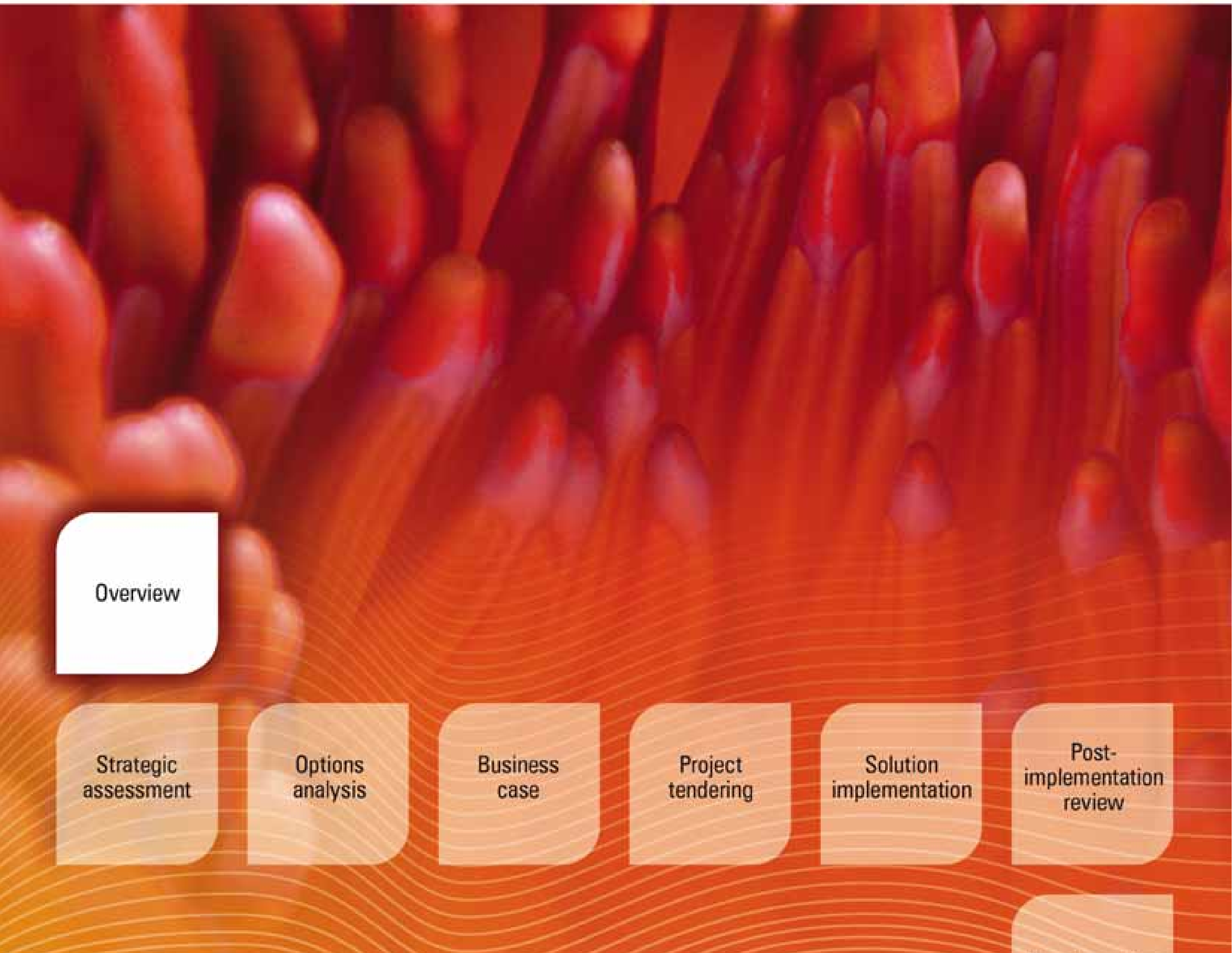
INVESTMENT LIFECYCLE GUIDELINES
Overview



Department of Treasury & Finance
Victoria
The Place To Be

Investment Lifecycle Guidelines

Overview

Version 1.0

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This Overview is part of the Investment Lifecycle Guidelines, first published in 2003 as Business Case Guidelines. The publications in the 2008 series are:
Overview
Strategic Assessment
Options Analysis
Business Case
Project Tendering
Solution Implementation
Post-implementation Review.

More information at: www.lifecycleguidance.dtf.vic.gov.au

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Foreword

The Victorian Government has a strong commitment to delivering improved infrastructure across the State. Our robust economic management means the Government can continue to invest in infrastructure and services.

The expectation is that infrastructure projects are delivered on time, on budget and within scope.

It is easy to get lost in the process of project delivery and forget the end goal of infrastructure investment. Ultimately, investment in infrastructure is about improving services to the community.

These Investment Lifecycle Guidelines focus on ensuring that infrastructure investment is predicated on the flow-on to improved services.

The Government's investment in infrastructure, major projects and services continues to accelerate in Victoria.

Every State now faces massive challenges in meeting infrastructure demands. In Victoria, our drivers are both economic and population growth.

We see the need to keep driving new and better investments in infrastructure to ensure our growing community remains productive, sustainable and liveable. And that's why our Government has become a national leader in infrastructure investment delivery. The refresh of these guidelines marks Victoria's continuing commitment in this area.

Tim Holding
Minister for Finance, WorkCover and the Transport Accident Commission

Abbreviations

BMP	benefit management plan
CEO	Chief Executive Officer
CFO	Chief Finance Officer
DTF	Department of Treasury and Finance
DPC	Department of Premier and Cabinet
ERC	Expenditure Review Committee (Cabinet Committee)
GRP	Gateway Review Process
GSC	Gateway Supervisory Committee
ICT	information and communications technology
ICB	investment concept brief
ILM	investment logic map
IMS	Investment Management Standard
IPA	*Information Privacy Act 2000*
IPP	information privacy principle
IT	information technology
IEPG	Investment Evaluation Policy and Guidelines
KPI	key performance indicator
MAM	meaningful; attributable; measurable
MYS	multi-year strategy
PPM	project profile model
SRO	senior responsible owner
TEI	total estimated investment

Executive summary

No two investments are the same. However, what they all have in common is the need to answer a set of fundamental questions. These questions validate the need for the investment and establish its funding merit when compared to other potential investments. If funded, the questions verify that the investment is progressing to deliver the expected benefits.

The questions include:

1. What are the business needs and the likely solution?
2. Which option will provide the best solution?
3. Is there a compelling case for investing?
4. What is the preferred delivery option?
5. Is the investment proceeding as planned?
6. What benefits were delivered and what were the investment lessons?

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This Overview articulates these questions and provides references to material that will assist in considering them. Having addressed each question, the investor then needs to decide whether it is worth proceeding with the proposed investment in its present form, or at all; guidance is given on the scope of these decisions.

The tools and techniques appropriate for a critical $200 million investment are unlikely to be appropriate for a non-critical investment of $20,000. The Overview also provides some guidance on the suitability of tools for different investment types. The guidelines seek to provide scalability for processes and documentation required according to investment size and complexity. It identifies the tools available and how these might be appropriate at both ends of the investment scale.

For more investment lifecycle guidance, see www.lifecycleguidance.dtf.vic.gov.au.

Note

The guidelines make the distinction between an investment and a project. The focus of an investment is to identify the business need, to shape a solution that will respond to that need, to implement that solution and to ensure that the expected benefits are delivered. The investment lifecycle extends from strategic planning through to benefit delivery.

A project is a temporary activity undertaken to deliver the solution that has been identified as necessary to meet the investment needs and enable the benefits to be delivered.

Over the past few decades, the tools of project management have been commonly used to support investment management. These tools deal primarily with whether a funded project is running to time and on budget. These project management tools are integral to the success of an investment and the guidelines position them within the context of the overall investment and its governance.

The aim of the guidelines is to establish a framework for informed investment decisions and governance that will improve the value for money and the impact of all government investments. Exceptions to the guidelines will occur, but should be justified.

1 Context

1.1 Investment Lifecycle Guidelines

The Investment Lifecycle Guidelines series (the guidelines) are designed to be applied to Victorian Government investments so they provide the maximum benefit for the State's individuals, communities and businesses.

They are mandatory for major[1] investments, but can be used for any investment, whatever its type, complexity or cost.

Every investment needs to address a basic set of questions consistently and robustly. The guidelines provide practical assistance to shape investment proposals, inform decisions about them, monitor their delivery and track the benefits they achieve. They also refer to tools best suited to help at each phase of the investment lifecycle.

The guidelines have seven parts – an Overview and one document for each of the six phases in the process. Their titles and the questions they address are:

1. ***Strategic Assessment*** (What are the business needs and the likely solution?)
2. ***Options Analysis*** (Which option will provide the best solution?)
3. ***Business Case*** (Is there a compelling case for investing?)
4. ***Project Tendering*** (What is the preferred delivery option?)
5. ***Solution Implementation*** (Is the investment proceeding as planned?)
6. ***Post-implementation Review*** (What benefits were delivered and what were the investment lessons?)

Supplementary guidance includes *Procurement Strategy* and *Risk Management* documents.

Figure 1.1: Investment Lifecycle Guidelines series

[1] To meet current government requirements, *major* has a total estimated investment (TEI) > $5 million.

1.2 Background

The Victorian Government endorsed the application of investment lifecycle guidelines with the first release of the Business Case Guidelines in August 2003. All Government departments, corporations, authorities and other bodies falling under the *Financial Management Act 1994* are to apply the guidelines. The initial Business Case Guidelines incorporated documents covering strategic assessment, options analysis and business case development. This established better practice and a consistent approach to investment across the sector and provided guidance to a broader range of government entities.

The Victorian Government requires business cases for all projects that exceed $5 million in total estimated investment (TEI). The guidelines also apply to all asset-related proposals, including those to be delivered under *Partnerships Victoria*[2] and alliancing arrangements.[3] While the guidelines are directed at asset proposals and programs, the concepts and principles also apply broadly to non-asset proposals.

The Investment Lifecycle Guidelines replace the policy and process sections of the Investment Evaluation Policy and Guidelines (IEPG), published by the Department of Treasury and Finance (DTF) in 1996. The IEPG is still relevant for investment evaluation and is available at www.lifecycleguidance.dtf.vic.gov.au under Supplementary Guidance.

Relationship with the Gateway Initiative

The Gateway Initiative was established to drive better government asset investment. A key objective of the initiative is to provide lifecycle guidance material that is both useful and current. The initiative is governed by the Gateway Supervisory Committee (GSC) which has a representative from each Victorian Government department. This committee approves updates and new releases of the lifecycle guidance material.

The new guidelines

The 2008 guidelines series incorporates current preferred practice and user feedback, with improved presentation to make the guidelines easier to understand and apply. The guidelines rely heavily on core reference material and supplementary information from the Victorian Government and elsewhere. A web-linked Resource directory is provided in each guide to allow easy access to these materials.

1.3 Target audience

The guidelines are designed for a wide audience, with a range of investment knowledge and requirements. The audience, and the benefits of the guidelines for each group, include:

- *those who manage investment functions across an agency (e.g. working in the program office or Expenditure Review Committee (ERC) coordination):* provides a single, ready-made, standard, effective whole-of-lifecycle approach for their portfolio management [ERC is a committee of the Victorian Government]
- *those who need to develop a business case for a specific investment, but for whom it is not a familiar task:* provides a simple, scalable, common-sense template and approach

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[2] Department of Treasury and Finance, *Partnerships Victoria Practitioners' Guide* and related publications provide more detailed guidance.

[3] Department of Treasury and Finance, *Project Alliancing Practitioners' Guide*, April 2006.

- *project managers of small to large investment projects:* provides an approved approach and connects with other government investment-related frameworks (e.g. multi-year strategy and asset management framework)
- *executives who need context for executing due diligence in managing their investments:* provides processes sanctioned by the Gateway Supervisory Committee, and underpinned by necessary economic and project management rigour.

The Investment Lifecycle Guidelines series uses the term ‘investor’ to refer to the senior responsible officer (Gateway term) who effectively acts on behalf of government regarding an investment.

1.4 Investment and project management

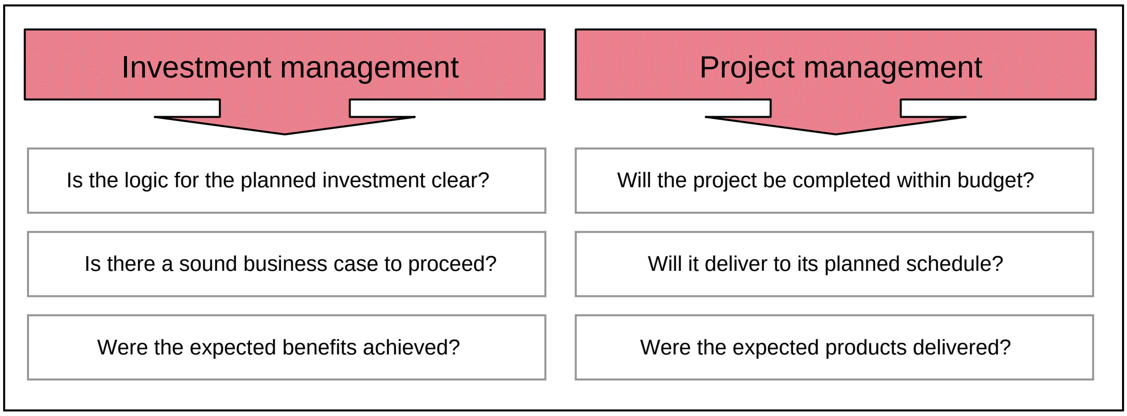
The guidelines distinguish between the concepts of investments and projects.

