



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

Strategic Asset Management Framework

# Application for Concept Approval





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# Contents

|  |          |
|--|----------|
| <b>INTRODUCTION .....</b>                          | <b>1</b> |
| <b>Purpose.....</b>                                | <b>1</b> |
| Strategic Justification .....                      | 1        |
| Early Options .....                                | 1        |
| <b>Application.....</b>                            | <b>2</b> |
| Fast-Tracked Proposals.....                        | 2        |
| <b>Approvals .....</b>                             | <b>2</b> |
| <b>Responsibility.....</b>                         | <b>3</b> |
| <b>Value .....</b>                                 | <b>3</b> |
| <b>PART ONE: STANDARD .....</b>                    | <b>4</b> |
| <b>Level of Detail.....</b>                        | <b>4</b> |
| Business Case and PDP .....                        | 4        |
| <b>Options Analysis .....</b>                      | <b>5</b> |
| <b>Finance and Procurement .....</b>               | <b>5</b> |
| <b>Model.....</b>                                  | <b>5</b> |
| <b>APPENDIX A: PURPOSE, RIGOUR AND DETAIL.....</b> | <b>7</b> |
| <b>APPENDIX B: ACA MODEL – OVERVIEW .....</b>      | <b>9</b> |



## Introduction

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This module clarifies the purpose, standards and model for the content, development and review of an Application for Concept Approval (ACA). Before proceeding, readers should consult the SAMF Overview which describes how an ACA is used during asset investment planning and decision-making.

## Purpose

### Strategic Justification

An ACA provides investment decision-makers with an early, broad understanding of the indicative scope, benefits, costs, schedule and risks for options to achieve an investment proposal that has strategic justification – as established in an agency’s strategic asset plan.

Work does not start on an ACA until an agency has developed a robust strategic asset plan, which clarifies its future service delivery objectives and model. This ensures that the ACA options are focused on achieving the Government’s policies and service delivery results, and an agency’s business outcomes, including by optimising the use of its existing assets.

An ACA is only done by an agency for each of its high priority proposals for potential investment in years 5-10 beyond the State’s four-year Asset Investment Program.

### Early Options

A key objective at the early ACA stage is to clarify a range of feasible investment options, and to provide an initial, objective appraisal of their relative strengths and weaknesses – rather than to focus on a single preferred or ideal option that may not provide the best value for money.

An ACA is normally expected to canvass at least three options including continuation of the status quo. The range and nature of the options will depend on the particular circumstances and may, for example, include non-asset initiatives, or various ways to refurbish an existing facility, upgrade it or replace it with a new one. An ACA that proposes only one option in addition to the status quo is likely to be credible in only a very small minority of cases, for which clear and compelling reasons should be provided.

## Application

Based on the justification in an agency's strategic asset plan, an ACA is developed for all high priority investment proposals that involve significant costs (generally, a capital cost of \$1 million or more) and medium to high risks in terms for example of the scale, technology, workforce skills, change management or stakeholder engagement involved.

An ACA may be triggered for a range of objectives including to:

- address a maintenance shortfall for an asset or asset class;
- refurbish an existing asset, or acquire a new one;
- replace or upgrade ICT software and infrastructure;
- establish a long-term office accommodation arrangement; or
- undertake a large office fit-out.

## Fast-Tracked Proposals

An ACA is not required for fast-tracked proposals, such as asset-related election commitments. The focus of effort for such proposals is on the business case and PDP, given the urgency and timing constraints involved, and that the Government may have focused the options down to one or two alternatives. Further guidance is in the SAMF module on Fast-Tracked Proposals.

## Approvals

An ACA is submitted to the relevant Minister in order to seek approval that the investment proposal and the initial options should be examined further in a business case. If an ACA is endorsed by the Minister, it is included in the annual update of an agency's strategic asset plan.

In this way, an ACA helps to reinforce the list of longer-term, high priority investment proposals in the strategic asset plan, and to assist discussions between Ministers and the Treasurer on the range of priority items that are likely to be submitted for further consideration. If an ACA is endorsed, it is included in the outer years (5-10) of the agency's capital investment plan.

In-principle support for an ACA by the Minister and the Treasurer does not commit them to proceed with the proposal, nor does it lock in funding. Further work will be required to develop a business case before seeking an investment decision to include the proposal in the State's four-year Asset Investment Program.



## Responsibility

An ACA is signed-off by the agency CEO based on advice from senior investment decision-makers including the CFO, CIO and appropriate heads of other asset planning areas, depending on the nature of the investment proposal.

