



Government of **Western Australia**
Department of **Treasury**

Application for Concept Approval Guidelines

Strategic Asset Management Framework



Further information relating to this document may be obtained by emailing samf@treasury.wa.gov.au.

Department of Treasury (Treasury) wishes to acknowledge everyone who contributed to the development and production of these guidelines. Treasury also wishes to acknowledge Department of Treasury and Finance, Victoria; Infrastructure Australia; Department of Finance, Australia; NSW Treasury, New South Wales; Department of State Development, Infrastructure, Local Government and Planning, Queensland; HM Treasury, United Kingdom; The Treasury, New Zealand; whose documentation and processes were used as sources in the development of these Guidelines.

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Executive Summary

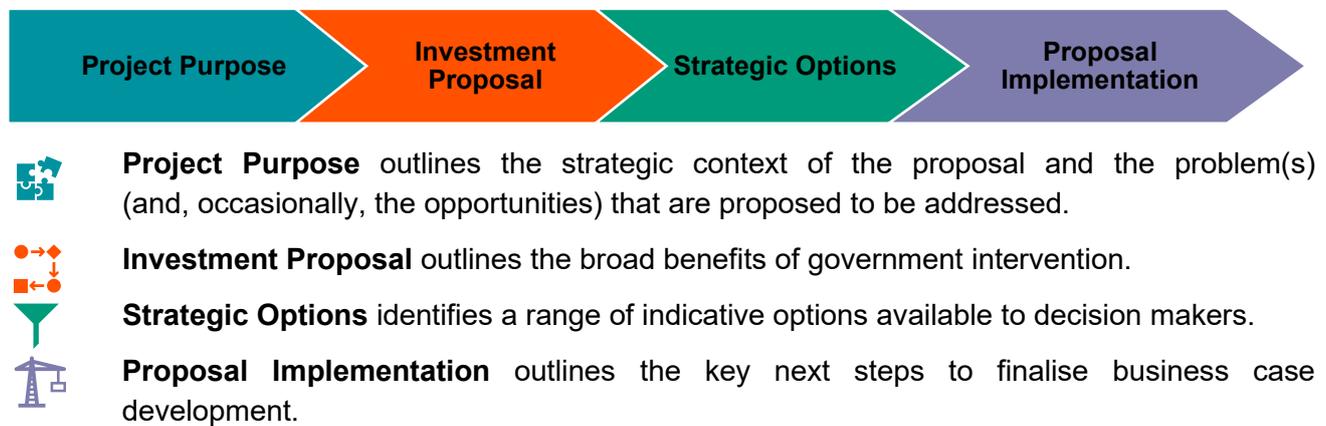
The purpose of the Strategic Asset Management Framework (SAMF) Application for Concept Approval is to provide guidance on the development and evaluation of capital investment proposals considered by the Expenditure Review Committee.

These guidelines complement the [SAMF Business Case Guidelines](#).

The requirements of the Application for Concept Approval are scalable to account for a proposal's complexity, risk profile and cost.

Figure 1 illustrates the high-level structure and the text below provides a summary of content requirements.

Figure 1: Application for Concept Approval Structure



These guidelines should be read in conjunction with other SAMF policies. Agencies are encouraged to engage with the Department of Treasury (Treasury) early in the development of the Application for Concept Approval.

Introduction

As part of the Strategic Asset Management Framework (SAMF) Western Australian public sector bodies may develop an Application for Concept Approval to secure government engagement and in-principle support for a proposal before significant resources are expended on a business case.

An Application for Concept Approval should be developed if there is uncertainty about the priority for Government to address a specific problem or opportunity; and/or the estimated total cost of the project is greater than \$100 million.

An Application for Concept Approval's content may be adapted to reflect a proposal's complexity, risk profile and cost, or the nature of the asset under consideration.

What is an Application for Concept Approval?

