PROJECT DECISION FRAMEWORK
USER GUIDE

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QUEENSLAND
TREASURY
CORPORATION

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Table of contents

1   Introduction and purpose

Queensland local governments provide a range of services to their communities and in doing so, are required to identify, assess and deliver value for money projects.

At the same time, local governments are faced with significant challenges such as managing rising community expectation in relation to services and service levels, replacing ageing infrastructure, complying with Federal and State Government policies and reforms, managing mining related growth and managing the demands of an ageing population.

Against this backdrop of demand pressures, local governments are also experiencing pressure from an affordability perspective following reduced availability of government grants and subsidies and limited flexibility to increase rates and charges.

Given these challenges, there is greater emphasis on project selection and delivery to ensure that optimal project choices are made to support the ongoing sustainability of local government infrastructure.

Consultation has been undertaken with a number of representative Queensland local governments in order to better understand the issues and current processes used by councils to select projects for implementation. It was evident from these discussions that there is a desire to improve local government project decision making.

1.1   Purpose

To assist local governments in their ongoing endeavour of financial sustainability, Queensland Treasury Corporation (QTC) has developed a new and simplified approach to project decision making to optimise the investment decision and deliver value for money.

QTC's integrated Project Decision Framework (the Framework) aims to provide the overarching system by which decision making for new projects can be disciplined, consistent, robust and in the best interests of the community. It has been developed specifically for the local government sector and is scalable depending on the size, value and complexity of the projects being proposed.

The Framework has been developed with a deliberate and specific focus on the time investment required at the start of a project in order to maximise cost efficiencies, resource allocation and community outcomes, while at the same time, minimise risks and uncertainties.

2   The integrated approach

The premise of QTC's Project Decision Framework is that successful delivery of major projects is contingent upon an integrated approach comprising three main elements:

- a holistic (whole-of-council) commitment to a structured approach to project decision making (a policy position)

- agreed processes, governance arrangements and decision points (articulated as the staged process), and

- tools which will facilitate an optimal outcome for the local government and its community (tools and templates).

The integration of these three elements ensures accountability, consistency in approach and understanding across the local government and maximal opportunity for projects to be assessed against value for money metrics. Figure 1 depicts the elements which make up the integrated approach and how they combine to enable a local government to be accountable in its decision making processes.

FIGURE 1: AN INTEGRATED APPROACH TO ASSESSING VALUE FOR MONEY
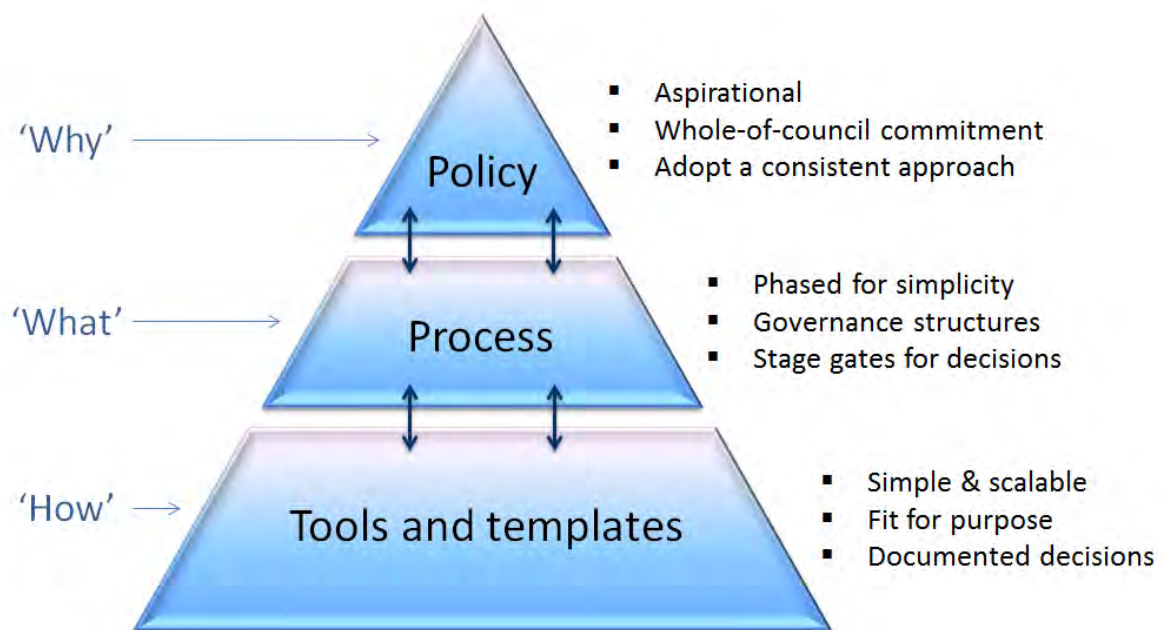
This Framework has been designed such that it can guide a local government's decision making process in its entirety, or elements can be used to complement a local government's existing process. However, the most significant advantages of adopting the entire integrated Framework are consistency, transparency and equity. If the Framework is adopted as a whole-of-council policy with a clearly articulated process for project selection which is supported by standardised tools, then all projects being proposed will be assessed equitably and with transparency.

The following section provides a more detailed summary of the elements which comprise the Framework.

2.1 Summary of the integrated elements

2.1.1 Policy

The draft policy position – as part of the overall Framework – specifies the overarching project decision making intentions and associated guiding principles of Council. It includes a whole-of-council commitment to continual improvement in project identification, planning, delivery and performance across the organisation. It is a high level document containing details of the local government's aspirations, authorities and accountabilities specifically relating to its project decision making activities and as such, should be formally adopted by way of council resolution. The benefit of this approach is a clearly identified process for project selection that would be followed by the whole-of-council, regardless of where, how or by whom the concept originated. *Appendix A* provides a draft policy that local governments can customise to meet their specific needs.

2.1.2 Process

The project decision making process outlined in this Framework provides an important linkage between the approved policy and the operational aspects (ie, decision making tools and templates). It does this by way of a staged approach which enables strategic decision making through designated decision points between each of the stages. The process itself comprises clearly articulated steps which specify the level of detail required at each decision making point, the criteria against which the proposed project is to be assessed and the approval or governance required at each decision making point. The Framework focuses specifically on the front end of a project lifecycle where critical decisions are made to ensure the best value for money can be achieved. The process encompasses four stages:

Stage 1: Concept Selection

Stage 2: Pre-feasibility

Stage 3: Feasibility, and

Stage 4: Planning.