The agency is responsible for determining the amount of in-house resources that should be applied to meet the SAMF standards for an ACA in order to provide the best possible, initial advice to decision-makers at the time of submission, without investing, for example, in specialist consultancy services and analysis.

## Value

An ACA allows an agency CEO, Minister and the Treasurer to:

- obtain a reasonable, early appreciation of the potential merits and priority of a longer-term investment proposal, and the alternative options to deliver Government outcomes;
- understand the broad scale of the asset investment and management task ahead, including in terms of implementation resources and through-life operating costs; and
- note the time that will be needed to address high risk aspects such as land assembly, acquisition and approval, and workforce planning.

Based on an ACA, agencies are better able to demonstrate to their Minister, the Treasurer and Government that they understand the medium to longer term service delivery and investment challenges they face, particularly as the ACA should be closely linked to strategic asset planning that looks 10 years ahead, and should be consistent with longer-term State development plans.

An ACA allows agencies to test the willingness of their Minister to invest along the indicative lines proposed – without committing significant agency funds to the more detailed planning that would be required for a business case. An ACA enables the clear, early understanding that an investment proposal should or should not be pursued, and that a detailed business case should be developed, or that it should be done in ways that differ from the initial proposition.

## Part One: Standard

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### Level of Detail

An ACA provides initial advice on all of the scope, benefits, cost, schedule, and risk parameters that will be expected to be addressed in greater detail later in a business case.

The ACA is well considered, not rushed. It reflects sound desktop analysis commensurate with the scale of the risks and costs of the proposal. Because the purpose of an ACA is to provide an early appreciation, the advice is not expected to be definitive. It is objective, evidence-based and free from unsubstantiated assertions. It is recognised that both the advice and the supporting analysis will change and be improved. However, the ACA should still be based on the best available information at the time that it is submitted.

At this early stage, a range of information sources and benchmarks are used, including:

- lessons learned from similar investments as reported, for example, in progress reviews by the Office of the Auditor General; and
- document review, internet searches, enquiries to local and overseas suppliers and to public service agencies in Western Australia or other jurisdictions on the actual capital and operating costs, and schedule, for a similar investment – whether it be a new building, IT equipment, a refurbishment or remedial maintenance project, or a non-asset initiative.

### Business Case and PDP

The level of detail in an ACA is significantly less than is required in a business case and project definition plan (PDP). A business case provides decision-makers with sufficient confidence to select one investment option from various contenders, and to set the scope, cost, schedule, risk and other parameters that should apply. The advice in the business case should therefore be robust.

Based on the agreed business case, further work is done to develop a detailed PDP for the approved option before preparing tender documentation. The PDP either confirms that the business case and investment decision were valid, or advises that they should be reconsidered based on new, material information. The advice in the PDP should therefore be accurate.

**Appendix A** to this module summarises the different purpose, content and level of rigour and detail in an ACA, business case and PDP.

## Options Analysis

An ACA draws on both qualitative and quantitative analysis to provide concise advice to inform judgements on the relative value for money that will be gained from alternative investment options.

The analysis provides strong evidence that all of the feasible options were considered objectively, and that options were only excluded from an ACA after careful consideration.

The options are considered from four main perspectives: social impact; effect on the financial position of the agency; improvement to the agency's service delivery performance; and the broader economic costs and benefits. Detailed cost-benefit analysis is not required at this early stage; nor is specialist architectural or engineering advice. Further guidance is in the SAMF Options Analysis module.

## Finance and Procurement

The detailed planning of procurement and financial arrangements is not required at the ACA stage. Instead, the objective is to establish an early understanding of the potential methods that could be used given the nature and scale of the investment, whether through a traditional design and construct approach, a collaborative contracting arrangement or a public private partnership.

This advice informs longer-term planning to establish procurement efficiencies through the bundling of related proposals by one agency or across agencies, for example under improved whole-of-government ICT investment planning and the Government Office Accommodation strategy. The advice is also used to provide an early connection to long-term federal infrastructure investment opportunities, for which significant time for preparation and advocacy is required.

## Model

The SAMF ACA model identifies the essence of what should be included in the asset investment and management context. The model is similar for both an ACA and a business case. It focuses on the essential elements, namely the scope, benefits, costs, schedule, risks and implementation issues for alternative investment options. An overview of the model is at **Appendix B**.

The SAMF model is suitable for all types of investment proposal. It is used regardless of the type of asset, or whether the proposal involves investment to sustain the existing asset base, or to acquire new assets. It is used irrespective of whether the proposal involves high, medium or low costs and risks.