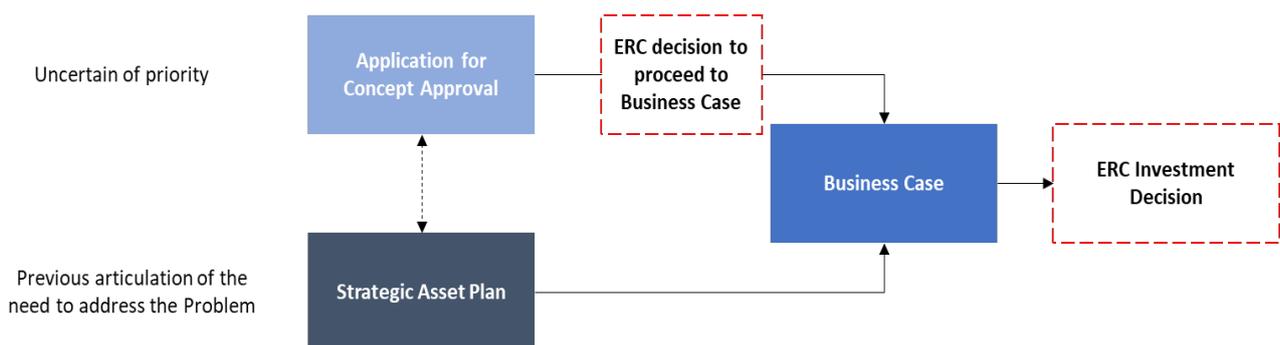
An Application for Concept Approval is a document which provides investment decision-makers with an early understanding of a problem, or opportunity, that requires government intervention and a suite of potential options to address the problem.

The level of detail in an Application for Concept Approval is generally less than that required in a business case and Project Definition Plan.

Application for Concept Approval – Development Process

There is no defined pathway for an agency to develop an Application for Concept Approval. Agencies are encouraged to use the Application for Concept Approval where there is uncertainty as to whether there is Government support for a proposal.

Figure 2: Possible utilisation of the Application for Concept Approval



This approach allows decision-makers to consider the merits of the proposal early in its development and to determine whether it justifies further investigation. Additionally, agencies may use the Application for Concept Approval to seek additional funding to develop a detailed business case.

The Application for Concept Approval articulates the strategic justification for a proposal. This requires analysis of the problem/opportunity the proposal intends to address, the strategic context of the proposal, and its broad benefits to government.

The Application for Concept Approval must include indicative options to address the problem. **A preferred option is not required to be identified at the concept approval stage. Selection of a preferred option should be done as part of the detailed options analysis that is done as part of the business case.**

Staged Business Case Development

Staged business case development is common practice for high value, high risk infrastructure proposals in many jurisdictions. The objectives of a staged business case process are to:

- optimise the use of scarce resources – the strategic merits of the proposal are evaluated at an early stage before significant taxpayer resources are expended to develop a comprehensive business case;
- establish the foundations for the business case, defining the problem and broad benefits to be delivered, ahead of detailed analysis on potential solutions;
- seek, if necessary, Government approval for planning monies; and
- assist in identifying nationally significant proposals for early referral to Infrastructure Australia for assessment.

Application for Concept Approval Structure

Figure 3 illustrates the high-level structure of the Application for Concept Approval. This structure is broadly based upon the SAMF business case requirements.

The focus of the Application for Concept Approval is to specify:

- the problem, or opportunity, that the proposal is seeking to address;
- the key benefits that flow if the problem(s) are solved;
- the range of indicative options available to decision-makers that could feasibly provide the intended benefits; and
- steps to progress the proposal to the next stage of planning.

The level of detail required is expected to be proportional to the proposal's risk and cost profile. The higher the proposal's value and/or risk, the more detailed the effort and analysis required.

Figure 3: Application for Concept Approval Structure



Project Purpose outlines the strategic context of the proposal and the problem(s) (and, occasionally, the opportunities) that are proposed to be addressed.



Investment Proposal outlines the broad benefits of government intervention.



Strategic Options identifies a range of indicative options available to decision-makers.



Proposal Implementation demonstrates that the proposal can progress to the next stage of development.

Quality Assurance

Proposal development can be improved through independent quality assurance reviews. These assurance reviews are particularly important for high value, high risk proposals. When developing the proposal, either through a business case or Application for Concept Approval, agencies are encouraged to actively engage with other government organisations. This may be done through the formation of multi-agency governance arrangements or other more informal processes.