Over the past few decades, the tools of project management have been commonly used to support investment management. These tools primarily deal with whether a funded project is running to time and on budget. Project management tools were not intended to be used to help shape an investment or make decisions about which investments should be funded. They do not focus on the ultimate delivery of the benefits expected of the investment. Project management tools do not generally help the investor in answering the question: ‘Has my investment delivered the expected benefits?’

Investment management considers the investment from the viewpoint of the investor rather than the project manager. It represents a marked shift in thinking. The focus is different, the timescales are longer and the language used is not the same as for project management.

Good project management is critical to the success of an investment. Investment management standards do not diminish this in any way, but complement it. DTF’s Investment Management Standard (discussed further in section 2.1.1) provides a communications tool for investors to use to focus on the reason for the investment and the benefits it provides throughout the investment lifecycle. Figure 1.2 shows the difference in management approaches.

Figure 1.2: The different focuses of investment and project management



1.5 Lifecycle guidance website

DTF has established a website to help practitioners navigate the large amount of information on these issues and to find the information they need. The site also links to related government frameworks. (See www.lifecycleguidance.dtf.vic.gov.au.)

2 Investments – the six key questions

No two investments are the same. However, what they all have in common is the need to satisfy a set of fundamental questions. These questions validate the need for the investment, establish its funding merit when compared to other potential investments, and, if funded, verify that it is progressing to deliver the expected benefits. The six key questions for investors, noted earlier, are detailed in this section. As noted, there is a guideline document for each of these questions.

1. What are the business needs and the likely solution? (Strategic Assessment)
2. Which option will provide the best solution? (Options Analysis)
3. Is there a compelling case for investing? (Business Case)
4. What is the preferred delivery option? (Project Tendering)
5. Is the investment proceeding as planned? (Solution Implementation)
6. What benefits were delivered and what were the investment lessons? (Post-implementation Review).

2.1 What are the business needs and the likely solution?

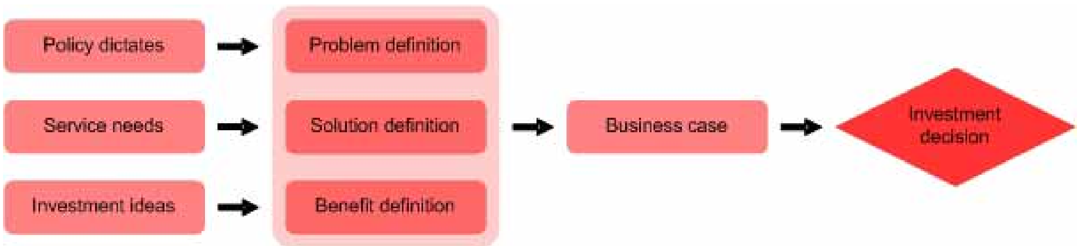
(Detailed guidance on this phase is set out in the Strategic Assessment guideline and is available at www.lifecycleguidance.dtf.vic.gov.au under Lifecycle Guidance Material.)

A major cause of investment failure is that solutions are developed before there is any clear understanding of the business need underlying the proposed solution. It is common to find a solutions 'seeking a problem' or solutions that create further problems. This ultimately leads to projects with limited business benefit, little or no support from the business area and the potential to overrun costs and schedules.

2.1.1 Investment Management Standard

The Investment Management Standard provides tools that can help investors clearly define and validate the identified business need (the problem) and the benefits that the solution is expected to deliver. They can also help scope the likely best solution. The tools include workshops that address the problem, the solution and the benefits. Figure 1.3 shows the context of these workshops and how they fit in the investment decision-making chain.

Figure 1.3: Achieving government policy intent via the Investment Management Standard



The outputs of the workshops are the:

- investment logic map
- investment concept brief
- benefit management plan.

The investment logic map and benefit management plan developed here will evolve and endure for the investment lifecycle. They encapsulate the investment logic at any particular time. They are a formal point of reference for the investment's governance. The Investment Management Standard is described in further detail in section 3.2.

Further information is available at www.dtf.vic.gov.au/investmentmanagement .

2.1.2 Strategic assessment

The strategic assessment is sometimes referred to as the initiation phase of a project.

Usually, the need to sustain or improve government service delivery (and its priorities and outcomes) drives a proposal or concept. The strategic assessment process translates the concept into a robust service requirement.

This phase incorporates the investment logic map, benefit management plan, investment concept brief and related preliminary studies (such as market research or feasibility studies). The strategic assessment shapes them into a submission to decision-makers (a proposal for investment of government funds), highlighting the:

1. requirement to meet identified business needs
2. anticipated benefits and timelines
3. alignment with government policy directions
4. fit with departmental or agency strategic priorities.

The Strategic Assessment guideline has full details. This includes a template for presenting the information to decision-makers.

If the project is identified through the Gateway Project Profile Model (PPM) as being medium to high-risk, the department or agency may undertake a Gate 1 review (Strategic Assessment) before presenting the strategic assessment to the decision-makers. This will help determine whether to proceed to an options analysis phase. (Section 3.1.3 describes the PPM in more detail.)

Gateway Review information and documentation, including specific guidance about the Gate 1 review (Strategic Assessment) and the Gateway Project Profile Model (PPM), can be found at www.gatewayreview.dtf.vic.gov.au.

DECISION POINT **Box 2.1**

On the basis of the identified business need and the likely costs and risks of the proposed investment, is it worth proceeding either to options analysis or to develop a business case?

If it is decided to proceed to options analysis and business case, it is important to specify what issues the options analysis and business case should address. (There is little value spending excess time developing obvious aspects of the business case, at the expense of others that are critical, but not apparent.) It is important that the business case is comprehensive so decision-making is informed.

If the department or agency has insufficient resources to undertake a full business case, it may be appropriate to prepare a **'developmental business case'** seeking funding for business case development.

In the case of a minor investment, can an investment decision be made at this stage (based on an investment concept brief), without moving to develop a formal business case?

Note: If a proposal is accepted to proceed at this stage, the department or agency should add any proposed asset to its multi-year strategy.

2.2 Which option will provide the best solution?

(Detailed guidance on this phase is set out in the Options Analysis guideline and is available at www.lifecycleguidance.dtf.vic.gov.au under Lifecycle Guidance Material.)

For informed investment decision-making, potential investors need to identify and analyse the range of solutions that might satisfy the business need, and to understand their individual relative merits. Failure to do this may result in unnecessarily expensive or complex solutions or in solutions that will not properly address the business need.

In the options analysis phase, departments and agencies should evaluate a wide range of options, including considering asset and non-asset solutions, the timing, scale, location and delivery options. A significant challenge in this process is to consider stakeholder needs without creating untenable expectations. Departments and agencies should also think about the adaptability and flexibility of the various options to meet potential future service delivery changes.

While a comprehensive options analysis is critical for major investments, this will often be inappropriate for minor investments, or in cases where the range of options is limited or the appropriate option is immediately apparent.

DECISION POINT **Box 2.2**

On the basis of the preferred or short-listed options, the expected or available budget and the competing priorities, is it worth developing a full business case for the proposed investment?

Note: Developing a comprehensive business case can have a significant cost, so it is important to make a conscious decision about the merits of proceeding further with the proposal.

2.3 Is there a compelling case to invest?

(Detailed guidance on this phase is set out in the Business Case guideline and is available at www.lifecycleguidance.dtf.vic.gov.au under Lifecycle Guidance Material.)

Before committing to a particular investment, the decision-maker needs to be confident that the proposed investment is worthwhile and of more merit than other proposals competing for budget. This is done by developing a business case that validates or amends the assumptions in the original investment concept brief, clarifies the quantitative and qualitative costs, risks and benefits from a whole-of-life perspective, and, if required, provides a project plan that will steer its implementation. It is common to overlook the opportunity to achieve better outcomes through integrating solutions across government. (Appendix A describes an example of a project that used integration across government agencies to achieve multiple objectives.)

The business case builds on the strategic assessment and the options analysis phases and provides a more detailed evaluation of the short-listed options. It confirms that the proposal can achieve the benefits sought, and indicates likely costs and risks to the State.

The key deliverable for this phase is to complete a business case in line with a purpose-designed template. Key components of the business case include assessing options from a whole-of-life perspective, and providing the procurement strategy and a benefit management plan. The business case should also address governance and any issues or assumptions relating to capacity to deliver.

The DTF website has further guidance on developing the procurement strategy available at www.lifecycleguidance.dtf.vic.gov.au under Supplementary Guidance Material.)

If the project is identified through the Gateway Project Profile Model as being medium or high-risk, the department or agency may undertake a Gate 2 (Business Case) review before making investment decisions based on the business case.

Gateway Review information and documentation, including specific guidance about the Gate 2 review (Business Case) and the Gateway Project Profile Model (PPM), can be found at www.gatewayreview.dtf.vic.gov.au.

DECISION POINT **Box 2.3**

Taking into consideration the merits of this investment, its merits compared to other competing investment proposals and the available budget, should this investment be funded?

2.4 What is the preferred delivery option?

(Detailed guidance on this phase is set out in the Project Tendering guideline and is available at www.lifecycleguidance.dtf.vic.gov.au under Lifecycle Guidance Material. Supplementary guidance on finalising the procurement strategy may also be relevant. This is available at www.lifecycleguidance.dtf.vic.gov.au under Supplementary Guidance Material.)

Following the decision to proceed and fund the proposal, the investment enters the project procurement stage, based on the procurement strategy developed in the business case.

Tendering is a phase of the procurement process in which the Government seeks offers from suitable suppliers and selects the one that offers best value for money. Tendering is a communication process in which the Government and prospective suppliers work together to establish a shared understanding of the project's requirements.

It is critical to state the requirements clearly. This provides tenderers with certainty for their planning and price offers and means the Government can avoid costly contractual amendments during delivery.

The outcome of the tendering process is a commercial one, achieved through a formal and standard government process. However, tendering is not just a routine. It involves strategic considerations ranging from supplier market issues, to internal resources and capabilities, to the project's risk profile. Considering these issues can help refine the procurement strategy. They should include considering the extent of uncertainty about the level of risk.

The tendering process needs to be tailored according to the requirements, the relationships with and within the supplier market and the existing commercial realities. Departments and agencies need to analyse such matters before starting a tendering process so that they clearly understand the implications for the process and the outcome.

If the project is identified through the Gateway Project Profile Model as being medium to high-risk, departments or agencies may undertake a Gate 3 (Readiness for Market) review, before going to tender and a Gate 4 (Tender Decision) review before signing the contract.

There is additional guidance on Gates 3 and 4 at www.gatewayreview.dtf.vic.gov.au.

DECISION POINT **Box 2.4**

Is the proposed contractual arrangement robust and flexible enough to deliver the benefits sought within the required timeframe and budget?

2.5 Is the investment proceeding as planned?

(Detailed guidance on this phase is set out in the Solution Implementation guideline and is available at www.lifecycleguidance.dtf.vic.gov.au under Lifecycle Guidance Material.)

This phase takes the project from contract award to handover through to operations. It involves project management processes aimed at delivering the project successfully. The main focus is on managing relationships with contractors and stakeholders, managing the contract and risk management. While the solution is being implemented, the project team will be focusing on managing project delivery, but the investor and the project board need to monitor more than just schedules and budgets. Their broader governance focus is on:

- whether the need for the investment continues to be valid or whether there are other factors that should also be considered
- if the expected benefits remain valid, will they be delivered as planned by the current solution
- whether the solution is robust and remains so in the period before moving into operation
- how ready the organisation is to implement the business changes that are required to occur before and after delivery
- the effectiveness of contract management arrangements that are in place or being arranged
- evaluating ongoing performance.

While the logic for an investment was clear at the time the investment decision was made, inevitably things will change over time. It is therefore necessary to continually review the ongoing need for an investment and to confirm that the investment solution remains both valid and viable. One mechanism for this is a periodic investment review and testing of the continuing validity of the investment logic.

2.5.1 Investment reviews

Independent investment reviews are conducted at pre-determined times during the project delivery phase in the investment lifecycle. The objective is to determine whether the logic for the investment remains valid. This information, considered with budget and schedule information, allows the investor to make informed decisions regarding the future of the investment. You will find more information about investment reviews at www.dtf.vic.gov.au/investmentmanagement.

If the project is identified through the Gateway Project Profile Model as being medium to high-risk, a Gate 5 (Readiness for Service) review may be undertaken before operational handover. There is further Gate 5 guidance at www.gatewayreview.dtf.vic.gov.au .

DECISION POINT **Box 2.5**

Taking into consideration the ongoing need for the investment and the suitability of the existing solution and its delivery, a decision is taken to continue to implement the planned solution, to change the previous solution or to discontinue the investment.

2.6 What benefits were delivered and what were the investment lessons?

(The Post-Implementation Review guideline has detailed guidance on this phase and is available at www.lifecycleguidance.dtf.vic.gov.au under Lifecycle Guidance Material.)

Frequently, once the asset is commissioned and in operation, the investment's budget and schedule come under more scrutiny than the resulting service or benefits achieved. From an investment perspective, these are not the most important measures of success. The more important question is: Did the investment deliver the expected benefits and did it provide value for money?

