PROJECT DECISION FRAMEWORK

AN OUTLINE FOR LOCAL GOVERNMENT LEADERS

The philosopher Plato once said 'the beginning is the most important part of the work.' There can be no truer words spoken when it comes to selecting the right project.

Queensland local governments are faced with significant challenges as they seek to balance the need to replace ageing infrastructure with affordability considerations and the community expectations in relation to service levels. In response, Queensland Treasury Corporation (QTC) has developed this Project Decision Framework, which aims to provide an overarching system through which decision making for new projects can be disciplined, robust and in the best interests of the community. It has a deliberate and specific focus on the investment of time required at the start of a project in order to maximise cost efficiencies, optimise resource allocation and achieve positive community outcomes while minimising risks and uncertainties. It places emphasis on asking the question 'should we do this project?' rather than 'can we do this project?'.

The risks of failing to select the most optimal project outcome and the resulting effects for a local government and its community are shown below:

Current situation ...	... leads to ...	... and results in:
■ No effective review process	■ Poor execution	■ Budget blow-outs
■ Ad-hoc project selection	■ Project not being aligned to need	■ Projects delivered late
■ No clear evaluation criteria	■ Underestimation of effort and cost	■ Business needs not met
■ Wrong information captured	■ Confusion among council staff	■ Benefits not being realised
■ Decision-making bias		■ Potential health and safety risks
■ No clear governance arrangements		■ Reduced service levels
		■ Lack of confidence in council

How does the Project Decision Framework assist local governments?

One of the biggest decisions that a local government has to make is which projects to undertake at any given time and within its budget constraints. Often, there are many more projects proposed than can be funded. A project decision-making framework will set out the criteria against which all proposed projects are assessed and provide the qualitative and quantitative evidence for those projects which prove viable and those that do not.

In the interests of saving time and money, local governments may sometimes identify a project and then progress to project delivery without fully considering the critical stages that determine the concept's feasibility and alignment with strategic priorities. The consequences can be costly and can lead to compromised project outcomes and unmet service levels.

This Framework is therefore focused on the early stages of a project lifecycle where the concept is first presented and assessed to determine its feasibility before proceeding to delivery. This focus on the decision-making phase will assist to maximise efficiencies, minimise risk and ensure the best possible outcome is achieved.

Does your council need a decision-making process for selecting new projects?

When it comes to selecting projects that represent value-for-money for your council and your community, consider this checklist:

CHECKLIST

Within your council, do you have:

- [ ] a whole-of-council policy that outlines your council's guiding principles to project selection

- [ ] a formal process/framework for project selection that is simple, intuitive, documented and available to all council staff to maximise engagement within council

- [ ] a project selection process that assesses **all** projects against consistent evaluation criteria to determines those that should, or should not, proceed

- [ ] governance arrangements for project selection with representation from across council

- [ ] delegated authority to a decision-making group for project selection and terms of reference for the decision-making group

- [ ] a consistent approach for assessing potential project risks and identifying mitigating actions

- [ ] a consistent approach to completing business cases and options analysis for proposed projects

- [ ] an assessment tool that identifies whole-of-life costs for a proposed project, as well as up-front capital costs

- [ ] the ability to prioritise proposed projects using a consistent set of metrics and against the available budget

- [ ] the ability to capture key information about proposed projects for reporting to council or the senior executive/management team

OUTCOME

If you were only able to select some of the above questions, then there is the potential to enhance your council's project selection process.

To develop this Framework, QTC consulted with numerous local governments to identify what their needs were, what worked and where improvements were required. There was strong consensus for a process that could accommodate significant flexibility and scalability to meet Queensland local governments' vastly different needs and contexts. The message was also clear that any solution offered to local governments needed to reflect the differing skills, capability and influence of the multitude of local government staff. The Framework has been designed for ease-of-use by all within council, recognising that project decisions can rest with the chief executive's office, the finance team, the chief finance officer, the project management office or the engineering department.

What is the Framework?

QTC has developed a best-practice approach to project selection, tailored specifically to Queensland's local governments. In doing so, the guiding Framework, tools and templates are fit-for-purpose and scalable according to the size, risks and complexity of projects being assessed. The three components that form the Framework are:

1   Policy

A policy has been provided for adoption as an internal policy that commits everyone in council to assessing projects based on need and due diligence. The policy ensures accountability of all levels of council, provides transparency of all project decisions and promotes confidence within the community that their best interests are being served.

2   Process

The Framework steps councils through a staged approach comprising four discrete stages with decision points or stage gates in between each stage. Each stage has clearly articulated selection criteria against which project proposals are to be measured. The process is supported by a defined decision-making group with the appropriate delegations and authorities to progress or reject proposed projects at any point, based on the selection criteria.

3   Tools and templates

The Framework also includes a suite of tools and templates that are simple, tailored to the Queensland local government sector and support decision makers to make assessments based on value-for-money criteria.

What are the benefits?

The advantages to adopting a project decision-making framework are compelling. It allows councils to:

- build discipline into the project selection process (ie, limiting progression of 'pet projects' or those that do not stack up as being viable)
- understand, consider and mitigate risks. Risk, in itself, is not bad. However, risk that is mismanaged, misunderstood, mispriced or unintended is. The up-front identification of risk will limit the opportunity for error, cost increases and 'unknowns'
- link project selection to strategic metrics
- prioritise project proposals across a common set of agreed criteria
- account for whole-of-life costs as part of the up-front investment decision
- justify decisions to stop projects that do not support organisational strategy
- provide a portfolio view of all proposed projects to enable prioritisation of projects with the highest need, and
- achieve accountability and transparency through documented decisions that are available to all, including the rationale to progress or abandon the proposed project.