Engagement with Treasury early in the development of the proposal is recommended to ensure that the level and detail of analysis is scaled to reflect its size, complexity, risk profile and cost.

The Gateway Review methodology is a project assurance methodology designed to support the effective development, planning, management and delivery of major projects and programs. Gateway Reviews are managed by the Department of Finance. Agencies with proposals that meet the [criteria for a Gateway Review](#) are required to contact the [Department of Finance Gateway Unit](#) at the earliest opportunity to discuss the Gateway Review process and agree the most appropriate gates for review.

Consultation with the [Office of Digital Government](#) is **mandatory** for ICT investment proposals (both leased and/or acquired assets). Useful technical guidance on the development of business cases for ICT projects is provided by the [Victorian](#) and [Commonwealth](#) Governments.

Infrastructure WA – Major Infrastructure Proposals

Infrastructure WA is tasked with providing expert advice to Government on the State's infrastructure needs and priorities, including assessment of major infrastructure proposals before an investment decision is made. This function has been established in accordance with the [Infrastructure Western Australia Act 2019](#).

Infrastructure proposals with a capital cost of more than \$100 million will be assessed through Infrastructure WA's Major Infrastructure Proposals Assessment (MIPA) function. An assessment report containing Infrastructure WA's analysis of each major infrastructure proposal will be provided to the Premier and must be attached to a subsequent ERC submission. A summary version of Infrastructure WA's assessment will also be released publicly.

Agencies **must contact** [Infrastructure WA](#) early in the development of a proposal that may meet the criteria of a major infrastructure proposal.

The MIPA process has been designed to minimise the need for additional documentation over and above SAMF requirements.

The MIPA process consists of three broad stages.

Stage 1: Early-Stage Proposals

- This stage serves to identify a pipeline of early-stage proposals.
- Agencies may develop a SAMF Application for Concept Approval or Infrastructure Australia Stage 1 submission to meet the MIPA requirements.
- Early-stage proposals may be submitted to Infrastructure WA at any time throughout the year for assessment and feedback.

Stage 2: Proposal Development

- This stage helps to develop high-quality proposal documentation to inform a final investment decision by the ERC.
- The output of this stage is a preliminary assessment of the proposal case by Infrastructure WA.
- Infrastructure WA provides agencies with preliminary assessment reports allowing them to update the proposal, if necessary, and submit it to the ERC for a formal investment decision.

Stage 3: Formal Proposal Assessment

- This stage is Infrastructure WA's formal assessment of the proposal submitted to the ERC for an investment decision.
- The Infrastructure WA assessment report is provided to the Premier and ERC. A summary of Infrastructure WA's assessment will also be made publicly available within six months of being provided to the Premier.

Infrastructure WA has published [interim guidelines and supporting documentation](#) to assist agencies to become familiar with MIPA requirements.

Application for Concept Approval and the Budget Process

An Application for Concept Approval may be referred for consideration by the ERC as part of the annual Budget process to identify Government priorities.

An Application for Concept Approval provides the Government with the opportunity to make informed decision on the progress of a proposal and support the development of a business case.

Accountability and Transparency

Ownership of the Application for Concept Approval

Each Application for Concept Approval must be signed off by the agency's Chief Finance Officer, the Chief Executive Officer or Director General, and the responsible Minister.

In addition, for public financial corporations and public non-financial corporations, Board approval may be required for an Application for Concept Approval.

Transparency

To promote openness and transparency to the public, consistent with the objectives of the *Freedom of Information Act 1992* and with decision-makers' legal obligations, requests to publicly disclose Applications for Concept Approval are considered on a case-by-case basis.

Application for Concept Approval Content

Project Purpose

The Project Purpose section outlines the strategic context of the proposal and the problem(s) (and, occasionally, the opportunities) that are proposed to be addressed.



The Project Purpose section provides decision-makers with an understanding of the proposal and the strategic context in which it has been developed; it provides a narrative that helps to establish the case for change.



- Project Context**
- Problem Definition**
- Rationale for Intervention**
- Timing Considerations**

Project Context

The Project Context section describes the alignment of the proposal with government and/or corporate priorities and the agency’s Strategic Asset Plan.

