



TE TAI ŌHANGA  
THE TREASURY

# It all begins with the business case: Lessons from BBC clinics and Gateway reviews 2016- 2021

Celia van Vliet  
The Treasury

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# What is a business case?

A business case is not just asking for money – two main purposes:

- To show decision-makers that this initiative is necessary and worth committing scarce resources to *in preference to other initiatives*.
- To provide assurance that the agency has done the thinking and planning to ensure success:
  - Considered all the options and identified the best public value for NZ
  - Completed the supporting analysis to confirm this option
  - Done appropriate market engagement and procurement planning
  - Considered financing options and impacts
  - Established all the governance, management and control processes.

# Why 'Better Business Cases™'?

- Early Gateway reviews identified poor business cases as a significant issue for decision-makers. Ministers complained:
  - Agencies were not presenting real options but 'decision-based evidence-making'
  - Lack of structure meant comparing business cases was impossible.
- BBC provides a framework and a common language – a systematic and evidence-informed way to present project thinking and planning for informed decision-making
- Gives decision-makers structured, relevant information so they can compare proposals and confidently make investment decisions
- Launched in New Zealand in late 2010; based on the UK '5 case model' developed in the early 2000s

# Limited planning leads to problems in delivery

When decisions are made before the right information is available, they are more likely to lead to problems like cost overruns:

- In Australia, just one in three major infrastructure projects is announced before its business case is completed;
- These projects account for 79% of the total value of cost overruns.

Quoted in *Draft Infrastructure Strategy* / Te Waihanga released 13 October 2021.

Source: [www.grattan.edu.au/report/the-rise-of-megaprojects-counting-the-costs/](http://www.grattan.edu.au/report/the-rise-of-megaprojects-counting-the-costs/)

# Project assurance processes

- The *business case process* is itself a project assurance process for decision-makers; demonstrates thinking and planning.
  - Internal business case processes such as Investment Logic Mapping(ILM) and Quantitative Risk Analysis (QRA)
- Early *business case clinics* help shape business cases and position them to succeed
- *Investment reviews* such as Gateway and Targeted Investment Reviews confirm real processes match the planned processes
- Other detailed reviews such as Independent Quality Assurance (IQA) and Technical Quality Assurance (TQA)

# Business case clinics

- Introduced in 2015
- Available to projects/programmes assessed as High Risk.
- A structured review process led by Treasury IMAP Investment Advisors
- To supplement and lift agency capability
- To share ministerial expectations to position agencies well to meet them
- Provide relevant System Lead input to business case planning: DPS branch (GCDO), Te Waihanga/InfraCom, GCDS, MBIE Procurement...