The final guideline in the series, Post-implementation Review, outlines:

- factors investment managers should examine when a project has been delivered
- its operational status
- the success in delivering the expected benefits.

This review provides the opportunity to capture the lessons learned during the project – both positive and negative – and confirm that the investment is achieving the required outcomes.

In addition to determining the benefits achieved, investors may note previously unrecognised benefits. This process gives the investor an opportunity to identify benefits that have not been delivered and ways to achieve them.

2.6.1 Benefit reports

Using the key performance indicators (KPIs) identified and defined in the benefit management plan, it is now possible to implement a simple benefits tracking and reporting system. There is a spreadsheet for recording the expected benefits and KPIs and their actual achievement. These are then graphed as two curves—one representing the expected achievement of benefits and the other representing the actual achievement.

Investors are not expected to create new tracking systems, but rather to extend existing project management reporting systems to cover investment lifecycle rather than concluding when a project is implemented. This will also mean the project status can be integrated with the investment status, as required for the investment proposition review described above.

For more information on benefit reports, go to www.dtf.vic.gov.au/investmentmanagement.

If the project is identified through the Gateway Project Profile Model as being medium to high-risk, a Gate 6 (Benefits Evaluation) review may be carried out for an external assessment of the investment outcomes and process.

More Gate 6 guidance is available at www.gatewayreview.dtf.vic.gov.au.

DECISION POINT **Box 2.6**

Taking into consideration the ongoing need for the investment and the suitability of the new solution and its delivery, has the investment delivered the benefits sought?

What should we learn from the investment process for future reference?

2.7 Detail and accuracy of project evaluation

By now, investors and project management teams should have a clear understanding of the six investment guideline documents and the questions they raise. You should also have a better understanding of the investment risk, size and cost. The assessment matrix (Table 2.1) allows investment team members to plot the investment's cost and risk against each of the six questions (representing the phase of the investment cycle the proposal is in) and immediately identify the work that needs to be done. The extent of uncertainty about risk or other issues should be made clear.

Table 2.1: Project assessment matrix (investment process x complexity)

Complexity/cost guide ⇨	Small/simple and low risk	Medium and medium-risk	Large/complex or high-risk
What are the business needs and the likely solution?	Investment logic map + benefit management plan*	Investment concept brief (inc investment logic map) + strategic assessment + benefit management plan	Investment concept brief + strategic assessment + benefit management plan + Gate 1 review (medium/high risk)
Which option will provide the best solution?		Option analysis	Option analysis
Is there a compelling case to invest?(#)	Investment concept brief Strategic business case*	Strategic business case	Full business case + Gate 2 review (medium/high-risk)
What is the preferred delivery option?		Procurement strategy§ Tendering decision	Procurement strategy§ Tendering decision + Gate 3 & 4 reviews (medium/high-risk)
Is the investment proceeding as planned?	Project management framework*	Project management framework + investment review	Project management framework + investment review + Gate 5 review (medium/high risk)
What benefits were delivered and what were the investment lessons?	Benefit reports*	Benefit reports	Benefit reports + Gate 6 review (medium/high-risk)

Notes:
* optional
# A strategic business case and a full business case differ in the level of detail required.
§ More information in Appendix C in the Business Case guideline document

Note:

This matrix is a guide to resources and requirements for projects of varying types, scale, complexity and risks. It is important to recognise that a small project for one department may constitute a large project for another; consequently dollar values have been avoided. Departments may have additional requirements or pre-existing expertise that affect how they apply these tools.

The Investment Lifecycle Guidance website can help identify the most valuable support material for any phase of the investment (www.lifecycleguidance.dtf.vic.gov.au).

2.7.1 Cost accuracy

Indicative risk-adjusted costings are expected to be developed for different phases of the project development. Table 2.2 provides broad guidance on cost accuracy that might be expected through the project development phases.

Table 2.2: Project cost estimation accuracy by investment stage

Investment development stage	Estimate type	Stage performed	Anticipated range of accuracy
Strategic assessment - project identification	Order of magnitude estimates	**Project identification** Indicative cost only	-40% to +60%
Options analysis - project development	Concept estimates	**Stage A** Concept and options development	-30% to +50%
	Developed concept estimate	**Stage B** Option feasibility, development and evaluation, risk identification	-25% to +40%
	Preliminary design estimate	**Stage C** Concept design, costing of preferred option and preliminary financial packaging	-20% to +30%
Business case project development (ERC funding)	Detailed estimate	Costing of project for ERC approval and documentation preparation	-15% to +25%
Design, planning and approvals - project delivery	Tender estimate	**Tender** To assist with evaluation of tenders	-10% to +20%
	Tender price and contract	Negotiated contract price agreement	-5% to +10%

Costings used in the multi-year strategy are for planning purposes. Costings for the stages leading up to the business case phase of project development are to evaluate the investment and test the overall suitability and viability of a proposal.

A range of issues – including the asset class, the uniqueness of the project or facility, the level of building and construction activity in the market and the buoyancy of the broader economy – may influence the reliability of the estimate of a proposal's cost.

Note

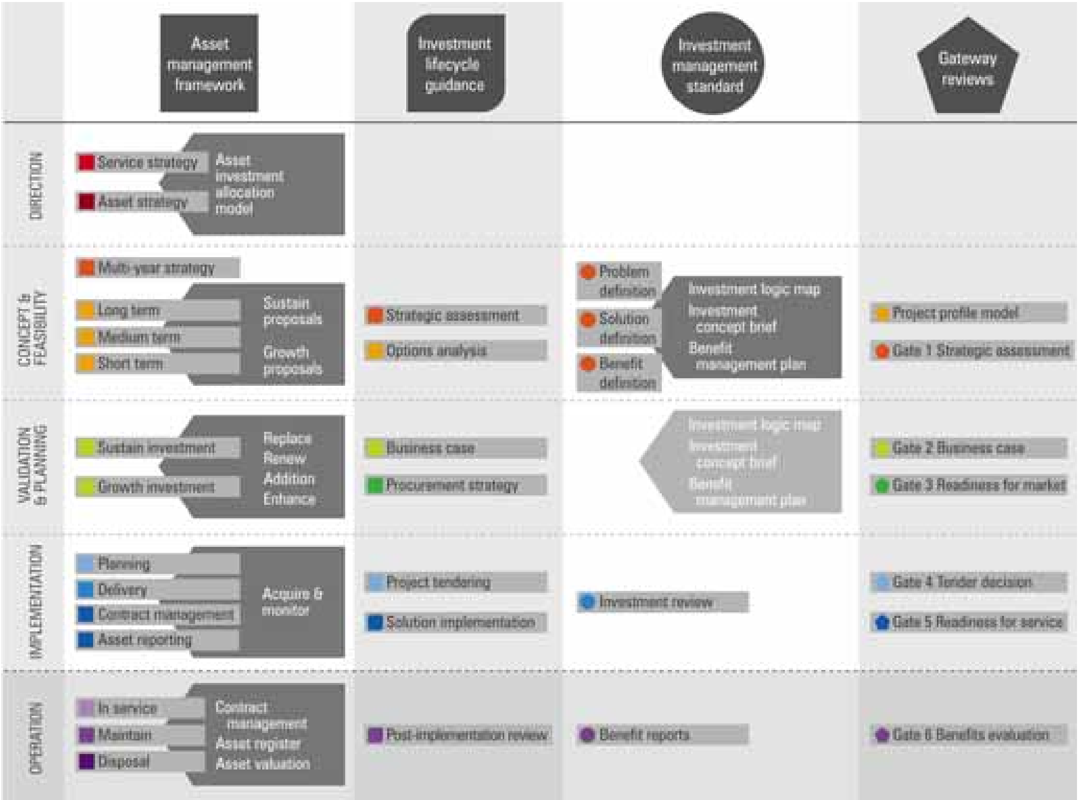
Projects that are unable to comply with the indicated ranges of accuracy should explicitly identify the process adopted and the range of accuracy applicable. This may arise where a project is being fast-tracked for government consideration. In this event it is important to convey the uncertainty in the estimates which may, for example, reflect lack of clarity in scope or design.

3 Key investment frameworks

There is a wide array of information, knowledge, tools and guidance for various aspects of the investment lifecycle—often too much. As departments and agencies seek guidance to manage an investment, they often find it difficult to select appropriate references for their particular investment, without unnecessary duplication.

These guidelines are based on best practice references in the context of the investment lifecycle. Figure 3.1 shows the core reference documents and processes used in the guidelines.

Figure 3.1: Key investment-related documents and processes



Logically, these processes and guidelines are linked and interact. As frameworks evolve, various elements are integrated. For example, elements of the Gateway Initiative are now based in the broader asset management framework, described in section 3.3. A brief overview of these core reference documents and processes follows.

3.1 The Gateway Initiative

In March 2003, the Government endorsed the introduction of the Gateway Initiative as a main part of its commitment to responsible and transparent financial and resource management. This established a consistent approach to asset investment for the Victorian general government sector.

The Gateway Initiative had four elements:

1. a multi-year strategy process
2. investment lifecycle guidance (this guidance series)
3. a Gateway review process

4. an asset (investment) reporting process.

The Gateway Supervisory Committee reports to government through the Minister for Finance.

3.1.1 Multi-year strategy process

Under the multi-year strategy (MYS), departments and agencies in the Victorian general government sector list asset and non-asset proposals that best satisfy government requirements over a 10-year horizon. The MYS is the culmination of the process chain in the Government's asset management framework.

It represents all potential proposals in a department/agency's short-term planning pipeline and all significant and major proposals emerging in the medium and longer term.

Taking a government-wide and forward-looking focus, the MYS informs decision-making on departmental and agency asset investment delivery aligned to departmental strategic plans. It is a key tool in `joined-up' government planning, effective forward planning and strategic purchasing decisions. The MYS complements asset policy statements. It provides:

- useful information to help inform decision-making
- a full view of all asset and non-asset investment proposals (short, medium to long-term) (non-asset investments are proposals that specifically support services, including franchising or leasing arrangements, output provisions for *Partnerships Victoria* projects and major capital grants)
- confirmation of whether these investments and their associated outputs are aligned to departmental corporate plans and government objectives.

The multi-year strategy:

- informs resource allocation and priority setting
- provides context and key information for each investment proposal
- clearly indicates the alignment of these proposals to departmental plans and government objectives
- enables government to assess medium-term asset investment priorities
- provides a long-term view of departmental and agency asset investment strategy and delivery
- facilitates investment selection and timing for Gateway reviews.

The benefits of the MYS are its:

- fostering of more understanding of proposal development cycles and emerging needs
- assurance that Expenditure Review Committee proposals align with government objectives (joined-up government).

The MYS will be used by departments, central agencies and the Expenditure Review Committee for:

- balancing short, medium and long-term requirements in asset investment planning
- informed decision-making
- better resource allocation.

Readers will find further information on the MYS on the DTF website under Asset Management - Planning and Reporting - Multi-year strategy.

The asset management framework, which now incorporates the MYS, is described in section 3.3.

3.1.2 Investment lifecycle guidance

As noted in section 1.1, this Overview introduces the Investment Lifecycle Guidelines, with guideline documents covering the Strategic Assessment, Options Analysis, Business Case, Project Tendering, Solution Implementation and Post-implementation Review. Supplementary guidance is also provided for other elements of the investment process, including Procurement Strategy and Risk Management documents.

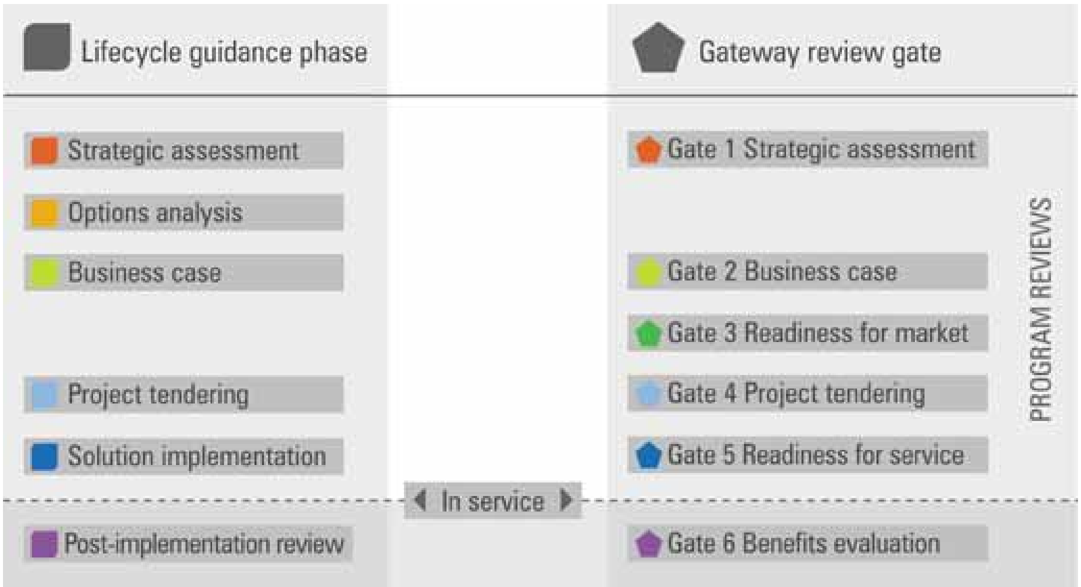
The 1996 Investment Evaluation Policy and Guidelines are also accessible through www.lifecycleguidance.dtf.vic.gov.au.