To help establish the current need for the investment, describe the strategic context in which the proposal has been developed. This will generally involve providing relevant background information, including any relevant Government decisions. In discussing the proposal’s context, consider how it will affect current service levels, or address forecast future demand for services, as described in the Strategic Asset Plan.

Overall, the project context demonstrates the proposal’s alignment and contribution to:

- Government priorities;
- corporate objectives;
- statutory requirements; and
- asset management objectives as identified in the agency’s Strategic Asset Plan.

What is Required

Describe any context and background necessary to outline the existing service delivery environment and introduce the problem or opportunity.

Identify how the proposal links to the agency's Strategic Asset Plan or other relevant strategic plans such as the State Infrastructure Strategy and articulate how the proposal will address a need in the agency's service delivery model. In doing so, document:

- any similar or related services currently being delivered, how they are being delivered and by whom;
- the existing asset base and its condition, capacity and capability to support ongoing service delivery requirements;
- current and forecast future demand for services; and
- any funding commitments or other resources that support service delivery, including any commitments that are subject to review or are due to lapse.

Problem Definition

Problem identification and definition is critical for a robust and compelling proposal. Problem definition provides the basis for generating and investigating a range of options for intervention. Inadequate business cases often fail to properly identify and define the real problem that needs to be addressed.

The Problem Definition section defines the problem(s) and opportunities that the investment is intended to address. The Problem Definition section identifies the **cause** of each problem, **who is affected**, and **how they are affected**. Ideally, there are clear and understandable problem statements that are linked to objectives identified in the project context section.

Some questions to be asked regarding the identified problem(s) are:

- is it clear what problem needs to be addressed, both the cause and effect?
- is there enough evidence to confirm both the cause and effect of the problem?
- does the problem need to be addressed now?
- to what extent is the problem identified in other documents, plans, and reports, including future sources of uncertainty?

Evidence of the Problem

It is important to provide clear evidence that substantiates and validates the cause and effect of the problem and outline any critical assumptions made.

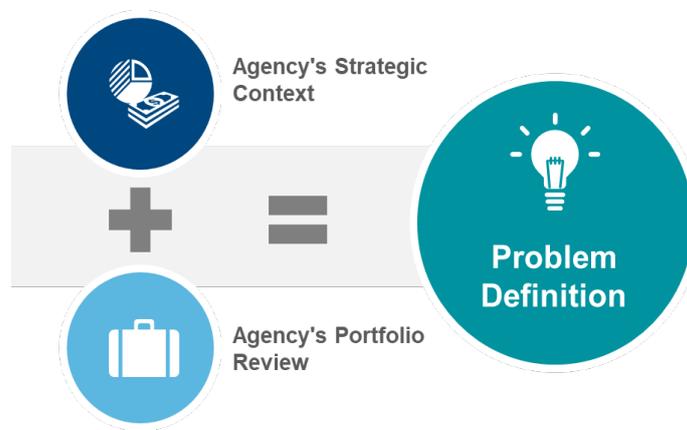
This may include references to issues or risks identified in the agency's Strategic Asset Plan. Where possible it is suggested that the agency demonstrate a link between the information and analysis provided in the Strategic Context and Asset Portfolio Review sections of its Strategic Asset Plan with the proposal.

Linking the Strategic Asset Plan to the Identified Problem

Demonstrating the Application for Concept Approval’s linkage with elements of an agency’s Strategic Asset Plan reinforces that an investment proposal aligns with long-term service planning to meet future service needs and demands as well as asset management objectives. Where possible, the Application for Concept Approval should reference the following elements of a Strategic Asset Plan:

- **Strategic Context** outlines the objectives of the agency and the external factors (e.g. demand for services) that have the potential to affect the agency’s asset portfolio.
- **Asset Portfolio Review** describes the agency’s existing asset portfolio including its current and forecast performance, and risks to achieving agency objectives.

Figure 4: Linkage Between Agency Strategic Asset Plan and Problem Definition in Investment Proposals



The evidence presented focuses on the identified problem, rather than the proposed solution. Evidence might include:

- demand forecasts with clearly detailed underpinning assumptions;
- current performance levels;
- benchmarking information relating to similar agencies;
- identified examples of the problem; or
- evidence from the agency’s asset portfolio review.

