	<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 document provides guidance regarding the strategic assessment of issues to consider prior to the initiation of a project.

The *Strategic assessment of service* requirement facilitates the strategic business decision of whether a project response is required to address an identified service need. The purpose of the *Strategic assessment of service requirement* pre-project stage is to:

- provide information to agency Chief Executive Officers (CEO) to assist them in making an informed decision regarding whether to initiate a project to meet an identified service need
- facilitate a considered response to an identified service need
- clearly articulate the outcome sought to ensure that the response that is developed will be effective and deliver value for money for government.

Agencies should refer to the Project Assessment Framework (PAF) Policy Overview for further information about the PAF's application and the roles and responsibilities that may apply.

2

Process

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
- 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
- seek approval to proceed.

2.1 Define the need to be addressed and outcome sought

An identified service need or opportunity triggers the requirement for a strategic assessment. Service needs and opportunities are usually identified within an agency as a result of its ongoing planning and performance monitoring processes (e.g. as a result of its strategic planning, capital investment strategic planning, policy development, or risk management processes).

Service needs and opportunities may also be identified at the whole-of-government level as a result of Cabinet decisions, Budget outcomes, or regional-based strategic planning. In some situations, service needs may be identified by a private party and progressed as a market-led proposal for exclusive mandate.

For further details on market-led proposals refer to the *Guidelines for the assessment of market-led proposals* available from Queensland Treasury at www.treasury.qld.gov.au.

It is important that the service need or opportunity is explored and defined in order to determine the outcome sought and validate it as a government priority. This involves the following activities:

- describing the service need or opportunity to be addressed (including its context, background, and the nature of the market failure or inequity justifying government involvement)
- explaining how addressing the service need or opportunity is congruent with, and will contribute to, the agency's mission and vision and government priorities
- defining the outcome sought by government.

If the outcome sought is not correctly identified, clearly stated and rigorously justified, it is likely that the response developed will not deliver value for money for government.

At this early stage, it is important that the process concentrates on the outcome/s and objectives to be achieved. To ensure that the outcome sought can be identified and responded to efficiently and effectively, the outcome should be defined in terms of the broader policy objectives required (e.g. a solution to a traffic congestion problem) and not be constrained by being defined in terms of a particular project option (e.g. the need to build a four lane road).

What you need to do:

- clearly articulate the outcome sought, and its contribution to government priorities and outcomes.

2.2 Scope the outcome sought

Before any possible solutions can be identified, the outcome sought should be further scoped to give it structure and boundaries. The aim is to state the outcome in terms that are sufficiently broad so as not to restrict the range of potential solutions, but not so broad that it may be open to endless interpretation. The assessment should involve a structured and analytical process to define the outcomes sought and then guide the development of innovative solutions that maximise value. Consideration of the following questions may assist in scoping the outcome:

- why is this outcome being sought and who is currently being affected
- what is the current situation and outcome/s being achieved
- are there data suggesting trends
- what is the urgency or timeframe in which the outcome should be achieved
- can the outcome be separated into smaller parts and dealt with as a series of related objectives

- where within government does this outcome belong
- are there any business or political sensitivities?

It is also necessary to identify the overall business criticality for achieving the outcome, and provide a preliminary perspective of the outcome's relative importance. Further, the outcome should be put in context with any other related initiatives by identifying any external linkages, dependencies and prerequisites.

Scoping the outcome usually requires stakeholder engagement. This would involve:

- identifying key stakeholders (groups and individuals) that have interest and/or influence in achieving the outcome. As a minimum, this should include consulting with central agencies
- identifying stakeholder needs and expectations, and initial views/positions if known
- reviewing stakeholder needs and expectations, noting those that are mandatory to be met
- identifying potential conflicts
- identifying opportunities for collaboration.

It is also necessary to define what must be done to successfully achieve the outcome. These criteria for success should be measurable, individually realistic, and realistic as a group. For example, it may not be possible for high quality, early delivery and low cost to go together to form a complete definition of success. Criteria for success will vary according to the outcome sought, but may include:

- target dates
- major functions
- appearance
- performance levels
- capacity
- accuracy
- availability
- reliability
- development costs
- running costs
- security
- ease of use.

What you need to do:

- define the scope of the outcome sought in terms of who and what is included and excluded
- provide a preliminary perspective on the outcome's relative importance
- identify any linkages, dependencies and prerequisites
- define what must be done for achievement of the outcome to be judged a success.