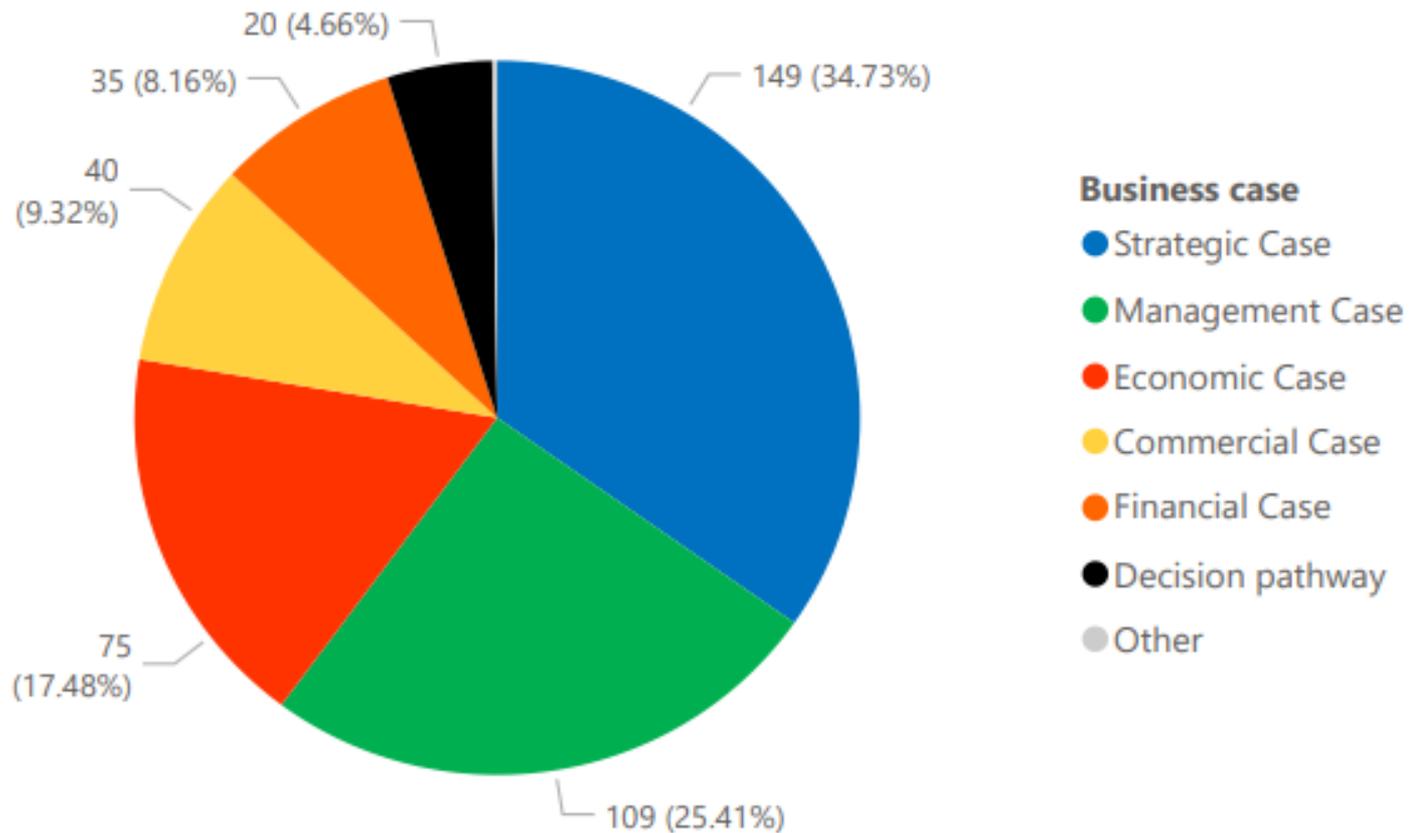
# Review of clinic findings, mid-2021

Analysed findings from a sample of 55 clinics:

- To identify common themes from clinics over 5 financial years, 2016-2021
- To make recommendations to improve business casing, assurance and approval

# Clinic findings by each of the '5 cases'

Clinic critical findings by business case 2016-2021



# Key findings: Strategic Case

Often the weakest part of the business case:

- Poor alignment of initiative with strategy and policy to achieve vision and support long-term planning
- Lack of clear Investment Objectives
- Lack of effective, active governance
- Lack of effective stakeholder involvement in the business case development
- Often not written for the investor/decision-makers (concise, compelling) but for internal audiences (wordy, complex); material taken from other documents should be summarised.

# Key findings: Management Case

Next most common critical findings were about the Management Case

- Unsuitable governance structures:
  - Must be separate from operational governance (ELT)
  - Must be active in providing guidance, identifying and addressing risk
  - Governance role authority must match responsibility and accountability.
- Poor thinking about the extent of organisational change required and the level of governance this will need
- Lack of understanding of the approvals processes
- Little consideration of internal and external dependencies and how they must be monitored and managed.

# Key findings: Economic Case

Third most common critical findings were about the Economic Case:

- Missing or poor quality cost benefit analysis
- Options are generally too few and of poor quality
  - Ministers are seeking genuine viable options to consider, not one viable option and others dismissed
- Assessment of options is generally too narrow
  - Needs to consider how well each option meets key Investment Objectives and delivers required Outcomes and Benefits
  - Needs to consider cost trade-offs: against benefits including wellbeing – sustainability – emissions

# Key findings: Commercial Case

- Issues mainly in relation to the quality of thinking around sourcing strategy
- Poor understanding of Procurement rules:
  - eg going to market with a Request for Proposal/Tender is not permitted until after Detailed Business Case approval
  - Late or missing engagement with MBIE Procurement, Te Waihanga/Infrastructure Commission.