3.1.3 Gateway Review Process

The Gateway Review Process is a project assurance element in the Gateway Initiative. The Initiative, outlined briefly in section 2.1.2, was intended to improve project development and delivery across government. The aim of the process is to provide advice to 'senior responsible owners' so that their projects are well managed, meet business and government strategic objectives and achieve value-for-money outcomes.

It is a structured process where a team of experienced people, independent of the project, carry out reviews at key decision points in a program or project's lifecycle, known as Gates. Figure 3.2 shows where the Gateway reviews occur during the project lifecycle.

Figure 3.2: Alignment of lifecycle phases and Gateway reviews



The Gateway Review Process is a best-practice initiative based on proven techniques used extensively by progressive industries and governments. The techniques have been used in a wide variety of projects and programs in Victoria, making this a valid, optimal approach.

Reviews are intended to be applied to high or medium-risk projects and programs that procure services, construction or property, information and communications technology (ICT), change management or any procurements using contracts. Departments and agencies may also wish to apply an internal review process to low-risk initiatives.

The Project Profile Model (PPM) is a tool for high-level assessment of the risk of a proposed project. It produces the project's complexity/risk rating—high, medium or low. It is used to:

- identify the levels of risk that a project manager will need to manage
- determine whether, and how, a project or program should be subject to Gateway review.

If the project is identified through the Gateway PPM as being medium to high-risk, the department or agency should discuss the need for Gateway reviews with the Gateway Unit in DTF. Further information on PPMs or initiating a Gateway review can be found on the Gateway pages on the DTF website (www.gatewayreview.dtf.vic.gov.au).

The six Gates reflect decision points in the project lifecycle phases, as shown in Figure 3.2. The gates and their purposes are:

Gate 1: Strategic Assessment – ensures that the project team has done sufficient work in identifying, scoping and understanding the business need. Typically, they will have explored high-level solutions and agreed in broad terms about what the project needs to do to succeed. This gate is aligned to the strategic assessment phase of the project lifecycle.

Gate 2: Business Case – tests the robustness of the business case, that it has identified and appraised suitable options, and established value for money. This gate addresses matters regarding the options analysis and business case phases of the project lifecycle.

Gate 3: Readiness for Market – is used to validate the proposed procurement approach, before any commitments are made to prospective contractors, suppliers or partners. It is undertaken after the decision to invest, once the procurement strategy and tender documentation have been finalised.

Gate 4: Tender Decision – confirms whether the recommended tender decision is appropriate (providing confidence in the process used to select the contractor or supplier). This is performed before awarding any contract, or placing supply or work orders.

Gate 5: Readiness for Service – investigates an organisation's readiness to make the transition from specification and solution implementation to operation. Where appropriate, this review gate assesses the capabilities of the delivery partners and service providers.

Gate 6: Benefits Evaluation – reviews the delivery of the project and whether the projected benefits identified in the business case and benefit management plan were achieved. It explores the process of delivery and the outcome regarding service performance and the value for money achieved. Lessons learned are extracted for future undertakings.

Program reviews: In addition to the six gates relating specifically to projects, there is another review specifically for policies and programs. Program reviews can be used, for example, where a number of works packages, or a series of projects form a program of work. The purpose of this review is to clarify and confirm the program's strategic objectives and current outcomes. Importantly, such a review assesses the program's ongoing progress towards achieving key deliverables and delivering value for money. It also extracts lessons to aid in future program stages.

Further information on the Gateway Review Process can be found on the DTF website (www.gatewayreview.dtf.vic.gov.au).

3.1.4 Asset investment reporting

Asset investment reporting is a tool for departments and agencies to use to inform the Treasurer and the Expenditure Review Committee on how all significant asset investments they have approved are progressing. It presents quarterly exception reporting on all approved asset investments. For ICT projects, investment reviews are undertaken to ensure the projects are on track to deliver expected outcomes.

Asset investment reporting:

- provides information on delivery of all non-current asset investments (covering lifecycle stages from Expenditure Review Committee approval to handover to the end user)
- monitors capacity and capability in asset investment delivery across portfolios
- reports on the health of asset project delivery and the capacity of departments and agencies to deliver and sustain assets
- provides the means to intervene in any project needing attention and minimise any adverse consequences.

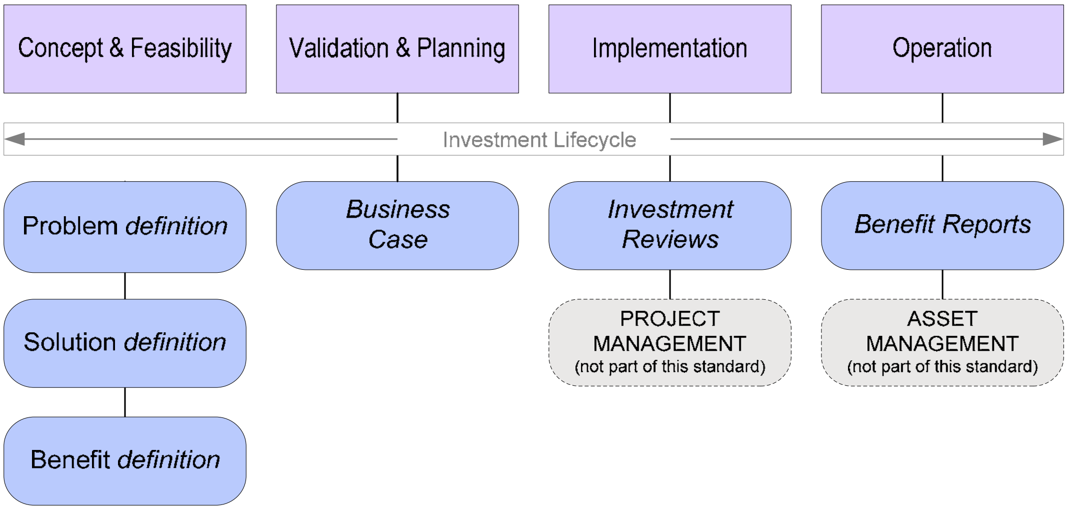
Further information can be found on the DTF website (www.dtf.vic.gov.au/assetinvestmentreporting).

3.2 Investment Management Standard

Investment management establishes a set of simple practices that allow an investor to clearly define the reason for an investment, shape the solution that will best respond to the need and track the delivery of benefits throughout the investment lifecycle. An 'investor' is that person (normally a senior executive) who has identified a business need, will be responsible for making (or advocating) an investment decision to address that need, and who will ultimately be responsible for delivering benefits expected of the investment.

The Investment Management Standard (IMS) defines a number of guidelines that together constitute 'investment management'. These guidelines define practices that integrate with the investment lifecycle guidance material. The aim is to help align investor expectations and project outcomes. Figure 3.3 shows the six guidelines that make up the IMS and how they fit within the investment lifecycle. The following section describes each guideline in more detail.

Figure 3.3: Investment management practices in the investment lifecycle



3.2.1 Problem definition

One of the primary reasons that investments fail is that the basic logic for the investment was either not understood or was not shared by all the parties who needed to know. The common cause of this is that the investors themselves were not clear about what was driving the investment decision or what benefits the investment could reasonably be expected to deliver.

The *problem definition* workshop is used to rectify this lack of clarity. The logic for an investment is identified at a two-hour facilitated workshop and is defined by an investment logic map (Appendix E has an example).

3.2.2 Solution definition

The investment logic map developed in the problem definition workshop provides a clear understanding of why an investment is being considered ('the problem') and some idea as to what the solution might be. However, before any judgement of the relative merits of an investment can be made, a better understanding is required of the likely solution and its associated costs, risks, timelines and critical dependencies. It is also necessary to identify 'dis-benefits', any negative outcomes that might result from the proposed solution.

The *solution definition* workshop is used to identify and scope the type of solution that is likely to be required to respond to the business need and produce the benefits that are sought. This is a two-hour facilitated workshop that brings together people with diverse expertise who identify and quantify the likely best solution. The output of this workshop is the modification of the investment logic map to show the identified solution and an *investment concept brief* with key details about the identified solution.

This workshop does not replace the need to conduct an options analysis for major investments. It merely provides information on the scope and cost of a likely solution so that the investor can decide whether this investment should be considered further, based on competing investment proposals. For smaller investments, it does provide a rigour not normally used in choosing and testing a proposed investment solution. For some investments, it might provide enough information to make an investment decision without the need to develop a business case.

3.2.3 Benefit definition

The only reason that organisations make investments is to create some form of benefit for that organisation. However, few investments are able to articulate clearly the benefits they plan to deliver. In the past, many well-intentioned organisations attempted to put benefit management plans in place, but these were expensive to develop, difficult to understand and complex to apply.

This benefit definition standard is different from past approaches. It allows a more direct articulation and attribution of the benefits an investment is seeking to deliver against the purpose for which the organisation exists. It results in a brief but focused benefit management plan that defines:

- the benefits sought
- the way the delivery of the benefits will be measured and reported
- who will be responsible for the delivering the benefits.

This is developed in a two-hour facilitated workshop similar to the problem definition and solution definition workshops.

Created during the embryonic phase of an investment, benefit management plans are a key factor in shaping solutions that will provide the maximum benefit.

There is a strong argument that departments and agencies should complete the benefit definition before they undertake the solution definition. The development of the benefit management plan can significantly change the benefits identified in the problem workshop, to the point that the solution is no longer valid. The order of these two workshops needs to be carefully considered for each investment.

3.2.4 Business case

The need to develop a sound business case is well understood. A business case is a compelling argument for a specific investment. It provides those responsible for deciding with a clear understanding of all the factors needed for sound prioritisation and decision-making.

The Business Case guidelines in the Investment Lifecycle Guidelines recognise that the information needed to make a case for an investment varies substantially depending on the type and size of the investment.

3.2.5 Investment reviews

Tracking the status of an investment throughout the investment lifecycle is normally restricted to project reporting, i.e. reporting only during the solution implementation phase and focusing mainly on how the project is tracking against its original time and cost expectations. This has significant limitations in that, even if a project is on time and within budget, the original drivers for the investment may no longer be valid. There may also be opportunities to derive more benefits than were originally planned. Alternatively, the solution that was valid at the time the investment decision was made may no longer be able to provide the benefits that were sought.

The logic that underpins an investment is contained in the form of the investment logic map and the benefit management plan. These documents are formal and core to the investment and are monitored and maintained throughout the lifecycle of an investment and reflect the investments any point in time.

Conducted at pre-determined intervals throughout the investment lifecycle, *investment review* workshops are used to determine that the logic for the investment is still valid. The investor can review the investment logic and to make any adjustments required to make sure the investment is valid and optimal.

3.2.6 Benefit reports

The benefits delivered by an investment are seldom tracked, measured and understood. This can lead to a perception that the expected benefits were not delivered. Regular reporting against the delivery of the expected benefits overcomes this problem. It also provides investors and strategists with information about the effectiveness of investments. This can be used to inform future investment decision-making.

There is substantial anecdotal evidence that several types of investments, such as information technology investments, often result in unforseen benefits. In addition to addressing such problems, benefits tracking and reporting should inevitably help produce more benefits from investments.

There is more information at www.dtf.vic.gov.au/investmentmanagement, or email investmentmanagement@dtf.vic.gov.au.

3.3 Asset management framework

In February 2005, the Government endorsed the transitional implementation of an asset management framework. The framework has a series of linked strategies (service strategy, asset strategy and multi-year strategy) that guide investment planning in departments and agencies.

The framework allows the Expenditure Review Committee to control the Government's asset base exercise more strategically. It promotes the best use of assets through:

- improved arrangements and information that enable the Expenditure Review Committee to better link asset investment decisions to outcomes and output delivery
- a shift to a medium to longer-term rather than short-term focus, for improved whole-of-life planning and funding of assets
- improved consistency between asset and output management frameworks, and governance reforms such as the Gateway Initiative
- clarification of explicit responsibilities for asset management, providing the Expenditure Review Committee with more opportunity to consider proposals to increase service capacity and to consider growth bids in the context of existing capacity
- increased flexibility and clarification of incentives for departments and agencies to manage their asset holdings more effectively and efficiently
- an increased level of confidence in the amount of asset investment funds available to departments and agencies to manage and sustain existing capacity
- improved evaluation and report information available for investment, purchasing and management decisions.

The framework is consistent with the principles of the Departmental Funding Model introduced in the 2004-05 Budget. Under this model, the Government determines the level and the total price of services.

Five principles of asset management **Box 3.4**

Public sector asset management is governed by these principles:

- Service delivery needs are to guide asset practices and decisions.
- Asset planning and management are to be integrated with corporate and business plans, budgetary and reporting processes.
- Asset management decisions are to be based on evaluations of alternatives that take into account the full lifecycle costs, benefits and risks of assets.
- Ownership, control, accountability and reporting requirements for assets are to be established, clearly communicated and implemented.
- Asset management activities are to be undertaken within an integrated government asset management policy framework.

Further information is available on the DTF website at Asset Management Policy www.dtf.vic.gov.au/assetmanagementpolicy.

4 Project governance

4.1 Departments

Departments and agencies are responsible and accountable for service delivery to achieve government outcomes. For the most effective delivery of outcomes, they must manage both their existing asset base and deliver investments in required services.

Departments are to identify a senior officer (the senior responsible owner) with specific responsibility for each project.

Departments may engage a third-party provider (e.g. Major Projects Victoria or private contractors) to manage project delivery. However, the ultimate responsibility for the investment over its lifecycle remains with the department.