Following the completion of Stage 4 (Planning), projects would typically move into the delivery stages and involve processes specific to each individual local government which are not within the scope of the Framework.

2.1.3 Tools and templates

The final element of the Framework is the provision of tools and templates which provide fit for purpose, consistent, and documented support to enable the key decision makers to successfully evaluate project concepts. Local governments may already utilise other pre-existing project management tools (such as Microsoft Project or PMIS) which could be used as part of the Framework but should be reviewed to ensure alignment with the broader objectives of the Framework and the project selection policy adopted by the local government.

3   What is the Project Decision Framework?

The Framework is designed to assist local governments to ensure that concepts and ideas are assessed and selected to deliver value for money and optimal project outcomes. The Framework can also be described as a 'decision pipeline' that outlines the phases of the project lifecycle with the purpose of establishing a common approach for considering proposed projects and their subsequent management through to completion.

The Framework has been tailored to the Queensland local government sector to assist it in identifying, selecting and managing the right projects so that a council's limited resources are applied prudently and efficiently. Regardless of the type of projects being considered by a council, all projects can be mapped to the following lifecycle (as shown in Figure 2).

FIGURE 2: A TYPICAL PROJECT LIFECYCLE

The Framework intentionally focuses on the upfront decision making elements of the project lifecycle to place emphasis on 'are we doing the right project?' rather than 'are we doing the project right?'. By doing so, decision making is undertaken through four distinct stages – as shown in Figure 3 – which helps to ensure that the projects which best address community and strategic needs are progressed.

FIGURE 3: FOCUSING ON THE FRONT-END OF THE PROJECT LIFECYCLE
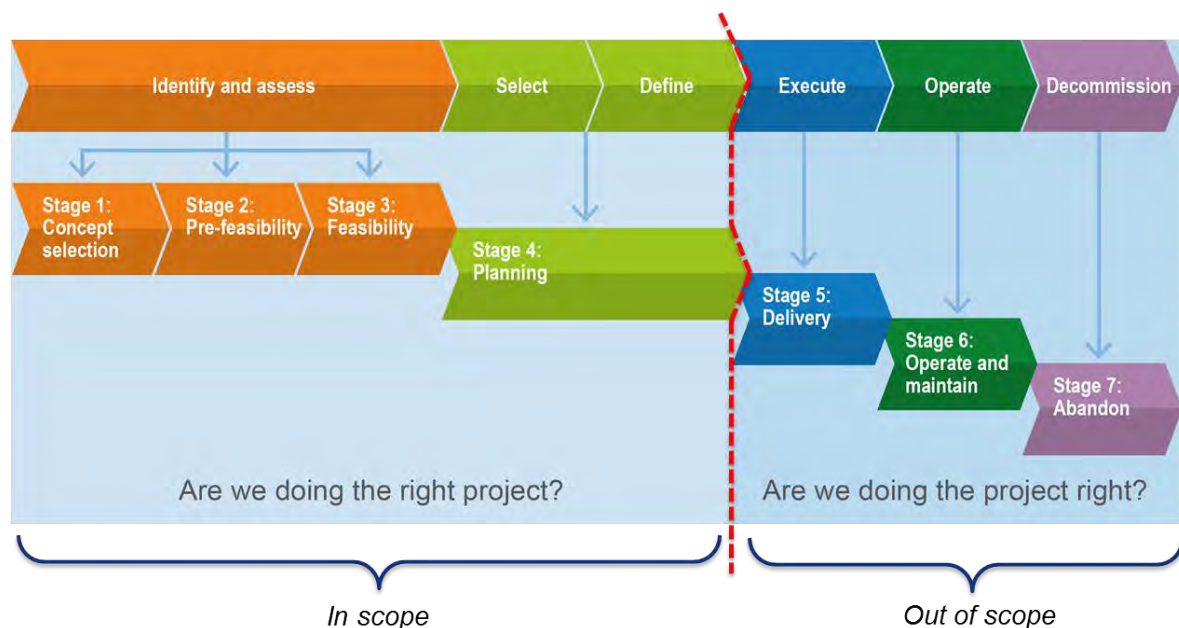
3.1 Why is it necessary?

Typically for a local government, the concepts and ideas (potential projects) that are put forward at the front end of its formal budget process will be much larger in number than the projects that can actually be supported. The Framework helps local governments to set out a 'pipeline' which uses predetermined criteria and decision points to assess potential projects on their own merit. Local governments should then have the robust evidence needed to either pursue or abandon potential projects so that their limited budget and resources can be applied prudently.

3.1.1 Balancing need with available budget

The number of projects in a local government's portfolio will almost always exceed the available budget. The Framework aims to provide the system by which decision making for new projects is disciplined and filters those projects which should be progressed and those that should be abandoned or deferred.

As shown in Figure 4, the Framework can be thought of as a funnel. As the projects progress through the various stages of consideration, some projects will be deferred or abandoned. By the time projects reach the end of the funnel, only those that were able to meet Council's evaluation criteria will have progressed through a full evaluation process. This is an effective means of applying Council's limited budget to those projects which can demonstrate the most strategic need and highest priority.

FIGURE 4: THE 'FUNNEL EFFECT' – BALANCING NEED WITH AVAILABLE BUDGET
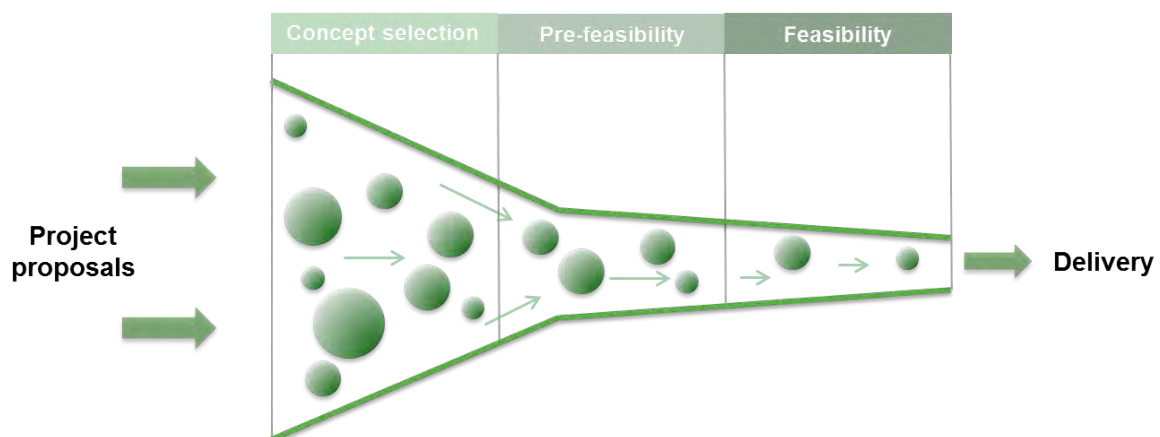
The challenge that many local governments face is deciding how to allocate their annual budget between 'planned' and 'unplanned' projects. Planned projects may include those that are part of a previously identified strategy and which may form part of a long-term capital works program. Unplanned projects are those that are generally unforseen, yet need to be provided for due to a range of reasons. Examples of where planned and unplanned projects are sourced are provided in Table 1.