2.3 Identify potential options to achieve the outcome

Once an agency has identified and scoped the outcome sought, a range of solutions that have the potential to achieve the outcome should be developed, including:

- implementing improvements to existing services
- making fundamental changes.

Some considerations in identifying alternative options may include:

- infrastructure and non-infrastructure solutions (e.g. asset-based versus demand management/regulation options)
- varying current outcomes sought, standards or pricing
- approach to implementation (e.g. timing, staging)
- delivery (e.g. extent of involvement of non-government sector).

For solutions involving the use of a building or other infrastructure, relevant information about different options may also include:

- altering the capital/labour input mix
- new construction
- extensions
- major refurbishment or reconfiguration.

For infrastructure projects, options should take into account the disposal of existing assets where appropriate. When a number of location and site alternatives are available, it will be necessary to include these in the description of the option.

In order to identify the best possible value for money solution, it is important to seek creative and innovative options. The construction of physical assets is not necessarily the only option. For example, there are often alternative options to providing physical assets, such as in response to a traffic congestion problem. An alternative to a bridge might not just be a tunnel but a better traffic management system that enhances capacity without the need for new infrastructure. Innovative option development will often go beyond the obvious. This approach is facilitated by returning to the outcome sought and carefully re-evaluating the nature of the objective and how, in solving the problem, the desired outcome can be reached.

An option may arise via a market-led proposal from a private party. In rare instances, a market-led proposal may lead to the grant of an exclusive mandate to analyse the option's feasibility.

For further details on market-led proposals refer to the *Guidelines for the assessment of market-led proposals* available from Queensland Treasury at www.treasury.qld.gov.au.

The process of developing alternative means of achieving the outcome may lead to a reconsideration and redefinition of the outcome being sought. This can occur when innovative or fundamentally different modes of service delivery emerge from the options identification process, leading to a widening or narrowing of the scope of the outcome sought. Consultation with relevant stakeholders is essential in identifying options and varying the scope of the outcome sought. At a minimum, consultation with central agencies should be undertaken.

As it is not practical to evaluate a large number of options, a small number of reasonable alternatives with the greatest potential to provide value for money solutions should be identified. Options including private sector involvement and/or investment must be considered.

The status quo and the impact of continuing with the existing situation should be well defined, including analysis outlining why the status quo is not achieving the outcome sought. While the status quo is not an active option, it is used in the *Preliminary evaluation* and *Business case development* stages as the base against which to compare the net impact of alternative options.

A clear principle for identifying options is that the outcome sought, not the potential financial arrangements, should drive the potential solution. For example, a 'cheaper' form of finance may not provide value for money if it is connected with an option that does not satisfactorily achieve the outcome sought. In other words, project financing should not drive the identification of options. Sources of funding will be considered in the *Preliminary evaluation* and *Business case development* stages of the project lifecycle if a decision is made that a project response is required.

What you need to do:

- develop and describe a range of solutions that have the potential to achieve the outcome; In all cases, the opportunity for private sector involvement and/or investment must be considered
- if a large number of options are identified, reduce them to a smaller number of reasonable alternatives with the greatest potential to provide value for money solutions
- document any options identified that are not proposed for more detailed consideration, and the reasons for their rejection
- clearly define the status quo and the impact of continuing with the existing situation.

2.3.1 IDENTIFY POTENTIAL BENEFITS OF EACH POTENTIAL OPTION

Throughout the project lifecycle, it is necessary to maintain a constant focus on the intended benefits (i.e. measurable improvements) if the potential option is to deliver value for money and remain aligned the agency's and the Queensland Government's priorities. Delivering value for money begins with identifying the potential benefits arising from each potential option to address the outcome sought and commencing the necessary processes to ensure effective profiling, tracking, embedding, reporting and realisation of benefits.

A benefit is a measurable improvement resulting from the investment in the potential option, and contributes to one or more objectives sought by the agency or the Queensland Government. Examples of benefits are provided in *Appendix A*.

The potential benefits identified at this stage are refined further in the *Preliminary evaluation* and the *Business case development project* stages to develop and implement benefits management plans and supporting benefit profiles.

What you need to do:

- identify potential benefits for each potential option (including status quo)
- identify the relevant stakeholders likely to benefit from each potential option
- identify potential costs.