4.2 Central agencies

Central agencies assess and provide expert advice to government and other central bodies on asset-related initiatives at any stage of the lifecycle. However, the service department remains responsible and accountable for the investment.

Sound departmental/central agency relationships mean that staff in the central agencies, the Department of Treasury and Finance (DTF) and the Department of Premier and Cabinet (DPC), can gain a greater appreciation of the departmental perspective and better understand the proposal. For departmental staff, involving DTF early in proposals can help bring a broad perspective to a proposal. DTF can also guide and assist departments on governmental expectations.

DTF considers and monitors:

- each proposed project as the business case develops incrementally
- project structuring, commercial principles and risk allocation
- whether asset initiatives are progressing in their strategic and portfolio context and within the rolling 10-year MYS departmental investment pipeline (under the asset management framework)
- project conformity to government policies and objectives, as well as their feasibility and priority
- ongoing performance of infrastructure investment proposals (regarding effective use of resources and successful project delivery)
- quarterly progress of government asset investment initiatives (reporting on this to the Expenditure Review Committee)
- Expenditure Review Committee proposals with significant ICT components: (It is important to engage with the Government Services Group early in developing and reviewing proposals. The Gateway Supervisory Committee can help to identify gaps and synergies with other initiatives and can provide feedback on draft proposals to help align them more clearly with the whole-of-Government ICT strategy).

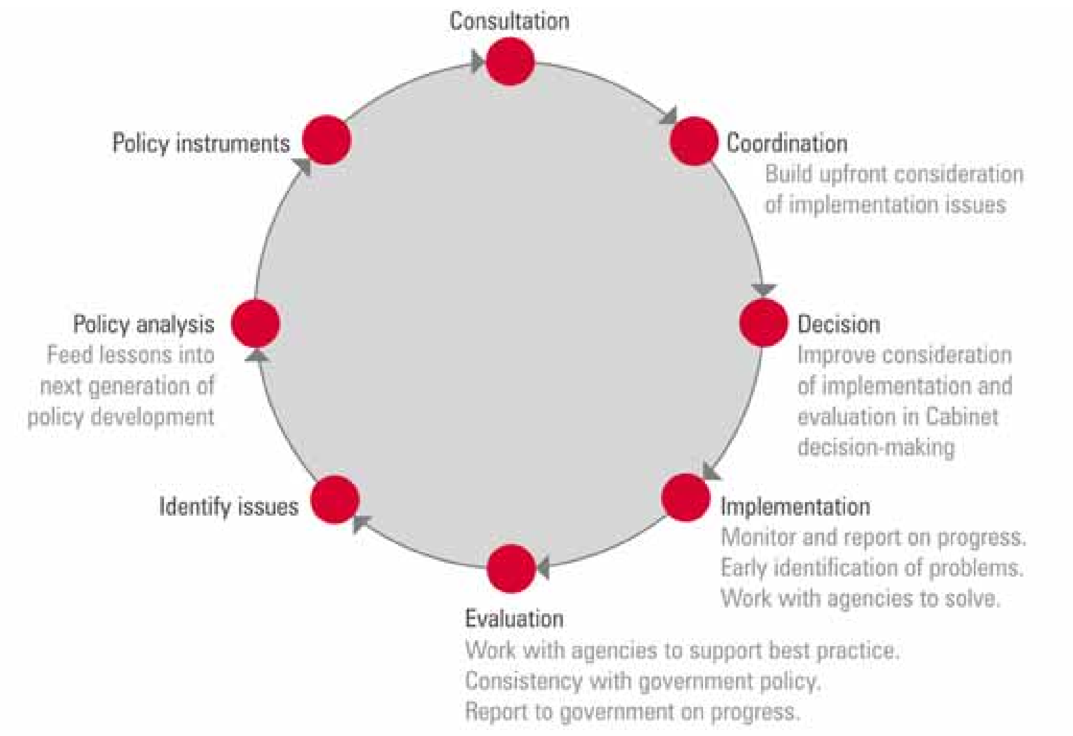
DPC's role is to:

- coordinate strategic, cross-agency infrastructure investment, in consultation with relevant departments and public bodies

- coordinate Commonwealth and local government involvement and assist in making sure that appropriate priority is given to all components of a cross-agency proposal.

In particular, the DPC Implementation Unit in brings a strong focus on implementation and policy evaluation. Figure 4.1 shows Implementation Unit activities throughout the policy cycle.

Figure 4.1: Role of the DPC Implementation Unit in the policy cycle



4.3 Governance arrangements

4.3.1 Corporate governance

Corporate governance arrangements have been of concern to both the public and private sectors in recent years. A number of authorities have released guidance in this area, including the Australian Stock Exchange's corporate governance principles (outlined in Box 4.1).

Corporate governance structures should fit the complexity of the project—one size does not fit all. Too often the structures and processes are convoluted, potentially duplicate one another and lack the kind of accountability they seek to establish.

Governance can be described as a process for directing and managing projects, a system for holding projects accountable and controlling them and a framework for effective accountability. It is a set of policies, principles, rules, delegated authority and supporting practices that are put in place to run a project.

For public sector infrastructure and service delivery projects, investors, project boards and project management teams need to take into consideration certain principles of governance.

For example, the governance framework developed in preparing the business case is critical. One of the key steps in that phase is to assign responsibility and accountability and make sure it is understood. Responsibility needs to be clearly specified and, where appropriate, a proposal sponsor appointed, as well as the project director. Planning for project delivery should include the use of relevant project management systems and processes.

Governance requirements include appropriate monitoring and review processes, as well as the reporting requirements associated with each investment lifecycle stage. Where a department or unit has adopted quality management standards or other frameworks, such as business excellence, these provide a framework and discipline for processes. They should align with existing sector-wide arrangements, including the asset management framework, the departmental funding model and the compliance framework.

Corporate governance principles and recommendations **Box 4.1**

In 2007, the Australian Stock Exchange (ASX) released revised corporate governance principles:

1. Lay solid foundations for management and oversight.
2. Structure boards to add value; encourage enhanced performance.
3. Promote ethical and responsible decision-making, recognising the interests of stakeholders.
4. Safeguard the integrity of financial reporting.
5. Make timely and balanced disclosures (i.e. policies and processes).
6. Respect the rights of shareholder [in the government context this is the public].
7. Recognise and manage risk.
8. Remunerate fairly and responsibly [does not apply in this context].

Source: ASX Corporate Governance Council, *Corporate Governance Principles and Recommendations*, Second Edition, August 2007

4.3.2 Project governance

Project reporting requirements should also be established for progress reports on previously agreed key success factors, including relevant deadlines. Central agencies should be kept informed of progress, starting with the development of business cases.

At the decision-making stages, there needs to be clear information on the processes adopted and the quality review steps undertaken. These must be reliably reflected in departmental MYS updates. Probity planning at the business case phase can avoid embarrassment at later stages.

Government investments need strong, direct, unambiguous lines of accountability and control. Where multiple agencies are involved, the responsibilities of the parties should be clearly identified and understood. It is also important to identify issues (including emerging risks) and opportunities and share them according to each agency’s contribution and level of responsibility. Cross-agency development or operational arrangements should avoid gaps in accountability, and have clear, unambiguous responsibilities for outcomes, without unnecessary duplication.

General principles for project governance	Box 4.2
Principle 1:	Ultimate responsibility and accountability for an investment project must be clearly defined and accepted at an appropriately high level in the lead agency and accepted by all other organisations.
Principle 2:	Roles and responsibilities of various interested parties should be clearly identified; these should reflect their authority and influence during particular project phases.
Principle 3:	Project stakeholders should be engaged at a level suiting their importance to the project, (e.g. include key stakeholder representatives on the project board).
Principle 4:	Agencies with key decision-making roles regarding the project should have sufficient representation on the project steering committee. Involve competent individuals who have sufficient authority and resources to make appropriate decisions.
Principle 5:	Governance structures need agreed objectives, and processes for operating, reporting project status and escalating risks and issues, and a means of conflict resolution.

Some general principles guide the establishment of the governance structure:[4]

- Where an agency engages an external party to manage a project, it does not divest its minister, or itself, of responsibility for the project outcomes.
- 'Contractual' agreements for project management need to be very specific about risks, responsibilities and accountabilities.
- The service agency to which the budget is allocated is ultimately responsible for delivering the outcomes. That agency needs to focus on the risks it bears throughout the project and the core services it needs to deliver in the long term.

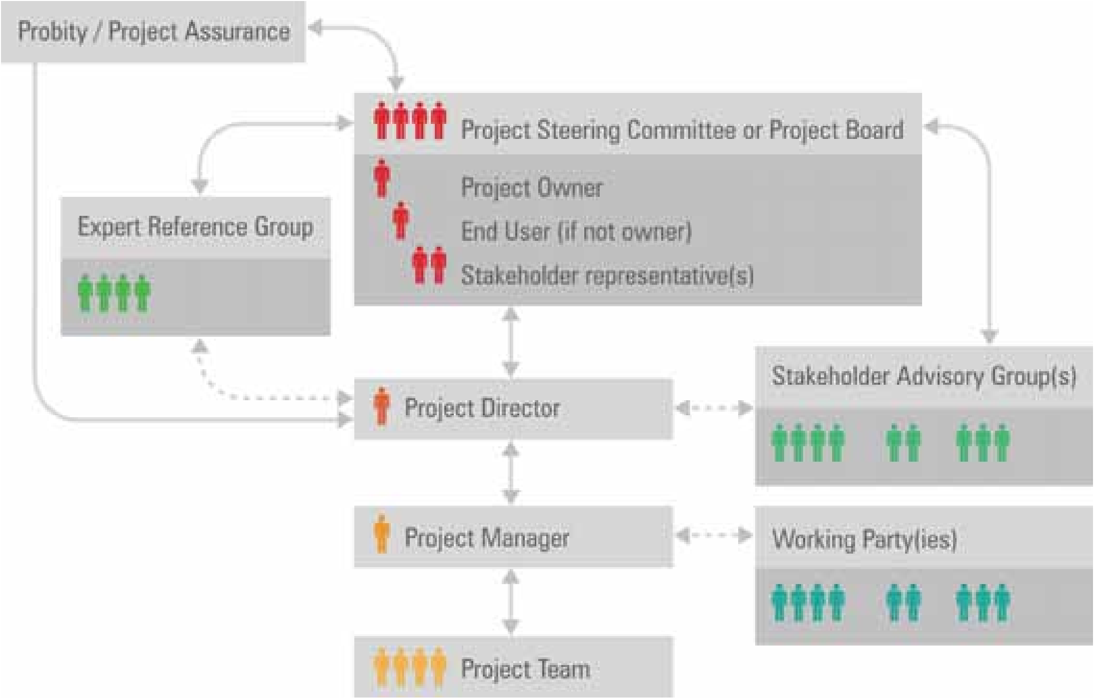
Project steering committee

The project steering committee involves senior managerial representatives of the interests of the business and service users. It is the decision-making authority that guides the strategic and implementation aspects of the project to meet project outcomes and objectives. A typical project governance structure is set out in Figure 4.2.

All major investments should have a project governance board. That board must define and accept ultimate responsibility and accountability for the project. The board should clarify the exact nature of their role regarding the project, including appropriate exit strategies where projects are no longer viable. Project boards should seek access to Gateway reviews as a guide to their governance activities.

[4] Distilled from: Association for Project Management, *Directing Change: A guide to governance of project management,* and Australian National Audit Office, *Public Sector Governance – Best Practices Guide – Framework, Processes and Practice*

Figure 4.2: Typical project governance model



4.3.3 Operational governance

Once the project has been delivered, achieving benefits, operational management and asset maintenance are still issues for ongoing corporate governance. These processes can be managed in-house or under contract. In both cases, accountabilities and responsibilities need to be defined and enforced for effective asset management and benefit realisation.

For projects delivered under *Partnerships Victoria*, governance involves extended contract management, as the contracts lock-in a service relationship for a significant time, often 25 years or more. In this case, governance extends beyond processes for project decision-making to behavioural controls in the organisation to ensure accountability, responsibilities, stewardship, leadership and control for long-term outcomes and processes. Governance is critical for effective coordination of service delivery between government, private parties and customers. A comprehensive governance framework should address interfaces between these groups for high-quality service delivery.

4.4 Role of audits in project governance

Internal or external auditors may audit a project after it is complete or during the procurement or project delivery phase. Audits usually examine either compliance or performance. Departments direct internal audits, perhaps at the request of the project board as a project assurance mechanism.

Audits during a project raise issues needing attention, while post-completion project audits are more likely to identify lessons to be applied in future projects. Importantly for the investor, a post-completion audit may highlight the extent to which the investment has yielded benefits, or not. It can point to deficiencies needing further investment. It should be noted that the Victorian Auditor-General has complete access to all project-related documents, including Gateway Reviews, submissions to government and Cabinet decisions.

The Auditor-General reports to Parliament, providing an independent assessment of whether projects have been managed economically, efficiently and effectively. The reports recommend ways the Government can improve resource management through public sector agencies, such as reducing waste and eliminating inefficient practices.

Audits by the Victorian Auditor-General’s Office are tabled in Parliament. They frequently relate to those projects identified as in distress or having questionable governance or project management processes. The tabling of Auditor-General’s Reports in Parliament generates considerable parliamentary and community debate, raising the issues to ministerial level (accountable minister). This is likely to require serious effort on the part of the project governance board, project team or departmental executive to address the issues raised.