TABLE 1 – SOURCES OF 'PLANNED' VERSUS 'UNPLANNED' PROJECTS

Sources of 'planned' projects	Sources of 'unplanned' projects
Approved Asset Management Plans – which determine the need and timing for renewal, replacement and repair programs	Ad-hoc elected member requests
Urban Plans, Planning Schemes, Land Use Plans	Emergent/unforeseen works
Corporate and Local Community Plans	Local community requests
Legislative, regulatory or compliance requirements	State and Federal grant funding and subsidies

Given the long-term nature of Asset Management Plans and other 'planned' projects, capital works require long-term financial forecasting and budget allocations at defined intervals. For this purpose, many councils determine new capital works programs using a financial parameter-based approach where funds are flagged as being available for project work based on the previous year's actuals with a percentage adjustment made for CPI and/or growth. In accounting terms, this equates to 'budget parameter' financial management rather than taking the time to identify the underlying need for capital works programs. The application of this approach is known as 'zero based budgeting' approach.

The limitation of the budget parameter approach is that the selected projects are not always aligned with the local government's strategic objectives and priority needs and are sometimes selected without the requisite consideration of risks and uncertainties.

Whether local governments utilise zero based budgeting or the budget parameter approach, they still face the challenge of determining which projects to select and resource. Important decisions therefore have to be made as to which of the various concepts and ideas should be progressed for further consideration and which should be deferred or abandoned. The Framework ensures that all projects are subjected to a process of due diligence to determine need, value for money and priority in comparison to other projects in the pipeline.

3.2   Benefits of the Framework

Implementation of the Framework will help local governments to achieve the following benefits:

- building discipline into the project selection process (ie, are we undertaking the right projects?)

- consideration of risk exposure prior to project selection

- linking project selection to strategic objectives and efficient allocation of resources

- prioritisation of project proposals against a common and agreed set of criteria

- recognising whole-of-life costs as part of the up-front investment decision, and

- justifying decisions to reject or abandon projects that do not support organisation strategy.

The Framework will also assist local governments in separating the **investment decision** from the **finance decision**, which is sometimes mistakenly regarded as one and the same thing. Application of the Framework will ensure that concepts proceed based on need and merit (investment decision), not on the source of funding required for the project (financing decision).

Often, in the interests of saving time and money, local governments will identify a project and then proceed with delivery without considering 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.

As shown in Figure 5, if the appropriate time investment is made up front in the planning stages, risks and uncertainties are minimised as the project is rolled out.
Conversely, once you enter the execution phase, there is limited ability for local governments to control project costs and influence the project's outcomes.
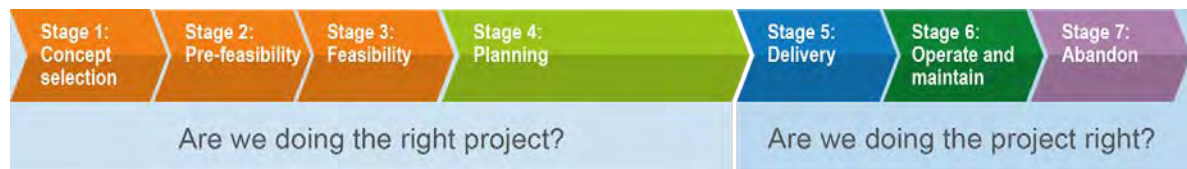
FIGURE 5: THE IMPORTANCE OF PLANNING
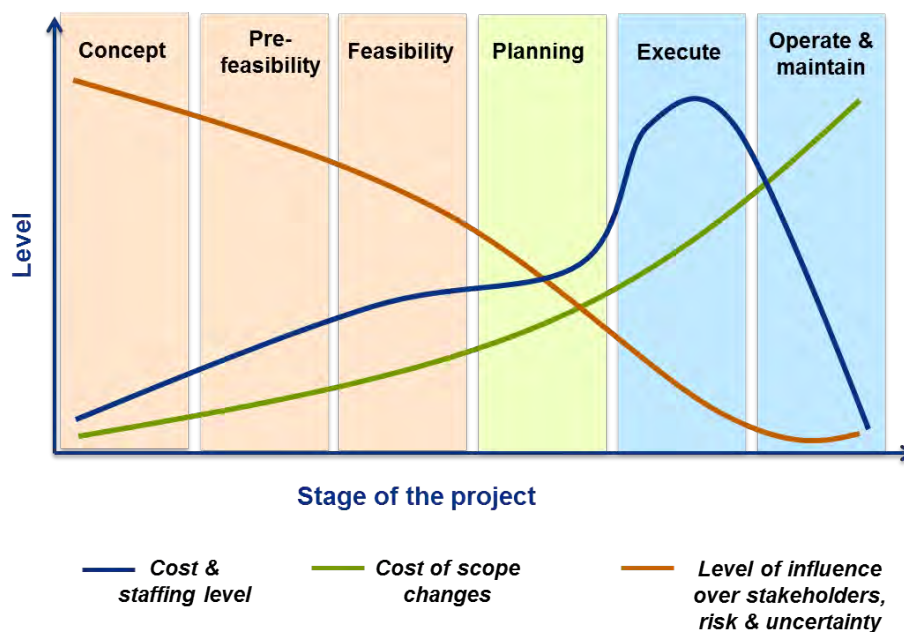
4   Description of the project lifecycle stages

Regardless of the type of project ideas being considered by a council, all can be mapped to a project lifecycle. This Framework identifies seven stages which make up a project lifecycle, as shown in Figure 6.