Where detailed quantitative evidence is not available, findings of audits, professional technical reports, reviews or other internal or external research, or other facts or examples of the problems can be helpful.

For high value, high risk proposals that are likely to be assessed by Infrastructure Australia, it is appropriate to monetise the problem to further strengthen the evidence for intervention. [Infrastructure Australia's Assessment Framework](#) provides guidance on monetising problems.

What is Required

Describe the problem(s) in terms of its cause, who it affects, and how they are affected.

Detail the impact of the problem in the broader service context – including highlighting the risks associated with the problem. If possible, this should reference the Strategic Asset Plan.

Note any relevant relationships between the problem and the agency's long-term service and asset planning, Government commitments and strategic priorities (including election commitments) or other relevant plans.

If feasible, monetise the problem that the proposal is intending to address.

Rationale for Intervention

Not all problems justify intervention by government. The Application for Concept Approval must outline why the Western Australian Government should address the problem as opposed to a private sector/market/not for profit solution, Commonwealth or local government investment. The rationale for intervention can be based on:

- strategic objectives of the agency;
- statutory requirements;
- changes to existing Government policy; or
- market failure.

The Rationale for Intervention section demonstrates why 'business as usual' is not an adequate response to addressing the identified problem. Understanding the 'business as usual', or the status quo, provides the basis for designing an effective intervention.

This information highlights why government is required to intervene to remedy the problem or address the opportunity, as opposed to another sector.

While 'business as usual' will be used for comparing options, it is important that it is discussed when establishing the case for change.

Defining the Base Case

Business cases (and Application for Concept Approvals) compare the costs and benefits of doing something with a base case. The base case in this document is referred to as 'business as usual' but may also be defined as 'do minimum', 'do nothing' or 'keep safe and operational'.

The base case includes any known and funded changes to the infrastructure or service that are likely to occur in the absence of a decision to proceed with the proposal.

A well-established base case provides the foundation for the Strategic Options Analysis and Strategic Options Evaluation. Errors in defining the base case can compromise this analysis.

If the 'business as usual' base case appears to be inappropriate for a proposal, agencies should engage with Treasury early to agree an alternative definition of the base case.

Proposals for consideration by [Infrastructure Australia](#) are required to specify 'do minimum' as the base case. 'Do Minimum' reflects the continued operation of the network or service under good management practices. Whilst different terminology, this definition is aligned with the SAMF suggested approach.

What is Required

Define the 'base case'; i.e. the situation in the absence of any intervention or change in practice.

Describe the rationale for government intervention. Justify why the Government should intervene.

Timing Considerations

Timing considerations establish the urgency of the proposal, and can include:

- a description of why the problem needs to be solved at this time;
- linkage to broader Government initiatives and programs;
- linkage to long-term Government plans; and
- a statement of the implications and issues of delaying a response to the defined problem, such as impacts to service delivery, safety, or performance expectations.

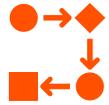
Note the relative urgency or priority of the proposal as stated in the Strategic Asset Plan.

What is Required

Indicate the urgency by explaining why the problem(s) should be solved now rather than later. State the implications of delaying a response to the problem(s).

Investment Proposal

The Investment Proposal section outlines the broad benefits of government intervention, such as capital investment, and articulates the broad benefits that are expected to result from the proposal.



Proposal Objectives

To analyse the options developed as part of the business case, and Application for Concept Approval, it is important that it is clear what the agency is seeking to achieve. These objectives are the foundation for developing options and should link to the problem identified in the Project Purpose section.

What is Required

Detail the proposal's objectives.

Benefits to be Delivered

Benefits are the direct advantage secured as a result of undertaking a particular investment to address the identified problem.

When defining the benefits of the proposal, identify whether the benefits:

- align to corporate outcomes, long-term plans, policies and objectives;
- align to asset management objectives;
- are portfolio or agency specific, or whole of government; and
- are attainable and will be realised as a direct consequence of the proposed investment.

Benefits to Government

Relate the project context, and identify benefits to be realised through meeting:

- state-wide priorities;
- corporate objectives; and
- if relevant, Commonwealth Government objectives.