5 Addressing organisational issues

5.1 Organisational culture and climate

Strategic assessments and options analyses can help influence outcomes and provide the best financial, social and environmental benefits for the community. The resources allocated to these activities should therefore be seen as an investment rather than an overhead that slows down productivity.

The critical activity is the planning involved and the strategic and tactical skills associated with it. The business case development should be seen as a critical activity, rather than a ‘tick and flick’ exercise to let the organisation to move forward to ‘real work’ (i.e. implementation).

Organisational arrangements should support investment management teams, particularly in the business case development phases of the project lifecycle. Key organisational and governance issues that can help the project succeed through various lifecycle stages are vision and leadership, the management environment, risk management, monitoring, and accountability. Departments and agencies need the support of these functions if their investments are to succeed. These qualities can contribute to successful business cases and project outcomes in particular ways, such as those listed below.

5.1.1 Vision and leadership

- Values the investment in business case development as part of the organisational culture

- Accepts that the discipline involved in the planning cycle pays dividends through improved delivery of desired outcomes

- Recognises that investigating non-asset solutions can pay big dividends

- Involves key stakeholders early in the planning stage

5.1.2 Management environment

- Invests resources and time in up-front planning, to reduce cost overruns and the risk of failing to meet deadlines

- Constantly searches for collaborative opportunities with other agencies

- Involves the right people in the planning process

5.1.3 Risk management and monitoring

- Recognises that business case development is not a one-off event , that it is a living document originating from a strategic assessment and options analysis, developing as the project proceeds

- Learns from the past and shares the good and bad experiences corporately

- Actively involves executive management at key decision points in the investment lifecycle

5.1.4 Accountability

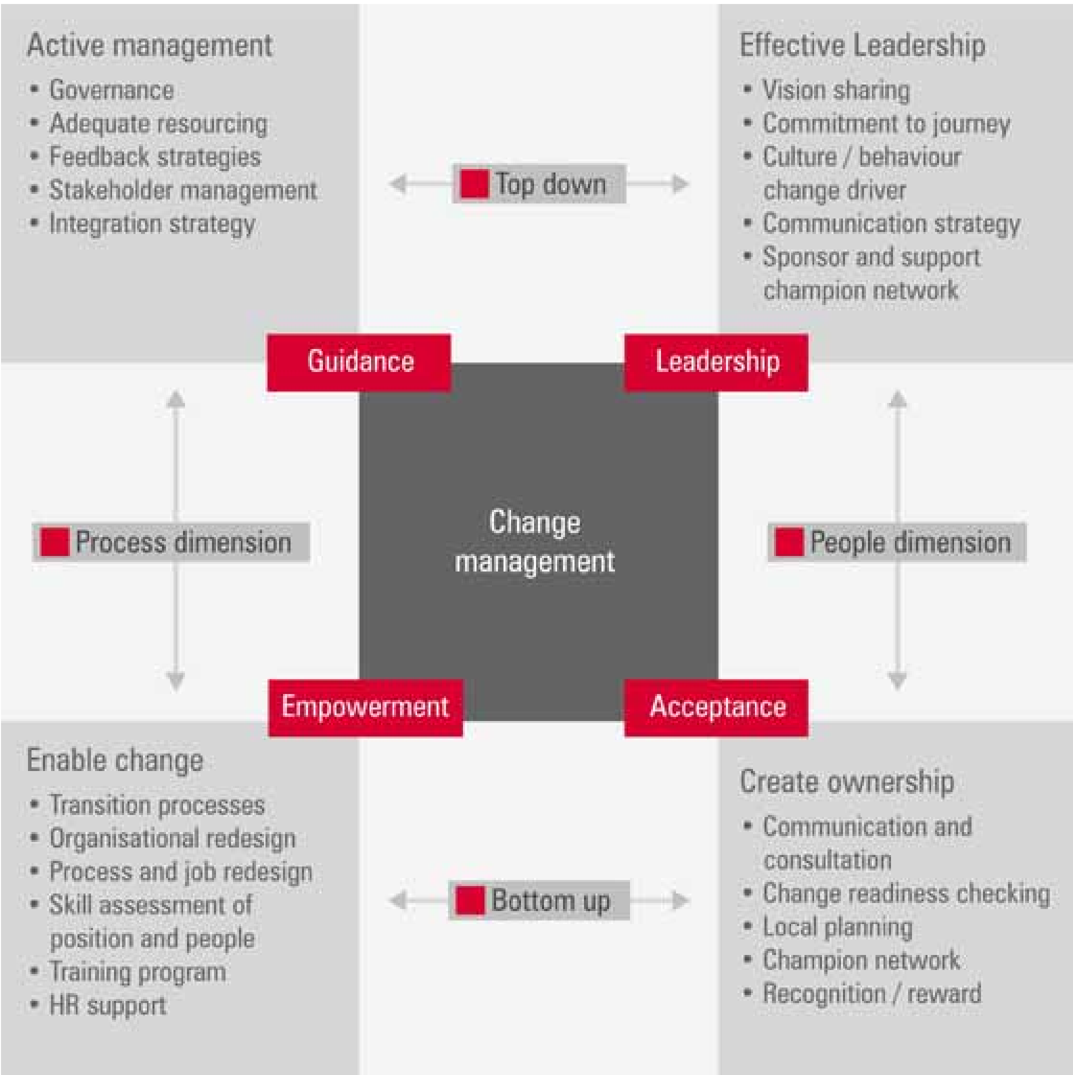
- Asks this question during key stages of the process: 'If I was to pick up the bill for this initiative personally, would I be fully confident that the overall initiative is the best solution and is fully justified?'

- Allocates clear responsibilities for the project, with clear reporting arrangements and sound probity planning.

5.2 Change management

Organisational and operational changes may be needed to effectively deliver project benefits. This is a significant issue for effectively implementing any investment and putting it into operation. The investment logic map points to some of these changes in its 'business change' column. Failure to adequately plan and resource these changes can significantly reduce the benefits derived. Figure 5.1 identifies change management requirements from various perspectives, since change cannot be effected in a single dimension.

Figure 5.1: Aspects of change management



5.3 Knowledge management

Post-implementation reviews should be undertaken at the end of a project or within five years of its completion. The results of reviews should be documented, fed back into the options analysis and business case process for future projects and, preferably, be made available to other departments. This activity is part of a continuous improvement process and should include measuring costs (procurement and recurrent), revenues and benefits realisation.

The benefits of this approach include:

- ‘real’ information on which to base future infrastructure investment decisions
- improved risk management
- less risk of past mistakes being repeated
- transfer of knowledge within the State Government before personnel leave
- improved outcomes from the options analysis and business case activities.

A database of project information should be established to:

- record and manage the project’s progress, scope, budget and timeline through to the final outcome, including reasons for variation
- assist the department to learn from experience for the benefit of future projects.

6 Public and stakeholder issues

6.1 Public interest

Public interest covers a range of factors, including:

- effectiveness in meeting government objectives
- accountability and transparency
- affected individuals and communities
- equity
- consumer rights
- public access
- security
- privacy.

Appendix C outlines public interest assessment requirements for major projects.

Privacy is an issue that requires specific attention, as investments and the services they seek to provide will involve privacy issues not just while the project is underway but in the service design and its ultimate delivery stages.

The *Information Privacy Act 2000* (IPA) came into effect on 1 September 2001. It has ten information privacy principles that have been enforceable since 1 September 2002. They attract penalties for non-compliance. The IPA aims to increase public confidence in the Government's ability to protect and manage the personal information that it collects and stores. The IPA is part of a trend towards clearer privacy protection in an age where technologies simultaneously promise big benefits and pose big risks. The new legislation allows for some shift in control from the collectors and users of personal information to the sources and subjects of it.

6.2 Stakeholders

Managing public interest issues often requires stakeholder consultation.

Stakeholders represent a diverse set of interests that can affect the success of a project. Some will be beneficiaries of the proposal, while others may feel they, or the special interest group they represent, will be disadvantaged by it. The impacts may be long or short-term.

Stakeholders need to be engaged as early as possible, without creating untenable expectations, to capture important constraints and opportunities that they bring to the proposal. Engaging stakeholders will introduce competing priorities and influences. However, an effective stakeholder management plan will produce valuable ideas and help identify risks.

Appendix B outlines stakeholder consultation and communication strategy expectations (for infrastructure projects).

In addition to broad public interest and stakeholder management requirements, two specific policy obligations should also be taken into account—environmental sustainability and human rights.

6.3 Environmental sustainability

The Department of Sustainability and Environment has created an Environmental Sustainability Framework (ESF) that seeks to make environmental sustainability part of everyday Victorian life. This document provides a direction for government, business and the community to build environmental considerations into the way Victorians work and live.

The ESF has three broad directions:

1. Maintaining and restoring the State's natural assets
2. Using resources more efficiently
3. Reducing everyday environmental impacts.

The framework seeks to reduce environmental damage resulting from the actions of businesses and individuals and support businesses that take clear action to prevent environmental damage.

The Government seeks to achieve this by:

- encouraging investment in technologies and designs that not only benefit the environment, but also increase Victoria's global competitiveness and job creation
- achieving pricing regimes that encourage efficient resource use by both businesses and households
- establishing measures that can track movement in those environmental, social and economic factors that are central to delivering sustainability.

Further information can be found in the ESF Document on the Department of Sustainability and Environment website, www.dse.vic.gov.au .

6.4 Human rights

The Victorian *Charter of Human Rights and Responsibilities* aims to protect and promote human rights. Passed by Parliament in July 2006, it brings the most important human rights together in one place. It means that when the Government makes important decisions, it must do so with the civil and political rights of people in Victoria in mind. Human rights provide basic standards required for governments, societies and communities to operate in a respectful and peaceful way.

The Charter became fully operational across all public authorities, including government departments and agencies, on 1 January 2008. It has 20 rights that reflect four basic principles—freedom, respect, equality and dignity.

Rights can be limited, where the limitations are justified in a free and democratic society based on human respect, dignity, equality and freedom. A balance needs to be reached between a person's rights and the interests of the broader community.

Appendix D includes a flowchart for developing an impact statement to comply with the Human Rights Charter.

Further information can be found at Human Rights Charter on the Department of Justice website, www.justice.vic.gov.au .

Resource directory

Further information may be obtained from the following publications/websites. Please advise the Department of Treasury and Finance if your agency, or other agencies, have additional information that should be included in this listing.

Resource name	Access details
Investment Management Standard	
Problem Definition (Investment Logic Map)	www.dtf.vic.gov.au/investmentmanagement investmentmanagement@dtf.vic.gov.au
Solution Definition (Investment Concept Brief)	
Benefit Definition (Benefit Management Plan)	
Business Case	
Investment Reviews	
Benefit Report	
Gateway Review Process	
Project Profile Model	www.gatewayreview.dtf.vic.gov.au gateway.helpdesk@dtf.vic.gov.au
Program Reviews	
Gate 1 Review: Strategic Assessment	
Gate 2 Review: Business Case	
Gate 3 Review: Readiness for Market	
Gate 4 Review: Tender Decision	
Gate 5 Review: Readiness for Service	
Gate 6 Review: Benefits Evaluation	
Investment Lifecycle Guidance	
Overview	www.lifecycleguidance.dtf.vic.gov.au
Strategic Assessment	
Options Analysis	
Business Case	
Project Tendering	
Solution Implementation	
Post-implementation Review	
Supplementary Guidance	
Investment Evaluation Policy and Guidelines	www.lifecycleguidance.dtf.vic.gov.au
Project Alliancing Practitioners' Guide	
Procurement Strategy Supplementary Guideline	
Melbourne Water Triple Bottom Line	
Asset Investment Reporting	www.dtf.vic.gov.au/assetinvestmentreporting
Asset Management Policy	www.dtf.vic.gov.au/assetmanagementpolicy
Multi Year Strategy	www.dtf.vic.gov.au/multiyearstrategy
Partnerships Victoria Guidance	www.partnerships.vic.gov.au
Other Guidance	
Building Commission Guidance	www.buildingcommission.com.au
Capital Development Guidelines	www.dhs.vic.gov.au/capdev.htm
Construction Supplier Register	www.doi.vic.gov.au
Environmental Sustainability Framework	www.dse.vic.gov.au
Health Privacy Principles	www.health.vic.gov.au/hsc/
Human Rights Charter	www.justice.vic.gov.au
Information Privacy Act	www.privacy.vic.gov.au
Multimedia Victoria	www.mmv.vic.gov.au/policies
Standards Australia	www.standards.org.au
Tender Documentation	www.tenders.vic.gov.au
Whole of Government Contracts	www.vgpb.vic.gov.au

Glossary

Asset management framework: A Victorian Government initiative to allow the Expenditure Review Committee to exercise greater strategic control over the asset base, with a tighter focus on adapting the asset base to better support output delivery. The framework has a series of linked strategies (service strategy, asset strategy and multi-year strategy) that guide investment planning in departments and agencies.

Appraisal: The process of defining objectives, examining options and weighing up the costs, benefits, risks and uncertainties of those options before a decision is made.

Asset option: An asset option is a means of satisfying service needs by investing in existing assets or creating new assets.

Asset strategy: Sets the direction and communicates up-front the assumptions and decisions about levels of service and who provides them; is the means by which an entity proposes to manage its assets over all phases of their lifecycle to meet service delivery needs most cost-effectively.