# Overall findings on business case quality

- Consistent with issues raised in BBC evaluations in 2013 and 2015
- Verbal introduction by the SRO at the clinic is often excellent – a good frame for writing the executive summary
- Many business cases not written for the investor audience (concise, providing assurance) but for an internal audience (detailed and lengthy)
- We are still finding business cases written to support a decision already made by the agency, disregarding ministerial appetite to look at genuine options.
  - There *must* be more than one viable option, to provide real choices to ministers.

# Key recommendations from the review

- Critical for SROs to fully engage with the clinic and the business case process
- Start-up clinic positions the planning and early thinking on the business case process and needs; the ‘three pathways’ (Business case, Decision, Assurance)
- Clinic should share learnings from past clinics and clinics in other agencies (anonymised)
- Agencies *must* explore a range of options to ministers and present more than one viable option
- Raise agency awareness of the need for robust governance of change.

# IMAP findings from running clinics

- Agencies value the clinics, especially getting consolidated feedback from all relevant system leads
- Agencies are generally actioning the feedback from clinics
- Great to see improvements in business case quality over the last few years.

# Gateway Reviews – throughout the initiative's life cycle

- Cabinet-mandated for projects/programmes with a Risk Profile Assessment of HIGH risk
- Short, sharp (<1 week) reviews before key decision-points – eg as SA, IBC, DBC, ImBC near completion
- To confirm readiness to proceed to the next stage
- Four independent reviewers from an international database of 1000+
- Team selected to meet project domain/stage and agency needs
- You may be interviewed for your agency's projects
- Report is confidential to the Senior Responsible Owner (SRO) – don't expect to see it.

# Investment Reviews since 2015

Since 1 July 2015, the Treasury has facilitated a total of 190 Investment Reviews:

- 165 Gateway Reviews
  - 9 Follow-up Assurance of Action Plan Reviews
- 8 Operational & Benefits Realisations reviews
- 8 Targeted Investment Reviews
- 18 of these reviews received a Delivery Confidence assessment of 'Amber/Red', and were escalated so that Central Agencies and Functional Leads could provide assistance to address the issues identified.
- No 'Red' assessments were made.

# Review of findings, mid-2021

- To review findings from investment reviews over 5 financial years, 2016-2021
- Analysed findings from a database of 165 Gateway reviews
- To identify common themes and recommendations
- Focus on findings related to business cases.

# Gateway lessons learned around business cases, 2016-2021

- Different recommendations; issues raised in clinics are generally resolved prior to submitting business cases to Ministers for decision-making.
- This shows the value of the clinics and that Ministers are currently getting good information
- Gateway recommendations are usually at a more strategic level.

# Key themes from Gateway reviews

1. Governance
2. Resourcing
3. Stakeholder management
4. Project/programme management processes
5. Risks Issues and Dependencies
6. Benefits management
7. Context, Aim & Scope (includes Business Cases)
8. Change management & transition

# Gateway recommendation themes linked to business cases

Overarching theme: Context, Aims & Scope. Subthemes, in order of number of recommendations:

- Business Case (process, structure, level of detail, senior stakeholder leadership and involvement)
- Vision, Aims & Objectives (requirements, outcomes, key investment objectives, benefits)
- Alignment to strategy (line-of-sight)
- Scope (options, trade-offs)