2.4 Develop a detailed plan and budget for conducting a preliminary evaluation of the potential solutions

The purpose of the *Preliminary evaluation stage* of the project lifecycle is to provide sufficient information to government decision makers to enable them to make an informed decision as to whether to proceed further with the project by investing in developing a business case.

In order to maximise the success of the *Preliminary evaluation stage*, it is important that agencies plan for this stage. Specifically, agencies should review the *Preliminary evaluation* guidance material to ensure they understand what is required, and develop a detailed plan and budget that identifies:

- the timeframe and approach to be taken
- the financial resources required, including budget and funding source
- key skills and capabilities required (and their availability).

Agencies can consult with Queensland Treasury or Building Queensland (if appropriate) in relation to the above points, including to determine the need for external consultants and, if required, the scope of services for consultants.

What you need to do:

- develop a detailed plan and budget for conducting a *preliminary evaluation* of the potential solutions.

2.5 Seek approval to proceed

At the end of the *Strategic assessment of service requirement* pre-project stage, a submission should be presented to the appropriate decision maker (e.g. the agency CEO or appropriate delegated authority) seeking approval to initiate a project and proceed with the *Preliminary evaluation* of the identified options.

The submission should summarise the outcome sought, the range of potential options that have been identified to achieve the outcome and the plan and budget for conducting the *Preliminary evaluation*.

The submission should also include the results of consultation with central agencies and confirmation of the government framework that has been applied in preparing the submission, including the framework that will be applied for the next stage and any required approvals or endorsements.

There may be circumstances where a decision may be made to not proceed with a project response. The primary criteria for not proceeding at this point are that the outcome sought is not a government priority, the benefit does not justify the investment proposal, or that there is no compelling case for government intervention on the grounds of market failure or inequity.

What you need to do:

- develop a submission to the appropriate decision-maker outlining the outcomes of the *Strategic assessment of service* requirement stage and if required, seek approval to initiate a project and proceed with the preliminary evaluation of the identified options.

3

Products

The products from the *Strategic assessment of service requirement* pre-project stage will include:

- the outcome sought defined in clear and measurable terms
- a description of the potentially viable solutions to achieve the outcome
- a description of the potential benefits for each potential option
- a description of all considered solutions and why they were not progressed
- a description of the status quo and why it is not achieving the outcome sought
- a detailed plan and budget for conducting a preliminary evaluation of the potential solutions
- the results stakeholder engagement, including consultation with central agencies
- confirmation of the framework that has and will be applied (and any necessary approvals or endorsements)
- a submission to the appropriate decision maker and their decision.

4

Checklist

As each project is unique, the checklist below should be used as a guide to a range of appropriate project assurance questions, not as a full checklist of mandatory items. Where a 'no' or 'not applicable' response is recorded in the checklist, it is good practice to provide justification in some form, such as in the stage products listed below.

4.1 Products

Have the following products been completed in accordance with quality standards as agreed via relevant (internal agency) assurance processes?	Guideline Ref	Yes	No	N/A
The outcome sought defined in clear and measurable terms	2.1 2.2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A description of the potentially viable solutions to achieve the outcome	2.3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A description of the benefits of each potential option	2.3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A detailed plan and budget for conducting a preliminary evaluation of project options	2.4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A submission to the appropriate decision maker and their decision	2.5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4.2 Process