FIGURE 6: STAGES OF THE PROJECT LIFECYCLE

A brief description of each of these stages – and each stage's key considerations – is provided below.

4.1   Project planning stages

Stage 1 – Concept selection stage: This is where consideration is given by the key decision making group (as identified in the local government's policy) to the concept or idea being put forward as a potential project. As highlighted earlier, these concepts or ideas can be generated from a number of different sources. The purpose of this stage, therefore, is to facilitate consideration of a response to an identified service need. Relevant information should be provided to the key decision making group which enables it to make an informed decision about whether to progress a concept or idea and initiate it as a potential project for further consideration, or for the concept to be abandoned.

Stage 2 – Pre-feasibility stage: Building upon the outcomes of the concept selection phase, all available project options should be assessed to determine whether the local government should a) invest in the development of a full feasibility study; b) bypass full feasibility and move directly to the project planning phase, or c) not proceed at all. This decision should be based on a high level assessment of 'affordability' and 'priority' (ie, alignment with strategic objectives) and key externalities such as policy, legislative and strategic priorities as appropriate.

Stage 3 – Feasibility stage: The purpose of this stage is to undertake a more detailed analysis of the most feasible options (selected at Stage 2) and recommend a specific solution or course of action (through completion of a business case). The business case should involve a detailed assessment of option complexity, risks and financial value. This stage results in two possible decision outcomes: a) proceed with the recommended project to stage 4 or b) abandon the project.

Stage 4 – Planning stage: The purpose of this stage is to ensure that the selected project at the conclusion of the feasibility phase is specified to a level of detail that positions the project in readiness for execution. Additional detail will include comprehensive risk assessment and required mitigation treatments, project schedule, budget and funding options, governance arrangements, targets/KPIs and processes for managing change. This phase results in a final investment decision (hence a formal approval requirement) and approved Project Plan ready for the project to progress to the 'execution' phase.

4.2   Project delivery stages

Stage 5 – Delivery stage: This stage is where project implementation and execution is undertaken in accordance with the Project Plan. Necessary work is authorised, project progress and costs are monitored and reviewed, reports are issued and corrective actions taken if and when necessary.   At the completion of this stage it is also recommended that a post implementation review is undertaken, an End of Project Report is prepared, council is notified of the completion and lessons learnt captured.   The purpose of these project completion activities is to determine whether the business benefit/value has been realised.

Stage 6 – Operate and maintain stage: Regardless of the type or nature of the completed project, there will almost always be operational and maintenance requirements over the life of that project.   For example, local government projects often result in the creation of infrastructure assets, that once completed will require effective management of these assets to ensure the service level provision specified is maintained.   This will require decisions to be made regarding the operational, maintenance, and renewal expenditure requirements as part of the local government's asset management regime.

Stage 7 – Abandon stage: For the majority of the projects that have been completed (and assets delivered) the projects are 'closed-out' and for infrastructure projects, they will require decommissioning or abandonment of the service provision. Depending on the type of the project, key activities during this stage may include the conclusion of supplier contracts and agreements, releasing resources back into the business, reporting on project objectives, documenting lessons learnt for future projects and in some cases, actual disposal of the decommissioned assets via an agreed approach with council. Where service levels are intended to be maintained via a different project solution, the 'abandon' stage will often feed back into the start of the project lifecycle (ie, concept selection) to commence the process of selecting the right project for the council and its strategic and business needs going forward.

5   Project governance and decision points

Significant benefits arise from having an effective project governance regime in place to make decisions and authorise allocation of resources at the required points. The Framework proposes key decision points between each stage in order to provide management with maximal direction and control, especially during the early phases. The activities (and key decisions) to be undertaken by the local government's designated decision making group (eg, senior management team) should be done with full accountability and responsibility over decisions about concepts proceeding (or not) through the project initiation, pre-feasibility, feasibility and planning phases (referred to as Stage Gates) as illustrated in Figure 7 below.

FIGURE 7: FRAMEWORK STAGE GATES
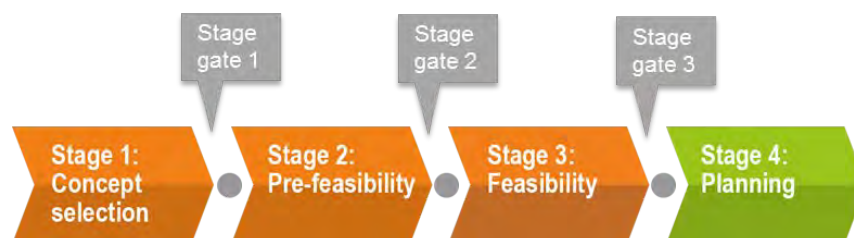
Governance arrangements are an integral part of a local government's project selection process and help ensure:

- decisions are made with appropriate representation from across the organisation (to limit the progression of 'pet projects')
- whole-of-council ownership of and commitment to a rigorous decision making process
- a whole-of-council or whole-of-portfolio view in order to consider priority projects in the context of a limited budget
- adequate controls are in place before a project can proceed to the next stage
- appropriate delegations and authorities are given to the key decision makers, and
- decisions are transparent, documented and communicated to the broader organisation.

At the front end of the Framework, a dedicated decision making group – with consistent membership – would typically assess all the concepts being proposed (to have a whole-of-council view) and to ensure consistency and fairness in the selection process. Concepts or ideas would enter the formal decision making process with approval from the head of the relevant business unit (and their corresponding manager if appropriate) to demonstrate that initial consideration has been given to the idea and determined important by that business unit. The potential project would then continue through the decision making process shown in Figure 8 where Council's dedicated decision making group (shown here as the senior management Team) assesses project viability at Stage Gates 1 and 2 until proceeding to council at Stage Gate 3.

FIGURE 8: KEY DECISION GROUPS, STAGE GATES AND GOVERNANCE

To assist in guiding the decision making group in its role, draft Terms of Reference have been prepared as part of the Framework and are provided at **Appendix B.** The Terms of Reference set out the working arrangements for the decision making group and include important information about the group's role and responsibilities, its chair and membership, process for documenting decisions and meeting frequency. The Terms of Reference can be customised to suit each local government's specific needs and context.