This Framework is not intended to be a one-size-fits-all solution, but rather offers a scaffold of information, tools and templates from which a local government can build (or improve) its own process.

What's in the toolkit?

The Framework follows a staged process with some guiding documentation, as well as tools and templates, which provide the indicative information that should be captured and considered at each stage, depending on the size of the local government and the nature of the proposed project.
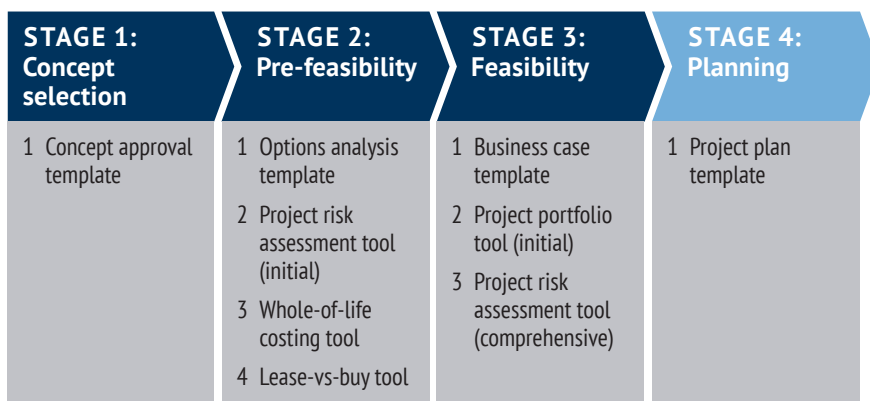
Guiding documentation

1 User guide—outlines the methodology and recommendations for governance and decision-making groups

2 Draft council policy document—ready for customisation

3 Terms of reference for the Project Decision-Making Group at Stages 1, 2 and 3

4 Guiding principles for the evaluation of proposals

Tools and templates

As shown in the diagram below, the tools and templates will inform decision makers about project selection and follow each stage of the process:

- the Microsoft Word templates have prompts about the qualitative and quantitative evidence to be gathered at each stage, and
- the Microsoft Excel tools require specific inputs from council.

STAGE 1: Concept selection	STAGE 2: Pre-feasibility	STAGE 3: Feasibility	STAGE 4: Planning
1 Concept approval template	1 Options analysis template	1 Business case template	1 Project plan template
	2 Project risk assessment tool (initial)	2 Project portfolio tool (initial)	
	3 Whole-of-life costing tool	3 Project risk assessment tool (comprehensive)	
	4 Lease-vs-buy tool		

Assistance for your council

QTC has developed this Project Decision Framework to assist local governments to make value-for-money assessments in order to maximise the likelihood of success and reduce financial risk. This Framework is available at no cost and comprises the guiding documentation and a suite of tools and templates. The Framework has been intentionally designed to guide a local government's decision-making process in its entirety, or provide elements that can be used to complement a local government's existing process.

Councils can download the Framework and all of its individual elements from QTC's website (QTC Connect). Alternatively, your QTC account manager can give you a full copy of the toolkit and, if desired, can arrange a workshop to take you and/or your team through the methodology and components.

For further information, please contact your QTC account manager on 3842 4600.

Queensland Treasury Corporation

As the Queensland Government's central financing authority, Queensland Treasury Corporation (QTC) plays a pivotal role in securing the State's financial success.

With a focus on whole-of-State outcomes, QTC provides a range of financial services to the State and its public sector entities, including local governments. We assist clients by:

- sourcing and managing their debt funding in the most cost-effective manner and in a way that minimises liquidity risk and refinancing risk
- helping them invest their surplus cash balances within a conservative risk management framework
- offering a range of financial risk management advisory services, and
- providing a range of specialist education and training courses that complements our products and advisory services.

Contact us

For more information on this product or to discuss your financial needs, contact your QTC account manager directly or via Reception on 07 3842 4600.

For questions about your transactions, contact the Client Support Team on 07 3842 4753 or by emailing cst@qtc.com.au.

Access QTC Connect

Employees of client organisations can register for a username and password to access QTC Connect, the secure 'Clients' section of QTC's website (www.qtc.com.au).

QTC Connect provides access to essential QTC information including your organisation's account statements and transaction histories, the latest market rates, and useful decision-making tools. To apply for access:

- complete the 'QTC Connect Access Request Form', which can be downloaded from the QTC Connect log-in screen (click on 'Log in' at the top of the 'Home' or 'Clients' pages), and submit the signed form by email or fax as per the instructions provided (please note that to view your organisation's statements, your form must be approved by an authorised signatory), or
- contact your QTC account manager for assistance.

If you are having trouble logging in to QTC Connect, contact the Web Support Team on 1800 233 100 (business hours) or email websupport@qtc.com.au.

Provide feedback

QTC is committed to the continual improvement of its products and services, and appreciates all feedback from clients.

To provide feedback, please contact your account manager or email us via our website by clicking on the 'Contact us' link at the top of the 'Home' page.

Queensland TREASURY CORPORATION

Level 6 123 Albert Street Brisbane QLD 4000
GPO Box 1096 Brisbane QLD Australia 4001
qtc.com.au