It is expected that the Application for Concept Approval broadly discusses the qualitative benefits of the proposal in terms of:

- the impact of the proposal on the existing service level or quality;
- how the proposal may support Government policy initiatives;
- improved outcomes; and/or
- key high-level economic, environmental and social benefits.

Map the Investment Logic

The case for investment needs to be clear. There are several approaches to clearly articulate the anticipated outcomes of the investment.

A contemporary example developed by the [Victorian Department of Treasury and Finance](#) is the Investment Logic Map (ILM), which may be developed through a series of workshops. It aims to communicate the investment story on a single page using language and concepts that are understandable to a layperson. The ILM process will help to concisely articulate:

- **the problem** – identifies the problem driving consideration of a new investment or intervention, the evidence to confirm both cause and effect of the problem, and the benefits for the agency in responding to the problem;
- **the benefits** – identifies the evidence that will be needed to demonstrate that the identified problems have been properly addressed, who will be responsible for delivering the benefits and how these will be tracked and monitored;
- **the strategic response** – considers a broad range of interventions such as demand management, regulation change, repurposing assets, investing in new assets and market-based solutions; and
- **the solution definition** – builds on the strategic response and identify the project options or procurement options.

What is Required

State the benefits (these can be drawn from the (ILM), if the investment logic mapping exercise has been carried out). Be comprehensive.

Outline how the base case will impact on government policies and strategies.

Highlight any drawbacks or disadvantages of the proposal.

Stakeholders

Proposals are likely to have interfaces with, and impacts on, a range of stakeholders (both within and outside Government). A planning process that does not engage with stakeholders has an increased likelihood that a proposal does not adequately account for the broader strategic context. Consequently, it is important that the Application for Concept Approval provides decision-makers with an understanding of key stakeholders and their likely position in relation to the identified problem, and possible strategic responses.

Key stakeholder consultation does not need to be comprehensive with more intensive consultation and engagement as the proposal progresses towards delivery.

What is Required

Map the key stakeholders, their interests and likely position in relation to the problem.

Identify any potential opportunities for collaboration.

Comprehensive stakeholder consultation is not expected for this stage.

Interdependencies

Successful project delivery is likely to have key dependencies on other agencies, planned projects, initiatives and stakeholders. Any linkages and interdependencies with other programs and projects should be explained, especially where the proposal is intended to contribute to shared outcomes across multiple organisations.

This is of particular importance for high value, high risk proposals where agencies must provide evidence that interdependencies or conflicts between projects have been identified, the implications assessed, and the consequence of supporting the proposal on other State projects are clearly articulated.

What is Required

Outline any key interdependencies critical to benefit delivery and strategies required for management.

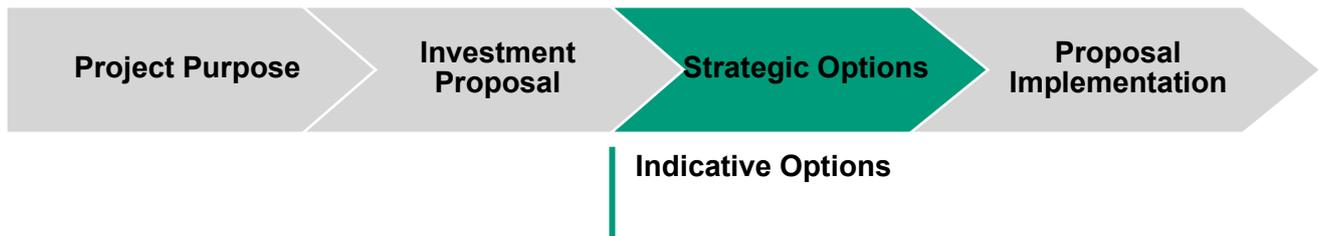
Identify necessary and potential partnerships with other organisations to ensure successful outcomes/benefits realisation.

Strategic Options

The Strategic Options section identifies a range of indicative options available to decision-makers.



The Strategic Options section provides a high-level outline of the benefits, costs and risks of a suite of options that may be employed to address the problem. Take a broad approach to develop the options available to Government.



Strategic Responses and Indicative Options

The Application for Concept Approval identifies a range of potential options to address the identified problem, with different benefit profiles.