Assets: Service potential or future economic benefits controlled by an entity (e.g. a department) as a result of past transactions or other past events. Assets may be physical (e.g. plant, equipment or buildings) or non-physical (e.g. financial investments). Assets may also be current (having a store of service potential which is consumed in one year or less) or non-current (having a store of service potential that is consumed over a period of more than one year).

Base case: The base case is a realistic option that involves the minimum expenditure to sustain existing standards of service delivery or to achieve previously agreed service standards. Therefore, the base case does not always mean 'do nothing'; rather it is the minimum essential expenditure option (e.g. carrying out obligatory works to meet safety and health regulations).

Benefit: The value that the investment will provide to the organisation or its customers. Benefits are normally a positive consequence of responding to the identified driver. Each claimed benefit must be supported by key performance indicators that demonstrate the investment's specific contribution to the identified benefit.

Benefit management plan: A short document that defines the pre-requisites for delivering each expected benefit, how the delivery of each benefit will be measured, and who will be responsible for measuring and realising each benefit.

Benefit reports: Regular reporting of the delivery of benefits, which are tracked and reported consistently with the benefit management plan.

Business case: A document that forms the basis of advice for executive decision-making for an asset investment. It is a documented proposal to meet a clearly established service requirement. It considers alternative solutions, and identifies assumptions, benefits, costs and risks. The development of the business case is based on the logic in the investment logic map.

Capital expenditure: Expenditure involved in creating or upgrading assets.

Change: The things that must be done by the business if the benefits are to be delivered. The changes provide detail of how the strategic intervention defined in the objective will actually happen.

Cost: An expense incurred in the production of outputs.

Cost-benefit analysis: Cost-benefit analysis is a technique that can express in a comparable (monetary) way the net effect of the costs and benefits associated with an investment proposal.

Demand management: A management technique used to identify and control demand for services.

Depreciation: The allocation of the cost of an asset over the years of its useful life.

Disposal: The process in which an asset is disposed of or decommissioned – resulting in removal from an entity's balance sheet.

Dis-benefit: A negative impact that might occur as a direct consequence of implementing a particular solution.

Driver: The reason that action needs to be considered at this time. Drivers are normally couched in negative terms such as 'Climate change is demanding new ways of living in Australia'. A driver should capture the essence of what is broken and the consequences.

Economic cost (or opportunity cost): The value of the most valuable of alternative uses.

Enabling asset: Any physical asset that must be built or purchased for the identified changes to occur. This may be, for example, a hospital, a pipeline or an IT system.

Evaluation: The process of defining objectives, examining options and weighing up the costs and benefits before a decision is made to proceed.

Financial analysis: An investment evaluation technique that is confined to the cash-flow implications of alternative options and is undertaken from the perspective of the individual department or agency or government as a whole.

Gateway Review Process: A review of a procurement project or a program of works/activities carried out at critical points of a project/program's development by a team of experienced people, independent of the project team. These critical points are known as Gateways or Gates. There are six gateways during the lifecycle of a project and reoccurring program reviews for programs of works/activities.

***Growing Victoria Together*:** A ten-year Government vision that articulates what is important to Victorians and the priorities that the Victorian Government has set to build a better society.

ICT-dependent: Information and communications technology (ICT)-dependent projects meet any of the following conditions: The ICT component of the project is critical to the overall success of the investment; or $5 million or more of the total estimated investment (TEI) is assigned to the ICT component; or 50 per cent or more of the TEI is assigned to the ICT component. Examples of ICT components include hardware purchases, software development and IT project management costs (i.e. anything that is covered by the whole-of-Victorian Government ICT classification.

Impact: The cost, benefit or risk (either financial or socio-economic) rising from an investment option.

Investment: The expenditure of funds intended to result in medium to long-term service, or financial benefits rising from the development or use of infrastructure or assets by either the public or private sectors. A single investment proposal may contain a number of related investment expenditures addressing the same service need.

Investment concept brief: A two-page document that shows the logic underpinning an investment and identifies the likely costs, risks, dependencies and deliverables of the proposed solution. It summarises the merits of an investment and allows decision-makers to prioritise competing investments before proceeding to the business case.

Investment logic map: A simple single-page depiction of the logic that underpins an investment. It provides the core focus for an investment and is modified to reflect any changes to the investment logic throughout its lifecycle.

Investment Management Standard: A best-practice approach applied over the life of an investment that aims to reduce the risk of investment failure, provide greater value-for-money and drive better outcomes. It has been designed to enable the *investor* to shape and control investments throughout their lifecycle.

Investment reviews: Formal scheduled periodic reviews that aim to confirm that the logic for an investment remains valid.

Investor: The person who has an identified business problem (or opportunity), will be responsible for making (or advocating) a decision to investment, and who will be responsible for delivering the expected benefits. This person is often referred to as the 'senior responsible owner'.

Lifecycle cost: Lifecycle cost is the total cost of an item or system over its full life. It includes the cost of development, production, ownership (operation, maintenance, support), and disposal, if applicable.

Key performance indicator (KPI): A measure that has been selected to demonstrate that a benefit expected from an investment has been delivered. The KPI must be directly attributable to the investment.

Multi-year strategy: An agreed listing of asset and non-asset initiatives intended to be implemented in the medium term (generally, the next 5-10 years).

New asset option: Acquisition, transfer or commissioning of an existing asset, or creation of a new asset.

Non-asset option: Under this option, service capacity is met without creating additional assets. This could be done through reconfiguration of the way the services are provided (contracting out, increased use of existing or private assets, or reduction of demand through selective targeting).

Objective: The high-level action (or strategic intervention) that is proposed as the response to the identified driver. This intervention must be framed within the context of the organisation's purpose.

Optimism bias: The demonstrated systematic tendency for appraisers to be over-optimistic about key project parameters, including capital costs, operating costs, works duration and benefits delivery.

Options analysis: A process in which a range of options (both asset and non-asset) are evaluated. The most cost-effective options are then selected for more detailed evaluation through a business case.

Outcome(s): In the Government's output/outcome framework, outcomes equate to benefits.

Partnerships Victoria: The Victorian framework for a whole-of-government approach to the provision of public infrastructure and related ancillary services through public-private partnerships. The policy focuses on whole-of-life costing and full consideration of project risks and optimal risk allocation between the public and private sectors. There is a clear approach to value for money assessment and the public interest is protected by a formal public interest test and the retention of "core" public services. *Partnerships Victoria* is most useful for major and complex capital projects with opportunities for innovation and risk transfer.

Project alliancing: A form of procurement where the State or another government entity collaborates with one or more service providers to share the risks and responsibilities in delivering the capital phase of a project. It seeks to provide better value for money and improved project outcomes through a more integrated approach between the public and private sectors in the delivery of infrastructure. Project alliancing should generally only be considered in the delivery of complex and high-risk infrastructure projects, where risks are unpredictable and best managed collectively.

Project lifecycle: The stages of an asset lifecycle between the identification of the need and the delivery and handover of an initiative.

Proposal: An idea for a policy, program or project that is under development and appraisal.

Residual value: The net value applied to the asset at the end of the investment lifecycle or evaluation period; this may result in either a positive or a negative value.

Resources: Labour, materials and other inputs used to produce outputs.

Revenue: Inflows or other enhancements, or savings in outflows, of service potential or future economic benefits in the form of increases in assets or reductions in liabilities of the entity (other than those relating to contributions by owners) that result in an increase in equity during the reporting period.

Risk: Risk is often characterised by reference to potential events, consequences, or a combination of these and how they can affect the achievement of objectives. Risk is often expressed in terms of a combination of the consequences of an event or a change in circumstances, and the associated likelihood of occurrence.

Risk versus uncertainty: Uncertainty is the extent of variability in the capacity to achieve the desired outcomes or the outcomes themselves. Risks lead to uncertainty.

Scenario analysis: Scenario analysis is a procedure for providing the decision-maker with some information about the effect of risks and uncertainties on an investment. In a scenario analysis, a set of critical parameters and assumptions that define a particular scenario are identified and varied to reflect a best-case and a worst-case scenario.

Service strategy: The strategy for the supply of appropriate services to the community, which is consistent with the entity's corporate goals. It is based on strategic analysis and review of how services are presently provided.

Social benefit: The estimated direct increase in the welfare of society from an economic action. It is the sum of the benefit to the agent performing the action, plus the benefit accruing to society as a result of the action.

Social cost: The estimated direct total cost to society of an economic activity. It is the sum of the opportunity costs of the resources used by the agent carrying out the activity, plus any additional costs imposed on society from the activity.

Strategic assessment: The phase of the project lifecycle during which a need is translated, where justified, into a proposal where outcomes, purpose, critical success factors and the level of strategic alignment are clearly defined.

Value management: Value management is a technique that seeks to achieve optimum value for money, using a systematic review process. The essence of value management is a methodical study of all parts of the product or system to ensure that essential functional requirements are achieved at the lowest total cost. Value management examines the functions required from a product, functions actually performed, and roles of the product's components in achieving the required level of performance. Creative alternatives which will provide the desired functions better or a lower cost can also be explored.

Weighting and scoring: A technique that assigns weights to criteria, and then scores options in terms of how well they perform against those weighted criteria. Weighted scores are summed, and then used to rank options.

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Appendix A: Case study – Integration in practice

Revitalising Central Dandenong - Government Services Office Seed Project
Extract from VicUrban Business Case, 2008

Government urban renewal initiative

The Victorian Government established the Melbourne 2030 Transit Cities program to promote urban revitalisation across certain locations where progress was impeded by economic and social issues. The aim was to stimulate private investment in those areas. In part this stimulation and improvement in market confidence was to be seeded by a range of government projects. The project discussed here is in the Dandenong Transit City.

This proposal was for a government catalyst or seed development project under the Revitalising Central Dandenong (RCD) initiative. Government offices in either the health or education sectors were seen as critical to attract the targeted $1 billion in private sector investment in central Dandenong. The RCD is being delivered by VicUrban in partnership with the City of Greater Dandenong, under the auspices of the Minister for Planning. This seed project is a critical initiative to trigger new development and provide the necessary commitment to construct the new City Walk, a key public infrastructure project identified in the RCD Urban Master Plan.

Departmental need

The Department of Human Services (DHS) has the largest State Government presence in Dandenong, employing 444 staff and providing direct client services for child protection, youth justice, emergency management and housing assistance. DHS occupies three separate C-grade offices under four leases. These are due to expire between 2009 and 2011. Planning for its future accommodation is critical for securing a sustainable accommodation arrangement.

The standard and segregation of DHS accommodation is affecting service delivery effectiveness, its clients, employees and business operation. The accommodation does not comply with Victorian Government office accommodation guidelines and has no capacity for future growth.

The best solution for DHS alone was determined to be co-locating its existing three offices in Dandenong into a new 5-Star, Green Star, A-grade office building. This solution provides the best outcomes for improved service delivery, with appropriate client access, amenity, security and privacy. A new workplace for DHS addresses amenity, safety and occupational health and safety issues for staff. It has the highest potential for operational savings and improved productivity, as well as meeting office accommodation guidelines and providing capacity for future growth.

Moving from substandard C-grade accommodation to new A-grade premises would significantly increase rent. DHS is unable to fund this from its departmental budget. Should DHS remain in its existing premises, this budget issue will also arise when existing leases expire. These are well below market rent. Rents are expected to rise as a result of the RCD initiative.

Integration opportunity

To reduce the cost to government, DHS considered co-location in a new government services building with other departments that are either unable to lease appropriate accommodation in Dandenong or are seeking to relocate whole operational units to the area.

As there is no appropriate office accommodation in central Dandenong, government departments are forced to lease substandard accommodation, split their business over several substandard office locations, or operate from locations outside Dandenong.

Co-location of departments also provides flexibility for expanding or reducing space requirements and more opportunity to provide coordinated services to clients.

Proposal outcome

The proposal is for a new 5-Star, Green Star, A-grade government services office building in central Dandenong (with more than ten levels of office, retail and car parking). The building is proposed to be occupied by DHS, the Department of Justice (DOJ), the Department of Planning and Community Development (DPCD), and Worksafe (subject to the approval of its Board).

The business case was developed in consultation with an interdepartmental committee (IDC) of representatives from DHS, the Department of Premier and Cabinet (DPC), DTF, DOJ, DPCD, the Department of Infrastructure (DOI) and VicUrban. Worksafe was consulted separately. The proposed seed project aligns with key State Government policies, including *Growing Victoria Together, Melbourne 2030, A Fairer Victoria, Meeting Our Transport Challenges, and Our Environment Our Future*.

Project benefits

A new government services office building will:

- bring investment to Dandenong, increasing activity and leading to a positive impact on local business, employment and community safety
- co-locate government services to improve community access, convenience to service users and government operating efficiencies
- provide better-quality facilities for clients and provide adequate space, amenity, privacy and personal security for clients
- provide an opportunity for better tailored services, stronger service integration, improved capacity, responsiveness, holistic case management and continuity of care
- address amenity, safety and occupational health and safety issues for government employees in Dandenong
- provide flexibility for expansion and contraction of accommodation requirements through co-location of government tenants
- provide sustainable, quality office space, showing government leadership in environmental management.

Making integration work

Lessons from this case study include:

- Look beyond the immediate problems facing your service area. Other departments may face similar or related service delivery issues.
- Establish effective governance. Give an IDC or working party power to look broadly at options and specific needs and make sure strong leadership is in place.
- Consult stakeholders not represented on the IDC.
- Explore the flexibility or adaptability of options to deal with future service changes.
- Assess policy alignment.