The decision making group will evaluate project proposals in alignment with Council's strategic objectives, feasibility and cost-effectiveness, risks and mitigation strategies and impact on core business activities. To assist the decision making group in reviewing the information required at each decision point, Guiding Principles for the Evaluation of Project Proposals are provided at **Appendix C**.

To ensure all projects are assessed against consistent criteria and are subjected to the same level of rigour, the membership of the decision making group requires representation from across council and could include the roles outlined in Table 2.

TABLE 2 – POTENTIAL MEMBERSHIP OF DECISION MAKING GROUP FOR STAGE GATES 1 AND 2

Role	Function
Chief Executive Officer	For overall responsibility of reporting to Council and allocation of the necessary resources.
CFO / Finance Director	To determine budget impacts of proposed projects, whole-of-life costs, long term financial reporting, depreciation considerations etc.
Head of Risk / Compliance	To ensure that risks and mitigation strategies are understood from the outset and to determine if residual risks are within a local government's tolerance levels.
Head of Communication and Marketing	To understand the community impacts and project drivers in the event that stakeholder and community engagement is required, and to undertake research or consultation activities as part of any business case required.
Head of Infrastructure / Engineering	To assess the asset management implications, resources and input from technical specialists required for a project.

Membership of this decision making group is at each local government's discretion but the group should have the appropriate authorities and delegations, and membership will depend on the size of the local government and its available resources.

At Stage Gate 3, the project will have completed its feasibility assessment and will require a final decision as to whether or not the project will be approved for implementation. Typically, projects at this stage will be presented to Council for a final decision, determination of priority (against available budget) and allocation of a budget, if successful. Whilst Figure 8 shows Council's involvement only at Stage Gate 3, it does not negate the opportunity for the Mayor or other elected members to form part of the earlier decision making points, however their involvement should ideally be consistent for all proposed projects to ensure fairness and equity in the selection process.

If a project receives formal approval to proceed to delivery, it is usual for a separate governance group (typically a steering committee) to be appointed to specifically oversee the development of a Project Plan and subsequent delivery of each approved project.

6   Stages – a detailed explanation

6.1   Planning stages in detail

6.1.1   Stage 1 - Concept selection

Based on the concepts and ideas being put forward from the various input sources, there needs to be a formal forum in which the concepts and ideas are captured such that a preliminary assessment can then be made. This involves the development of some high level criteria and/or consideration against the following types of questions:

- What is the community, service or organisational need?

- What is the concept or idea and what was the source?

- Have any other concepts been considered to meet the community or service need?

- What are the requirements?

- What is the underpinning rationale?

- What would the nature and type of project be if it were to be progressed?

- Is there a high level estimate known of the preferred concept?

Following consideration of the above questions, the decision making group would then make a determination as to whether there is sufficient rationale to proceed. The output from this decision/Stage Gate (ie, concept approval) is essentially what would trigger the start of a project if it were to receive approval (green light). Proposed projects would be outlined in a brief document (see Concept Approval template provided at **Appendix D**) to clearly show how the project relates to a local government's strategic plan or particular need. The concept approval must come from a level of management (ie, decision making group) that can verify the rationale of the proposed project and alignment with the local government's strategic objectives. The decision making group will determine if the concept proceeds to Stage 2 or if it is to be deferred or abandoned.

Stage 1 Tools and Templates

As part of the Framework, the following template is provided at **Appendix D**. All tools and templates in the Framework are provided as a guide only and can be customised to suit a local government's specific needs.

Concept Approval template – this is to be completed by the project proponent and signed off by the head of the proposing business unit. The completed Concept Approval is then submitted to the decision making group (refer to Section 5: Project Governance and Decision Points) who will decide whether the concept is to proceed to Stage 2. Embedded within the template is a series of instructions or guiding principles to assist the user with understanding the level of detail required and the types of issues to be considered at Stage 1. The guiding instructions can be deleted once the sections have been populated with the required content.

6.1.2   Stage 2 – Pre-feasibility

Once formal concept approval has been provided at Stage Gate 1, an Options Analysis should then be created as part of the pre-feasibility decision phase. The issues that should be considered at this point are:

- Why should this project be given priority over others? What is the need?

- Is the project considered affordable? What are the high level whole-of-life costs?

- What is the proposed project solution and what are the alternative project solutions?

- Have alternative options for delivery been exhausted to ensure selection of the most viable solution?

- What are the estimates of time and resources required to complete the project?

- What are the key risks and mitigation treatments that have been assessed, and what is the residual risk to council?

These issues would be considered by the decision making group at Stage Gate 2 through a review of the Options Analysis (see Options Analysis template at **Appendix E**). The decision making group may then elect to approve the project's progression to Stage 3 for feasibility or defer or abandon the project. The level of detail should be proportional to the complexity and size of the proposed project and the Options Analysis template provided at Appendix E can be customised to meet specific requirements.

During Stage 2, the decision making group may also decide that a full feasibility is not required and may elect to bypass Stage 3 (Feasibility) and proceed straight to Stage 4 (Planning) as shown in Figure 9. The circumstances in which Stage 3 (Feasibility) can be bypassed would typically include one or more of the following reasons:

- The proposed project already forms part of an approved existing business case.

- The proposed project is part of a previously approved asset management plan and simply requires funding.

- A 'robust' case for investment has already been proven.

- The proposed project is part of the local government's business as usual (BAU) and, as such, is considered low risk.

- The preliminary affordability and viability assessment is clear cut and shows strong reason to proceed.

- There are mitigating circumstances which can justify the need for expedient delivery (such as unforseen emergent works).