When developing strategic options for the long list, give due consideration to broad responses that may enable the same outcomes that could feasibly deliver the intended benefits and mitigate the identified problems. These responses can include capital and non-capital options, including regulatory reform that would change the way services are delivered or regulated.

It is important to test a range of potential interventions to respond to a problem rather than focusing on what may intuitively appear to be the best solution.

Figure 5: Possible Strategic Responses

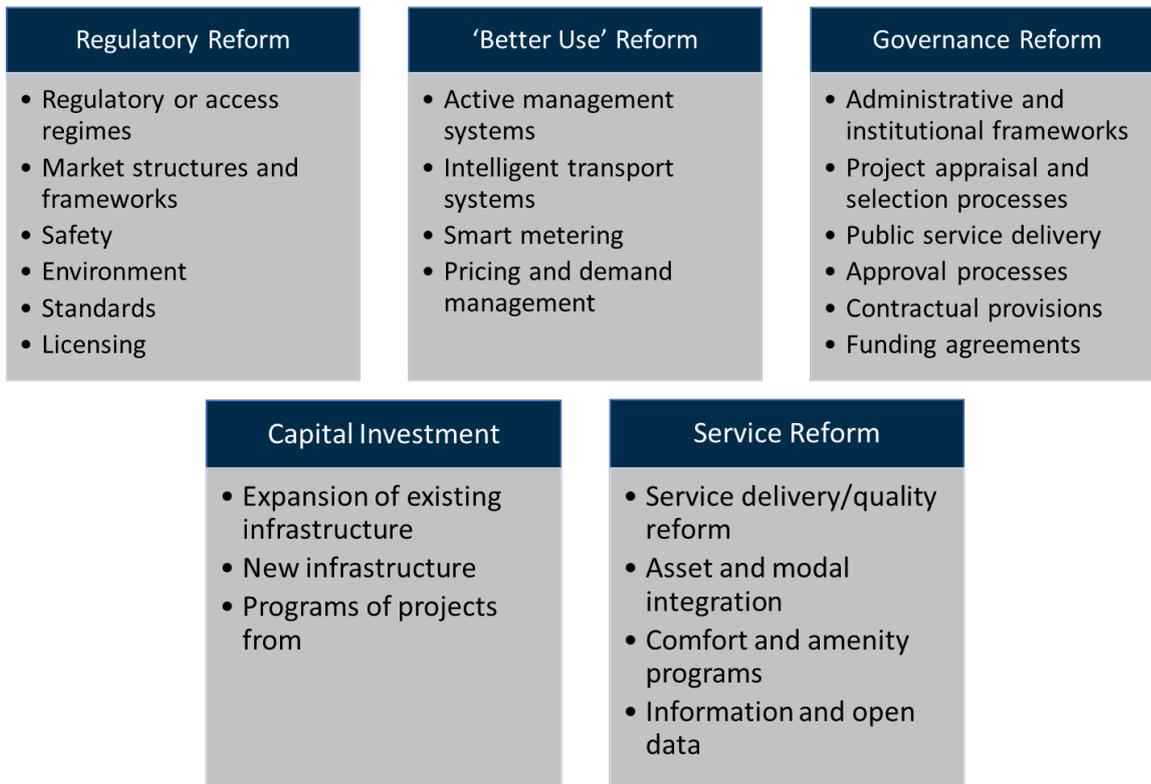


Figure 5 illustrates the process of identifying possible reform and asset investment options to develop a range of strategic options. This approach enables a mixture of strategic options to be developed.

What is Required 

State potential interventions – i.e. the broad action by the Government (base options, asset options, service options, etc.).

List all strategic options considered feasible in addressing the problem.