Appendix B: Consultation guidelines for major infrastructure projects

Identifying and consulting with key stakeholders is important for successfully scoping and delivering major infrastructure projects. You should develop a consultation and communication strategy as part of the business case. The consultation/communication strategy should detail:

Key stakeholders who are affected or have a direct interest in the project

Key stakeholders will differ between projects and may include bidders, investors, users, politicians and officers at the local and state government level, special interest groups and community groups.

Stakeholder analysis (including for each stakeholder/ group)

This analysis includes:

- each stakeholder's relationship to the project
- consultation already undertaken
- synergies/benefits from the project
- issues and their potential impact on the success of the project
- actions/response (if further work is needed, above the current planning and consultation processes); may include, for example, addressing specific stakeholder concerns in project specifications or increasing communication activities
- timing of activities
- key responsibility – who will take responsibility for the actions surrounding an individual stakeholder,

Project consultation and communication objectives

Identify the key objectives that the department or agency seeks to achieve through implementing the strategy.

Key issues to be addressed

Using the stakeholder analysis, detail the key issues that have emerged for action and their priority.

Key messages

Define the key messages at the overall project level, and develop them further for each stakeholder as required.

Designated spokespeople

It is important to nominate designated speakers and brief them appropriately with the desired key messages.

Measures of success
Identify and detail key measures of success.
Resources
Detail the resources required to implement the strategy

Major infrastructure projects

Major infrastructure projects would include, for example, those:

- arising from the *Project Development and Construction Management Act 1994* (section 6 of that Act)
- requiring government capital funding greater than $100 million
- deemed by the Economic Development and Infrastructure Delivery Committee to be a ‘major infrastructure project’ for this purpose.

Public interest test

Major projects are required to complete a public interest test as part of the business case seeking project approval. Government takes this test into account when considering an application for project funding. It is important that the consultation strategy links with the public interest test, including identifying key groups for consultation and reviewing information gathered. Appendix C has information on this.

Appendix C: Public interest guidelines for major projects

All major projects are required to undertake a public interest test at the pre-tender stage. This examines the impact of the project on eight elements of public interest, outlined in the following table.

Element	Public interest question
Effectiveness	Is the project effective in meeting government objectives?
Accountability and transparency	Do arrangements ensure that the community is well informed about the obligations of government and the private provider, and that the Auditor-General oversees this?
Affected individuals and community	Have those affected been able to contribute effectively at the planning stages? Are rights protected through fair appeal processes and other conflict resolution mechanisms?
Equity	Are there adequate arrangements to ensure that disadvantaged groups can effectively use the infrastructure or access the related service?
Consumer rights	Does the project provide sufficient safeguards for consumers, particularly those for whom government has a high level of duty of care, or those who are most vulnerable?
Public access	Are there safeguards that ensure ongoing public access to essential infrastructure?
Security	Does the project provide assurance that community health and safety will be secured?
Privacy	Does the project provide adequate protection of users' right to privacy? (refer expanded detail below)

For all major infrastructure projects, there is a requirement to outline how the public interest has been considered in the investment evaluation and business case phases of project approval.

A major infrastructure project in this context would include a project to which the *Project Development and Construction Management Act 1994* applies (through the operation of section 6 of that Act), a project requiring government capital funding greater than $100 million, or a project deemed by the Economic Development and Infrastructure Delivery Committee to be a 'major infrastructure project' for this purpose.

For *Partnerships Victoria* projects, a full public interest statement test is also completed as part of the business case. The public interest test involves determining whether suitable measures can be established to adequately protect the public interest.

The project brief has to include a clear description of public interest issues and how any areas of potential concern have been taken into account in the proposed contractual or regulatory framework. These should be reflected in contract documents.

Further information on how to complete a public interest test is available in Chapter 18 of the *Partnerships Victoria Practitioners' Guide*.

Privacy

The *Information Privacy Act 2000* (IPA) came into effect on 1 September 2001. It has ten information privacy principles (IPPs) that have been enforceable since 1 September 2002. They attract penalties for non-compliance.

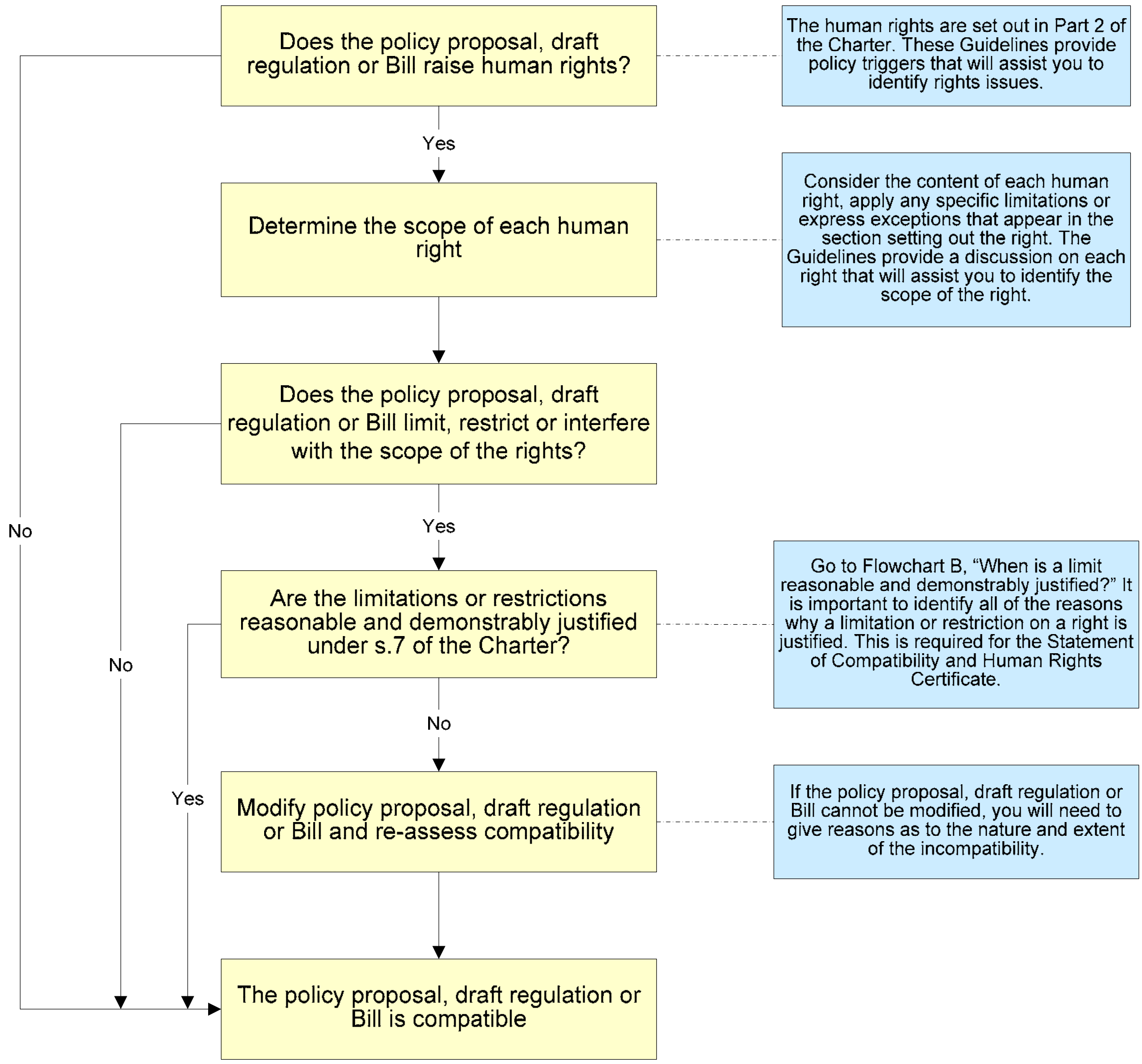
Processes for investments and the services they seek to provide will involve privacy issues for both project processes and in the service design. The following table summarises the IPPs in everyday language. These must be complied with when handling personal information. For the full version in the IPA, please visit the Privacy Victoria website at www.privacy.vic.gov.au.

IPP	Subject	Principles
1	Collection	Collect only what you need. Tell people you are doing it. Do it lawfully and fairly and don't intrude unreasonably.
2	Use and disclosure	Use and disclose people's personal information only for the purpose you collected it, or a related purpose they would reasonably expect. Some important interests, such as protecting health and safety or a legal requirement, can justify use and disclosure without consent. Otherwise, seek consent.
3	Data quality	Keep personal information accurate, complete and up-to-date.
4	Data security	Keep personal information secure.
5	Openness	Be open about what you do with people's personal information.
6	Access and correction	Let people see their information and correct it if necessary
7	Unique identifiers	Minimise the creating and sharing of ID numbers that can be used to match your information about people with information about them from other sources.
8	Anonymity	People must be given the option of dealing with organisations anonymously, where this is lawful and practicable.
9	Trans-border data flows	If you transfer personal information to someone outside Victoria, make sure the privacy protection travels with it.
10	Sensitive information	Sensitive information about people has special protection under law. Don't collect it without checking the rules first.

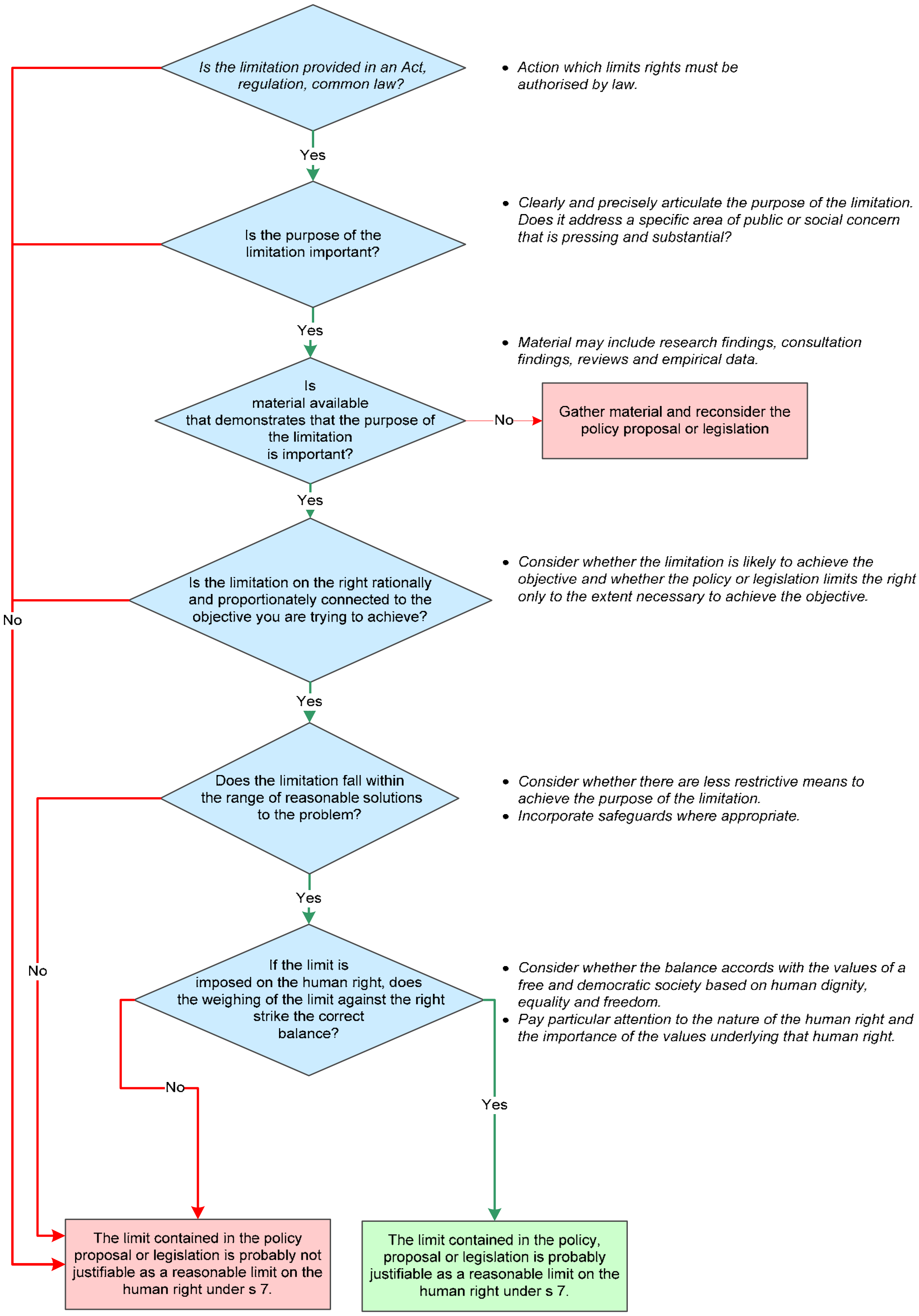
The *Health Records Act 2001* also establishes standards called health privacy principles for collecting, handling and disposing of health information in the public and private sectors. These are similar to the IPPs. For further details, visit the Health Services Commissioner's website: www.health.vic.gov.au/hsc/.

Appendix D: Charter of Human Rights impact assessment

Flowchart A: Human rights impact assessment and Charter guidelines



Flowchart B: When is a limitation reasonable and demonstrably justified?



Appendix E: Investment logic map for a public transport initiative