FIGURE 9: BYPASSING THE FEASIBILITY STAGE
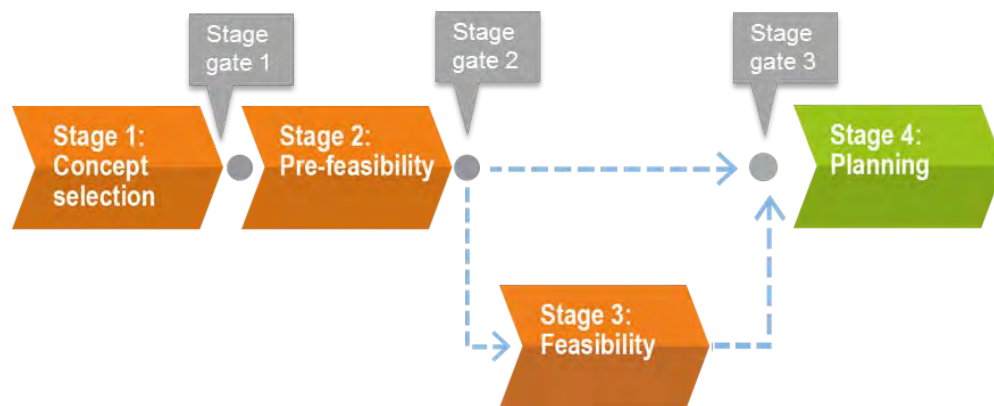
Case Study: Example of where a project would bypass the Feasibility Stage

XYZ Council is considering the implementation of the third and final phase of a road reseal project. The project, as a whole, has previously been endorsed by Council through consideration of a business case and subsequent Asset Management Plan. Accordingly, the decision making group determined that the pre-feasibility assessment provided sufficient justification and due diligence to bypass a full business case. In this case, the project proposal moves directly from Stage Gate 2 to Stage Gate 3 where Council is required to only approve the budget allocation and not the project itself.

Stage 2 Tools and templates

As part of the Framework, the following tools and templates are provided to assist with consideration of key criteria at Stage 2.

Options Analysis template (see Appendix E) – building on the information gathered at Stage 1, the information in this template will provide the decision making group with more granular detail about the expected project outcome, the community need, project drivers, project options, risks and high level costs. The information gathered in this template should be sufficient to enable the decision making group to decide if the proposed project has enough merit to proceed to a full business case, or if it forms part of an earlier approved proposal and can bypass Stage 3 (Feasibility) and proceed straight to the planning stage. Embedded within the template is a series of guiding principles to assist the user with understanding the level of detail required and the types of issues to be considered at Stage 2. The guiding instructions can be deleted once the sections have been populated with the required content.

Whole-of-life costing tool – this easy-to-use model is designed to provide decision makers with indicative whole-of-life costs associated with the proposed project. Based on a set of default or custom user inputs, the model provides:

- cashflow profile over the life of an asset
- breakdown of total capital, maintenance, operating, other (ie, renewal) and disposal costs
- nominal and discounted whole-of-life costs
- whole-of-life cost multiple based on up-front capital costs, and
- impact on materials and services for long term forecasting.

It can also assist with evaluating 'replace' versus 'refurbish' scenarios and ensures that projects are selected based on delivering the best value to ratepayers. The tool has been developed in Microsoft Excel and requires only a select number of inputs from council.

Project Risk Assessment tool – at Stage 2 of the decision making process, it is imperative to understand the high level risks associated with a proposed project. The Project Risk Assessment tool enables the user to develop a risk register for each option by identifying potential risks, determining mitigation strategies, and residual risk. The user can identify the likelihood of occurrence and impact on Council and the tool will assign each risk a rating, from 'low' to 'extreme'. The tool generates simple, easy-to-read reports that compare the risk profile of each option so the decision making group can determine whether the project (with its residual risk) is within Council's risk tolerance.

Lease-vs-Buy tool – where a local government is considering entering into an operating or finance lease, the local government is required to ensure the best-cost option is pursued. QTC's Lease-vs-Buy tool enables testing alternative scenarios for asset financing and the proposed lease arrangement with the purchase alternative financed by borrowing. For all lease arrangements, local governments are required to approach the relevant administering department to seek approval, however QTC Account Managers can assist by providing the Lease-vs-Buy tool and conducting analysis to help identify the best-cost financing option.

6.1.3   Stage 3 – Feasibility

If the Options Analysis is approved at Stage 2, it will trigger a more definitive project evaluation (cost/benefit analysis) to be undertaken (Stage 3). A feasibility assessment (also known as a business case), will then provide the decision making group with further information to decide whether the project should proceed to the project planning phase. The purpose of this stage is to complete a Business Case (see **Appendix F**) which:

- confirms the local government's needs and requirements

- provides an options analysis of the most feasible solution and compares it against 'base case' (ie, the 'do nothing' approach)

- considers costs and benefits including whole-of-life costs, the present value of cashflows (ie, NPV or NPC), an assessment of non-financial benefits and costs, and the impact of sensitivities

- determines how the project will meet regulatory, legislative or compliance requirements

- examines potential risks, mitigation treatments and residual risks in greater detail than the previous stage

- recommends a preferred solution based on Council's strategic objectives and priorities, and

- provides an overview of funding options for the recommended solution.

Stage 3 Tools and templates

As part of this Framework, the following tools and templates are provided to assist with consideration of key criteria at Stage 3.

Business Case template – The Business Case template provided at Appendix F will guide the user through an analysis of the options considered including relevant legislation and policies, necessary approvals, a thorough risk assessment and an in-depth cost benefit analysis (net present value/cost, sensitivity analysis).

Project Risk Assessment tool – The risk assessment tool identified in Stage 2 (Pre-feasibility) is also used in Stage 3. The tool allows the user to update the risk assessment performed in Stage 2 with additional risks that were not previously identified. The tool allows the user to identify relevant risks and determine mitigation strategies and the residual risk. The user can identify each risk's likelihood of occurrence and impact on Council and the tool will assign each risk a rating (from low to extreme). The tool generates simple, easy-to-read reports that compare the risk profile of each option so the decision-making group can determine whether the project is within Council's risk tolerance. If Council decides to progress the project, this tool can then form the basis of the project's risk register and can generate a report that summarises the key project risks.

Project Portfolio tool – This tool consolidates the key data from a local government's various projects as they proceed through each stage of the decision making process, right up to the point where they are signed off and become approved, funded projects. The tool is populated from data collected in the earlier stages (such as the concept approval, pre-feasibility and business case documents) and gives the local government a whole-of-council view of all proposed projects and their current status. The tool incorporates a dashboard and various reports which can be generated using a number of filters such as by project, by business unit and by stage of the decision making process.

Case Study: Benefits of conducting an options analysis as part of a business case

At the height of a drought, Council XYZ's potable water storage levels were very low. As a future water security measure, Council elected to build an additional dam adjacent to its existing dam so that it could collect and store an additional 200 ML of water. Council did not see the need to waste time and budget on a business case as it believed the solution was straight forward and proceeded with implementation. The dam was designed by internal engineers and, following a tender process, was constructed by an external contractor.