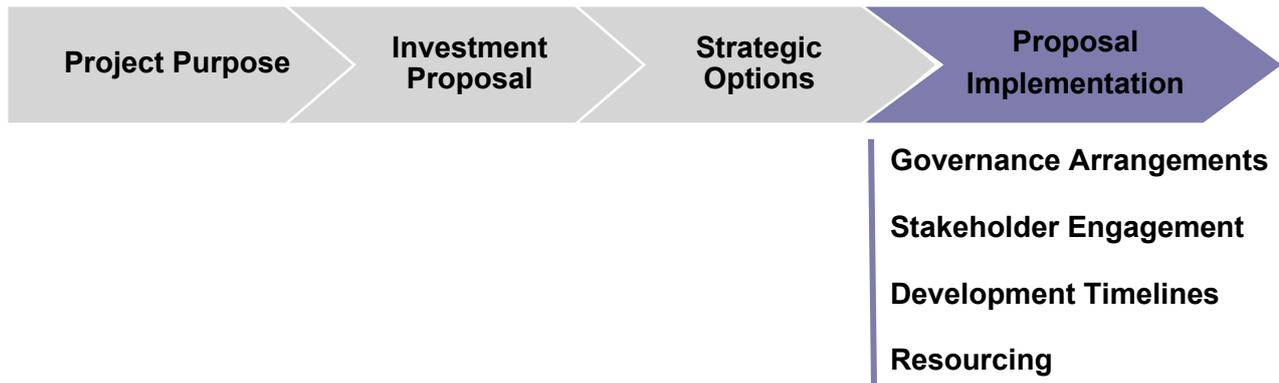
If a large number of options have been considered, it may be appropriate to provide a summary in the Application for Concept Approval and include the detail as an appendix.

Proposal Implementation

The Proposal Implementation section demonstrates how the concept will progress to the development of a business case.



This section focuses on the strategy for successful development of a proposal's business case.



Governance Arrangements

Clear governance arrangements are required to ensure that the right decisions are made at the right time by the necessary decision-making authority during project development.

Outline the governance arrangements that are in place to progress the proposal to the business case stage and how these arrangements will align with any existing governance frameworks.

What is Required

State the current governance arrangements in place for the proposal. Outline any proposed changes to governance arrangements that will be required to support business case development.

Stakeholder Engagement

Outline how key stakeholders will be engaged in the next phase of project planning.

It is important that decision-makers are confident that the proposal is being developed with the key stakeholder input. Consequently, agencies may choose to develop a stakeholder management plan for the development of the business case.

What is Required

Map the key stakeholders in the development of the proposal and how the project team intends to engage with them. If applicable, outline engagement with key stakeholders to date.

Development Timelines

Decision-makers need to understand the lead times associated with proposal development.

Include a high-level project schedule listing all the major milestones to be undertaken as part of the business case, including:

- advice from independent experts and associated timing;
- key risks to achievement of timeframes;
- critical dependencies; and
- the Budget year that the proposal is intended to be submitted to the ERC and other evaluation (such as MIPA and/or Gateway Review).

What is Required

List the likely timeframe for the development of the business case. Include major milestones in the business case development process.

Resourcing

Decision-makers need to understand how development of the business case is proposed to be resourced.

It is important that decision-makers are confident that agencies have the capacity and capabilities to undertake the analysis required. This may include outlining the existing capabilities of an agency with respect to business case analysis.

Where the agency is not sufficiently resourced to undertake the business case, an Application for Concept Approval may provide the basis for requesting additional funding from the ERC. A request for additional funding to develop the business case must demonstrate the need for additional funding, in terms of lack of resources and limited internal technical capability.

Additionally, clarity must be provided on what services will be procured with the requested funding. In doing so, an agency must specify whether the agency is seeking capital or recurrent funding, or a combination.

What is Required

Provide an outline of how the development of the proposal's business case will be resourced.

Justify any request for additional planning monies.

Next Steps and Requested Outcome

This section of the Application for Concept Approval outlines the next steps for the project team and the recommendation for the ERC.

Next Steps

To support the next phase of the proposal's development, identify the next steps for the project team.

What is Required

State key next steps for the proposal if approved to proceed to business case development.

Requested Outcome

States the decision(s) that is/are being sought from Government.

Provide clear advice on the implications of not proceeding to develop the business case and addressing the problem.

If appropriate, include recommendations for any associated decisions that are being sought. Some examples of other potential decisions that may be sought include engagement with Infrastructure Australia or parameters for further stakeholder engagement.

What is Required

State the decision(s) that are being sought from Government.

Appendix A: Application for Concept Approval Structure