# Key findings

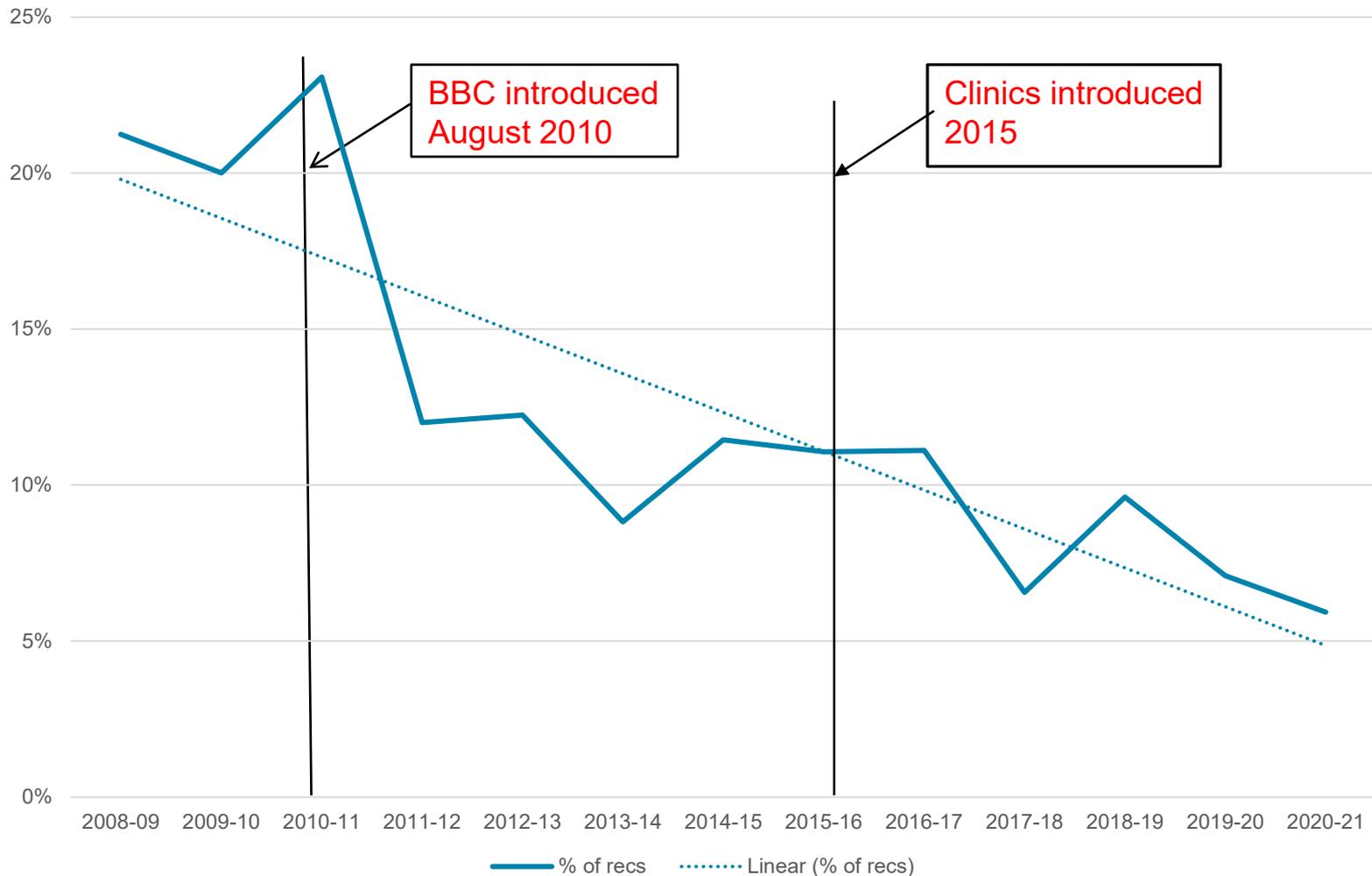
- Alignment to strategy: There should be a clear line of sight between agency strategic objectives, project investment objectives, and project benefits
- Executive leadership is key: The Executive Leadership Team must provide strategic leadership, engagement and direction to ensure a quality Business Case is delivered and the timelines are met
- It's not about the writing! Project thinking and planning should be evidenced in the business case.

# Key findings

- Own the thinking: Where business case development has been outsourced to consultants it is *critical* that the agency appoint in-house resources with the appropriate mix of process, context and specialist knowledge to lead and manage the agency's user input and to evaluate consultant deliverables.
  - The thinking must not be outsourced; this is likely to lead to a poor quality business case.
- Keep it short:
  - Much of the content should be able to be sourced from existing project planning documents
  - Wherever possible, leave detail to the annexes
  - The executive summary should be a succinct, stand-alone summary of the business case.

# Gateway recs around business cases

Percentage of Gateway recommendations relating to business cases



Any questions ?