Construction of the dam was subsequently completed at a cost of approximately $7M, along with the requisite infrastructure to carry the water between the new and existing dams. During a later drought event, the Council discovered that the new dam was not storing water at the predicted volumes as Council had not accounted for the high levels of evaporation due to the shallow depth of the new dam. Council was required to invest an additional $5M in modifications to the dam to reach the desired water storage capacity.

In this particular example, had Council undertaken a feasibility study at the outset, it would have identified a number of alternative options that may have delivered greater value for money. Other options which could have been considered included demand management (water conservation measures), raising the wall of the existing dam or building a pipeline and pumping water from another dam 12 kilometres away.

6.1.4   Stage 4 – Planning

Once an approval has been formally received at Stage Gate 3, the project will progress to the planning stage in readiness for implementation. The purpose of this stage is to clearly define the project's scope and activities that are required to successfully implement the project. The Project Plan (see **Appendix G**) becomes the central repository for all information required by the Project Manager or Project Management Office in determining what needs to be done, by whom, when and at what cost. The Project Plan should be approved before progressing to the delivery stage.

The Project Plan should address the following considerations:

- What are the project value drivers and specific project objectives?

- What is in and out of the project scope?

- Has a comprehensive project risk assessment and mitigation treatment plan been completed?

- What is the project schedule and how has this been determined?

- What is the project cost estimate and how has this been determined?

- How is the project being funded (from equity, borrowings etc)?

- What are the 'whole-of-life costs'?

- What is meant by project quality and how will this be achieved?

- What are the governance arrangements (ie, who is the Project Manager and what are the project team responsibilities)?

- What is the plan to ensure security of supply?

- What is the communication plan?

- What are the reporting requirements?

- What is the process for managing change in scope and/or costs?

- Has an Evaluation Plan been considered for the closure of the project and is it funded?

The Project Plan should leave no doubt as to the specific measures and activities that are to be applied in order to achieve the project objectives.

Case Study: Example of successful application of a Project Plan

As part of its environmental sustainability program, Council XYZ has completed a business case for a community water conservation and education program. The business case was approved by Council and dollar-for-dollar funding was subsequently secured from the State Government. Council's 'Use-Water-Wisely Program' is now ready to proceed to implementation. In writing the Project Plan, Council has identified the program's major stakeholders (including the State Government) and invited contributions and feedback on the Plan before being signed off by all parties. The final document set out (among other things):

- the final description of the agreed project scope, desired outcomes and project KPIs
- governance arrangements, composition of the Project Management Office and delegations and authorisations
- a Gantt chart with project timeframes, deliverables and milestones
- budget allocation, funding sources and payment schedule
- customer deliverables and customer complaint resolution process
- approach for media and communications
- escalation process for change in scope
- meeting schedule and reporting requirements for both Council and the State Government.

Once implementation of the Use-Water-Wisely Program commenced, the Project Manager was able to refer to the Project Plan to ensure it met all stakeholder expectations and program requirements. Implementation was relatively seamless and even with a deviation in scope mid-way, the Project Plan outlined the change management process to be followed.

Stage 4 Tools and templates

As part of the Framework, the following template is provided to assist with consideration of key criteria at Stage 4. The template is provided as a guide only and can be customised to suit a local government's specific needs.

Project Plan template – this document is commonly referred to as the 'instruction manual' for implementing an approved project. The Project Plan template provided as part of this Framework gives an indication of the types of elements which form a project's implementation and operation, but should not be considered exhaustive as it will need to be customised depending on the nature and complexity of the project being implemented. It is important that the project's major stakeholders have the opportunity to contribute to the development of the Project Plan and agree to its content as each stakeholder is effectively 'signing up' to the enclosed terms. It is also common for the Project Plan to be regularly updated over time to reflect changing policy, priorities, budget availability and so on.

6.2 Delivery stages in detail

Stages 5, 6 and 7 are not part of the scope of the Framework as they are considered part of the project execution phase, and not the front-end decision making phase. However, a description of the project execution stages is provided here for completeness.

6.2.1 Stage 5 – Project delivery

As the project progresses to delivery, it must be executed in accordance with the approved Project Plan (ie, budget, schedule, quality and safety). The purpose of Stage 5 is to:

- develop and approve the appropriate level of project monitoring and control tasks. For example:
  - authorisations and supervision
  - measuring and reporting project progress
  - dealing with risks and issues
  - managing change requests and variations
  - contract management, and
  - informing stakeholders about project progress.

6.2.2 Stage 6 – Operate and maintain

Depending on the nature of the completed project, consideration is often required in relation to the operation and maintenance stage. For example, local government projects will require effective management to ensure the specified service level provision is maintained. This will require key decisions to be made as to the operational, maintenance, and renewal expenditure requirements as part of the local government's asset management regime. Population growth, rising customer expectations, competing demands for funding and the external regulatory environment contribute to a situation where it is essential for local governments to make well-informed asset management decisions. These decisions, which involve service levels, costs and priorities of asset based services, will then have far reaching social, environmental and financial implications.

Building a sustainable community requires an effective asset management regime that applies a combination of management, financial, economic, engineering and other practices to its physical assets. Asset Management Plans should be developed to articulate the process by which the local government manages its physical asset base (including acquired long life infrastructure) to achieve a balance between the creation of new assets and protection of its existing asset base in order to meet current and future levels of service.

6.2.3   Stage 7 – Abandonment /close-out

For the majority of projects that have been completed (and assets delivered by a local government), there will be a decommissioning or abandonment of either the asset, the service provision or both. In situations where this has been forecast, an abandonment plan may need to be developed and formal approvals obtained.   Depending on the type of project being closed out, project team members and resources may be released to other projects and lessons learned are documented for future improvement in Council. In some cases, the service requirement will be met through delivery of a new project. This is an example of the project lifecycle being cyclical and when a project reaches the end of its useful life, it is often replaced by a new project which is also assessed by way of the Framework. One of the significant benefits of this is that the lessons learned from the abandoned or decommissioned project should feed directly into the development of the new project so that successes can be repeated and failures avoided.

7 Fit for purpose and scaling

To improve project selection and delivery, the Framework follows a structured decision gate process across the project lifecycle. For this purpose, it is important to consider the amount of time and effort that needs to be devoted to the implementation of the Framework for each project being considered. This will depend on the perceived complexity, risk and likely project value of the proposed project. If the fundamental purpose of the front end development phase is to refine the project and identify, assess and mitigate risk in a structured manner, it follows that the greater the complexity and budgetary impact of the proposed project, the more important the earlier stages become and the larger the upfront time and effort required.