Have the following processes been completed in accordance with quality standards as agreed via relevant (internal agency) assurance processes?	Guideline Ref	Yes	No	N/A
Can decision makers be assured that the outcome sought and its contribution to government priorities has been sufficiently defined?				
In identifying the outcome sought, does it align with the agency's mission and vision and the Government's priorities?	2.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has the outcome sought by the Government been well defined in the context of why the Government needs to be involved in achieving it, and the opportunities for private sector involvement and/or investment?	2.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the outcome sought defined in terms of the broader policy objectives required and not constrained by being defined in terms of a particular project option?	2.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Can decision makers be assured that the outcome sought has been sufficiently scoped?				
Has the outcome sought been defined in terms of who and what is included and excluded?	2.2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has a preliminary perspective of the overall importance / prioritisation of achieving the outcome been identified?	2.2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have all relevant linkages, dependencies and prerequisites been identified?	2.2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have diverse criteria for success been defined to be measurable, and individually and collectively realistic?	2.2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Can decision makers be assured that an appropriate range of potential options have been sufficiently identified and explored?				
Has consideration been given to alternative, creative and innovative solutions, particularly involving the private sector?	2.3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For infrastructure solutions, has consideration been given to: <ul style="list-style-type: none"> existing asset options new asset-based options non-asset options 	2.3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has analysis been undertaken to reduce the broad range of identified options to a small number of reasonable alternatives with the greatest potential to provide value for money solutions?	2.3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For each potential option, have the potential benefits been identified?	2.3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has a short summary of any rejected project options, and the reasons for their rejection, been prepared?	2.3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Have the following processes been completed in accordance with quality standards as agreed via relevant (internal agency) assurance processes?	Guideline Ref	Yes	No	N/A
Have consequences (including current costs) of a 'no policy change' (i.e. status quo) been sufficiently identified?	2.3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Can decision makers be assured that a sufficiently detailed plan and budget for conducting a preliminary evaluation of the identified options been prepared?				
Does the plan address: <ul style="list-style-type: none"> timeframe and approach to be taken financial resources required (budget and funding source) key skills and capabilities required (and availability)? 	2.4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Can decision makers be assured that a sufficiently detailed submission seeking approval to initiate a project and proceed with the preliminary evaluation of the identified options has been prepared?				
Does the submission summarise: <ul style="list-style-type: none"> the outcome sought the range of options that have been identified to achieve the outcome the plan and budget for conducting a preliminary evaluation of the identified options the results of consultation with central agencies confirmation of the framework that has and will be applied? 	2.5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Appendix A – Benefits identification

To ensure that the estimates of total benefits are not biased upwards, it is important to focus on identifying the major benefits that will be actively pursued rather than list all benefits that might potentially be achieved.

Preferably, any assumptions made in the estimation and timing of benefits should be detailed and documented. For example, assumptions about the timing of when benefits will accrue (e.g. when will improved response times be evident, or when will new ways of working be adopted by staff in order to achieve improved quality of output) should be explicitly documented.

Examples of benefits include:

- savings in expenditure levels resulting from action taken
- costs which are avoided if action is taken
- revenues which result from the project
- favourable impacts on businesses, consumers and/or the community
- improvements to health, welfare, law and order
- improvements to air, land or water conditions
- improvements in travel time, reliability or mitigation of potential risks (e.g. floods)
- any residual value of assets used in a project (note this is treated as a negative cost rather than a benefit per se).

The following table outlines examples of benefits that may occur resulting from the potential option to achieve the outcome sought:

Cost related benefits	
Cost reductions	Cost avoidance
<ul style="list-style-type: none"> • reduced maintenance (e.g. maintenance and repair contracts) 	<ul style="list-style-type: none"> • increased service / same staff
<ul style="list-style-type: none"> • reduction in downtime 	<ul style="list-style-type: none"> • new service / same staff
<ul style="list-style-type: none"> • reduced staff costs (e.g. less staff, overtime and costly skills) 	<ul style="list-style-type: none"> • increased capacity / same cost
<ul style="list-style-type: none"> • reduced staff turnover 	<ul style="list-style-type: none"> • Increased revenue
<ul style="list-style-type: none"> • improved productivity 	<ul style="list-style-type: none"> • increased revenue collection relative to costs
<ul style="list-style-type: none"> • reduced operating costs (e.g. rent; power; license fees; communications; stationery; stock, travel time and vehicle operating costs) 	
Service related benefits	
Improved productivity	Service enhancement
<ul style="list-style-type: none"> • increased client throughput 	<ul style="list-style-type: none"> • faster service
<ul style="list-style-type: none"> • more program places 	<ul style="list-style-type: none"> • wider range of services
<ul style="list-style-type: none"> • increased assets / better utilisation 	<ul style="list-style-type: none"> • tailored services
<ul style="list-style-type: none"> • more with the same resource 	<ul style="list-style-type: none"> • geographic access to services
<ul style="list-style-type: none"> • increased accuracy with information 	<ul style="list-style-type: none"> • longer hours open
<ul style="list-style-type: none"> • faster decision making 	<ul style="list-style-type: none"> • greater equity of access
	<ul style="list-style-type: none"> • better infrastructure support to the organisation's staff
	<ul style="list-style-type: none"> • improved reliability