

# The Business Case

The business case:

1. validates or amends the project assumptions
2. clarifies the quantitative and qualitative costs, risks and benefits from a whole-of-life perspective
3. provides a project plan that will steer the project's implementation

Inherent in the analysis of the costs, risks and benefits from a whole of life perspective is a requirement that the societal need for the project be thoroughly and robustly examined. The investment will only offer a true value for money outcome if the expected benefits are appropriately linked to a societal need.<sup>1</sup> This work then enables government to decide whether the investment should be funded, taking into consideration:

1. The merits of the investment;
2. The merits of other competing investment proposals; and
3. The available budget.

1. Further information on business case preparation can be found in the Victorian Government's [Prove guideline](#).

## *Analysing Options in the Business Case*

A business case should, at a minimum, compare the preferred option against a “do nothing” option. This is necessary to properly inform government of the merits of making the investment, in comparison to the situation if the investment is not made. Preferably, the business case should also provide and analyse one or more alternative options to demonstrate that the preferred option is in fact the most appropriate investment to make. Analysing options requires an examination of:

1. The possible stakeholders in the project, and their needs
2. The critical assumptions underpinning the analysis, and constraints affecting the project
3. The social and environmental impact of the investment

4. The financial and economic impact of the investment
5. The risks associated with the investment.

## *Outcomes of the Business Case*

In the State of Victoria, a completed Business Case enables government to answer three key questions:

1. Should the project be funded? This is the Investment Decision.
2. How should the project be delivered? This is the Procurement Decision.
3. What governance arrangements should be put in place? (In other words, what allocation of roles and responsibilities within government, and what decision making processes, are required?) This is the Governance Decision.

## *We don't always practice what we preach...*

Government decision making does not always follow published guidance and good practice. Political considerations can trump proper project prioritisation processes, and investment may be channelled towards the “loudest noise”.

### Stop wasting our money on infrastructure

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One of the foremost areas where governments need to lift the efficiency of their spending - as opposed to cutting payments to the needy or short-sighted cost-shifting - is infrastructure. It has become an area where too much spending is never enough and anything labelled “infrastructure” is above critical scrutiny.

In recent days, however, we've been given cause to cast a more sceptical eye over spending on capital works. Consider first the views of a highly experienced former econocrat, Dr Mike Keating: “Australia has a long history of over-investment in infrastructure, with the costs exceeding the benefits, and under-charging the beneficiaries so that they demand more and more.

“It is therefore most reprehensible that this budget prides itself that new spending decisions will add \$58 billion to total infrastructure investment, when none of the projects announced has been ticked off by Infrastructure Australia as having completed proper cost-benefit appraisals; probably because a great deal of this investment never could pass any proper evaluation.

Source: [The Sydney Morning Herald](#).