For example, where a project is similar to prior projects, there may be a reduced need for extensive front end development work as the risks, costs and resourcing requirements are understood. On the other hand, a project that is extremely different from prior projects will carry a greater level of risk and uncertainty and therefore require a far more rigorous front end development process.

Assessing a project's planning needs based on value alone can be misleading. There are numerous examples of projects that are low in value, but carry high risk associated with cultural, heritage and environmental legislation, or are high profile and therefore require community consultation.

Consequently, it is the assessed level of project complexity and potential budgetary impact that should drive the time spent on each of the stages of the Framework. This means scaling the front end stages based on the specific nature of any project being considered by the local government to make it fit for purpose.

'Fit for purpose' under the Framework can therefore be summarised as:
'The practice of taking sufficient time and employing the appropriately skilled people in the early phases of the project to properly assess the opportunity, identify its value drivers, identify risks and opportunities, align objectives with all major stakeholders and achieve high quality planning deliverables prior to starting execution.'

The following matrix (Figure 10) provides some guidance when determining the appropriate scaling of the front end stages. This matrix emphasises the three dimensions of complexity, likely cost and risk when characterising a project/potential project.

FIGURE 10: 'FIT FOR PURPOSE' SCALING MATRIX

7.1 Classification considerations

7.1.1 Minimal governance projects

Minimal governance projects are standard business for local governments and would be considered to be relatively straight-forward, simple to manage and not overly complex. They may be commonly conducted and/or are easily repeatable. These projects normally have a minimal impact on the local government's financial situation and may therefore only require a minimal amount of governance and project management. Lessons learned from previous standard projects can also prove to be valuable inputs to consider when managing these types of projects.

7.1.2 Moderate governance projects

Moderate governance projects are more complex to manage than a standard project and therefore require a greater level of governance and project planning. Generally, there is more uncertainty and budgetary impact relating to these projects, so sufficient detail and rigour should be included in the pre-feasibility and feasibility assessments to allow the decision makers to make an informed 'go' or 'no go' decision. Lessons learned from previous standard type projects may be of some benefit.

7.1.3 Major governance projects

Major governance projects are highly complex and generate significant risks (technical and non-technical) and/or budgetary impacts. For this reason, a higher degree of rigour and detail is required when completing each of the front-end stages of the project lifecycle. Projects of this scale, value and complexity usually require the development of substantial business cases and financial analysis and the investment of time is usually months or even years. The irregular and unique nature of these projects means that they require a much higher level of governance and project management.
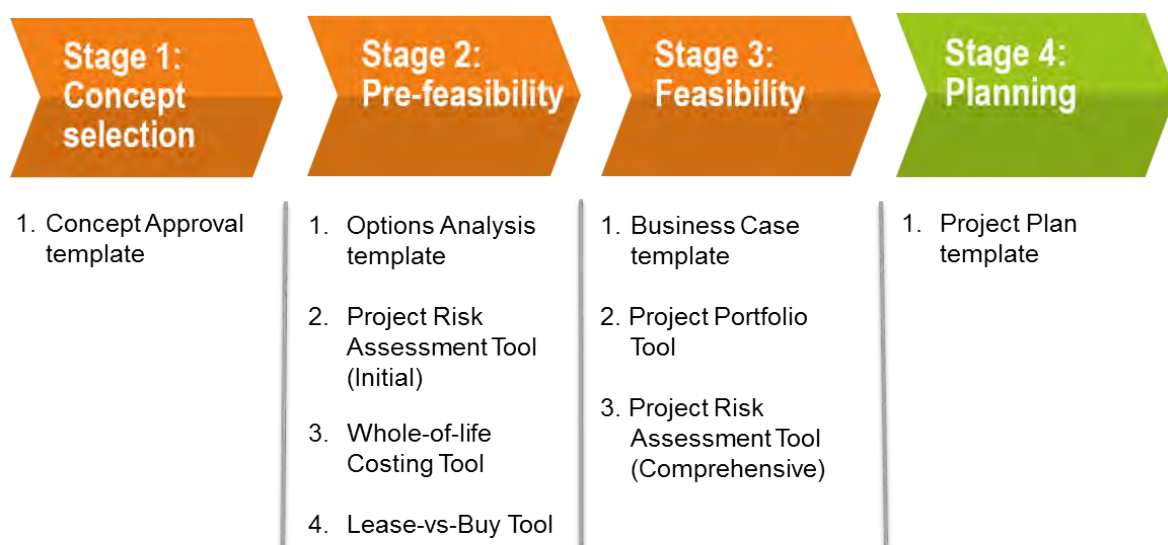
8   Summary of tools and templates

As shown in Figure 11, a suite of tools and templates is provided to support local governments in following the Framework but will also ensure:

- that all proposed projects are assessed against the same metrics
- fairness, consistency and equity in project assessments
- simplicity in completing the required supporting documents through the provision of templates, and
- documented decisions (to be auditable and provide accountability as to why projects were progressed or abandoned).

In keeping with the theme of the decision making process being fit for purpose, the tools and templates that have been developed and provided as part of the Framework are indicative of the issues to be considered at each stage and adaptable to suit the local government and its resource availability. A list of tools and templates is shown below, and where they each fit in the decision making process.

FIGURE 11: TOOLS AND TEMPLATES FOR USE AT EACH STAGE OF THE PROJECT DECISION FRAMEWORK

Stage 1: Concept selection	Stage 2: Pre-feasibility	Stage 3: Feasibility	Stage 4: Planning
1. Concept Approval template	1. Options Analysis template 2. Project Risk Assessment Tool (Initial) 3. Whole-of-life Costing Tool 4. Lease-vs-Buy Tool	1. Business Case template 2. Project Portfolio Tool 3. Project Risk Assessment Tool (Comprehensive)	1. Project Plan template

In addition to those tools and templates shown in Figure 9, some additional guidance is provided in the following:

1. User Guide (ie, this document which outlines the guiding principles and methodology that a local government could follow in building [or improving upon] its own decision making process).
2. Draft Project Decision Framework Policy (Appendix A).
3. Draft Terms of Reference for the Project Decision Making Group (Appendix B).
4. Guiding Principles for the Evaluation of Proposed Projects (Appendix C).

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