## Strategic Asset Management Framework

The aim is not to provide a one-size fits all, prescriptive template. Instead, agencies are encouraged to use and improve on the SAMF model, provided that their final ACA meets the SAMF standards.

In particular, agencies must make clear the logic and assumptions that underpin their advice, and the key judgements and conclusions. Sufficient justification must be provided that a proposed investment is likely to provide value for money.

## Appendix A: Purpose, Rigour and Detail

|                     | ACA  | Business Case   | Project Definition Plan  |
|---------------------|--|---|--|
| <b>Purpose</b>      | <p>Clarify highest priority proposals in SAP</p> <p>Early appreciation/initial advice</p> <p>For the AIP out years (5-10)</p>  | <p>Robust advice/reasonable certainty to identify the best value for money option</p> <p>Initial business case for the forward estimates (AIP years 2-4)</p>    | <p>Reality check before preparing for tender</p> <p>Helps decision-makers set the parameters for project delivery (e.g. scope, cost, schedule and risk)</p>  |
| <b>Options</b>      | <p>3-4 feasible, indicative options (including status quo)</p>   | <p>Focused in detail on at least three options (status quo; recommended; and alternatives)</p>  | <p>Focused on the approved business case option</p> <p>Highlights and seeks approval for material variations from the endorsed parameters</p>  |
| <b>Depth/Rigour</b> | <p>Indicative but sound</p> <p>Desktop analysis</p>  | <p>Robust</p>   | <p>Accurate</p>  |
| <b>Scope</b>        | <p>Indicative scale and standard (e.g. broad area of land and facility; type of hospital; possible vehicle type and fleet size)</p>  | <p>Early/initial master plan</p> <p>Clear scale and standard (m<sup>2</sup> of land and facility; hospital room and bed numbers; vehicle model and numbers)</p> | <p>Demonstrates project resolution and clarity</p> <p>Clear asset definition package: an improved master plan; detailed functional requirements, design criteria, standards and layout; and an initial technical description</p> |
| <b>Benefits</b>     | <p>Early, broad benefit statement (mostly qualitative)</p> <p>Broad cost benefit analysis, with desktop coverage of: social impact; agency financial; agency performance; and economic</p> | <p>Precise statement of benefits and KPIs</p> <p>Rigorous cost benefit analysis (strong quantitative)</p>   | <p>Nil additional analysis, unless endorsed business case parameters have changed</p>  |

|                      | ACA  | Business Case   | Project Definition Plan   |
|----------------------|--|---|---|
| <b>Cost</b>          | Order of magnitude/best available benchmarks<br><br>Indicative contingency (benchmarked) | High-quality estimates by appropriately experienced people (similar to quantity surveyor standard and method)<br><br>Robust contingency calculation by line item (justified/not broad brush)    | Accurate/closer to tender quality/fully itemised/based on detailed understanding of asset scope and risk  |
| <b>Schedule</b>      | Indicative, but realistic/conservative (based on results from actual projects)           | Detailed and well-constructed<br><br>Based on indicative work breakdown structure   | Accurate completion dates and implementation durations<br><br>Broken down by month and week   |
| <b>Risk</b>          | Main risks and mitigation flagged (esp. lessons learned from similar proposals)          | Sound strategies to control main project risks<br><br>Backed by risk register and risk management reviews   | Focused on project delivery risks (scope, cost, schedule, procurement etc)<br><br>Clear, overall risk profile based e.g. on project-specific evaluation and lessons learned from similar projects |
| <b>Delivery Plan</b> | Governance and implementation resources and processes sketched                           | Clear implementation plan, with strategies established for major aspects including: governance; project management; stakeholder communication and engagement; benefit realisation and reporting | Detailed implementation plan to support preparation to achieve readiness for market   |

## Appendix B: ACA Model – Overview

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### **EXECUTIVE SUMMARY**

Purpose/Business Problem  
Recommended and Alternative Options  
Key Approvals and Next Steps

### **STATEMENT OF PURPOSE**

#### **Strategic Justification**

Alignment to Government Policy and Legislation  
Demand Drivers and Projections  
Service Delivery Objectives and Model

### **EXISTING ASSETS**

Weaknesses, Strengths, Risks

### **INVESTMENT PROPOSAL**

Objectives and Benefits  
Performance Indicators

### **OPTIONS**

#### **Shortlist Description**

Status Quo/First Alternative/Other Alternatives

#### **Value for Money Comparison**

Scope  
Benefits  
Costs  
Schedule  
Procurement and Finance  
Risk Mitigation

### **RECOMMENDATIONS**

Best Option and Alternatives  
Implementation Issues and Resources

