

## **Public Accounts Committee**

### **Further supplementary questions**

1. The NSW Telco Authority told the Committee that, "The business case estimated a 65% probability (P65) that the initial business case scope could be delivered within the allocated budget." ([Answers to questions on notice – Question 6, page 6](#))

According to your business case assurance policies and protocols;

- i What percentage probability of a project being delivered within budget does Infrastructure NSW consider 'acceptable' or provide a favourable recommendation?
- ii What is the average probability for business cases that Infrastructure NSW has recommended be approved or provided assurance for over the past 5 years (2017-18 - current)?

### **RESPONSE**

Infrastructure NSW applies a risk-based approach to capital projects' assurance, as mandated by the Infrastructure Investor Assurance Framework (IIAF)<sup>[1]</sup> and divides registered projects into four tiers. A project is assigned a tiering based on its estimated total cost and risk profile. Tier 1 applies to projects with the highest risk profile while Tier 4 projects have the lowest risk profile.

As part of a Gate 2 - FBC Review, Infrastructure NSW assesses the project cost plan against the requirements of the NSW Government Business Case Guidelines (TPP18-06)<sup>[2]</sup> and the Infrastructure NSW Cost Control Framework<sup>[3]</sup>. This latter framework came into effect in 2022 and states that for:

Tier 1 projects, the project team should calculate both the 90% probability (P90) and the 50% probability (P50) of completing the initial business case scope within the allocated budget, with project schedule also presented at P90 and P50. Ideally, Tier 1 projects should be funded at P90 level;

Tier 2 projects, the project team should calculate the 50% probability (P50) of completing the initial business case scope within the allocated budget. Ideally, Tier 2 projects should be funded at P50 level; and Tier 3 and Tier 4 project, no probabilistic assessment is mandated and deterministic approaches, such as benchmarking, can be used to estimate funding and contingency level.

On average, over the past 5-years, circa 86% of Tier 1 projects assured by Infrastructure NSW were funded at a level aligned with a 90% probability (P90) of completing the initial business case scope within the allocated budget. Noting the Infrastructure NSW Cost Control Framework came into operation in 2022 and has been applied since then.

[1] The NSW Infrastructure Investor Assurance Framework (IIAF), 2023, [www.infrastructure.nsw.gov.au/media/ptafumpl/iiaf-december-2023.pdf](http://www.infrastructure.nsw.gov.au/media/ptafumpl/iiaf-december-2023.pdf)

[2] NSW Government Business Case Guidelines (TPP18-06, August 2018,  
[www.treasury.nsw.gov.au/sites/default/files/2021-05/TPP18-06%20%20NSW%20Government%20Business%20Case%20Guidelines.pdf](http://www.treasury.nsw.gov.au/sites/default/files/2021-05/TPP18-06%20%20NSW%20Government%20Business%20Case%20Guidelines.pdf)

[3] Cost Control Framework for the Infrastructure Program, April 2022,  
[www.infrastructure.nsw.gov.au/media/vg2d0f5p/cost-control-framework-approved.pdf](http://www.infrastructure.nsw.gov.au/media/vg2d0f5p/cost-control-framework-approved.pdf)