



NSW Department of  
Community Services

# ECONOMIC EVALUATION GUIDELINES

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**Performance Analysis and Development Branch  
Policy and Planning Division**

The Economic Evaluation Guidelines were prepared by the Economics Unit.  
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The principal authors of the Guidelines are:

Marilyn Chilvers, Executive Director, Planning & Corporate Performance  
Ben Smith, Director, Performance Analysis & Development

For inquiries regarding these Guidelines, please contact:

Baojin Wang, Principal Economist  
Phone: 02 9716 2192 or email to [Baojin.Wang@community.nsw.gov.au](mailto:Baojin.Wang@community.nsw.gov.au)

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## EXECUTIVE SUMMARY

In order to ensure the best outcomes for families, children and young people, it is crucial that the Department of Community Services (DoCS) provides its services as efficiently and effectively as possible. The Guidelines on Economic Evaluation aim to ensure that the full range of costs and benefits of policy, regulatory and operational options is considered and the best option is selected.

Economic evaluation is a way of systematically analysing all the costs and benefits associated with a proposal and assessing its overall benefits. Demonstration of the social and economic benefits of DoCS' programs needs to receive greater emphasis and economic evaluation can assist in that.

An important feature of economic evaluation is that various options for achieving the stated objectives are assessed. The distribution of costs and benefits is also presented and may form part of the assessment, depending on the issue.

In DoCS, the use of economic evaluation is required to assess proposals to change policy, legislation and regulations, operational procedures, new projects and program reviews associated with our service delivery.

Economic evaluation is most effective when it becomes a routine part of significant policy, regulatory and operational change proposals, incorporated from the early stages of proposal development.

For significant changes to legislation and regulations, Regulatory Impact Statements (RIS) or Better Regulation Statements (BRS) are prepared for public consultation. The RIS/BRS contains the results of an economic evaluation.

The Guidelines aim to provide a cohesive framework for policy and operational staff members who must make decisions in the course of their daily work on evaluation of proposals and projects within the context of a finite resource base. The analytical technique, if diligently applied, provides a rational and logical structure within which to make decisions about policy proposals, regulation reviews and program initiatives.

# 1. INTRODUCTION

## 1.1 Purpose of the guidelines

The Guidelines aim to:

- develop an understanding of the principles and process of economic evaluation within DoCS
- establish requirements for the evaluation of policy and regulatory and operational proposals
- ensure consideration of all possible options as early as possible in the planning process
- provide guidance on identifying the full range of costs and benefits associated with these options
- assist in choosing the best policy, regulatory or operational proposal.

A wide body of literature on economic evaluation exists and guidelines of varying degrees of complexity have been developed, including:

- **NSW Government Guidelines for Economic Appraisal**, TPP07-5, NSW Treasury, July 2007.
- **Economic Appraisal Principles and Procedures Simplified**, TPP07-6, NSW Treasury, July 2007.
- **Handbook of Cost-Benefit Analysis**, Department of Finance and Administration, Canberra, January 2006.
- **Introduction to Cost-Benefit Analysis and Alternative Evaluation Methodologies**, Department of Finance and Administration, Canberra, January 2006.
- **Economic evaluation: a guide for non-economists**, Terry S. Auld, W. Guy Scott and Helen M. Scott. Wellington, N.Z.: School of Commerce, Wellington Polytechnic, 1991.
- **Practical cost benefit analysis: basic concepts and applications**, Frances Perkins. South Melbourne: Macmillan Education Australia, 1994.
- **Cost-benefit analysis**, edited by Richard Layard and Stephen Glaister. Cambridge University Press, 1994. 2nd ed.
- **Weighing it up: applying economic evaluations to social welfare programmes**, Sally Holtermann. Layerthorpe, York: York Publishing Services Ltd, 1998.
- **Cost-effectiveness in health and medicine**, edited by Marthe R. Gold ... [et al.]. Oxford University Press, 1996.

The DoCS guidelines are intended to be used with the ongoing support and under the guidance of the Economics Unit. They will be useful mainly to those staff in DoCS engaged in developing policy, and regulatory or operational change proposals. It is not expected that those staff will become experts in economic analysis or undertake any complex economic analysis. However, it is desirable that they are familiar with the basic concepts and approaches to allow working together effectively with the Economics Unit and to improve the quality of economic analysis across the organisation.

## 1.2 What is economic evaluation?

Economic evaluation is a way of systematically analysing all the costs and benefits associated with a proposal and assessing its overall benefits. The analysis can incorporate monetary, quantitative and qualitative factors. DoCS' programs have significant social and economic benefits. However, as these benefits are often intangible or difficult to quantify, they tend to receive less emphasis than costs. Economic evaluation can assist in better quantification of the benefits and a more balanced assessment of the relative merit of options.

Evaluation provides vital information to decision makers at various levels within Government. The use of economic evaluation is encouraged in all relevant areas of public sector activity including policy proposals, program evaluation and regulatory review.

In respect of social and community services, economic evaluation will assist in the choice of programs, policy formulation and regulatory reviews. This choice can occur at two levels: one is the choice between alternative service delivery projects/policy and regulatory options designed to achieve the same objective. The second is the choice between ranges of projects, directed at a variety of objectives, which cannot all proceed given a fixed level of available resources.

An economic evaluation of a proposal should always explain who will be affected and to what degree, whether it is an agency, sections of the community, industry or individuals. Clear identification of the effects of a proposal will allow decisions to be made which maximise the value of DoCS' activities to the community as a whole.

## 1.3 What forms of economic evaluation are to be undertaken in DoCS?

Economic evaluation will be applied to proposed changes to legislation, regulation, policy, operational procedures and capital works projects. The term "proposal" is used throughout this document to refer to such projects.

An economic evaluation should take account of all the costs and benefits associated with a proposal. Care should be taken to indicate all possible costs and benefits, and not to include only those which can be quantified.

It is expected that minor changes with a small impact will not require a full economic evaluation. For major policy proposals and large projects with significant changes, a formal economic analysis will be conducted.

Under the *Subordinate Legislation Act 1989*, Regulatory Impact Statements (RIS) are required for regulatory proposals including major amendments to existing regulation. Under NSW Government's *Guide to Better Regulation 2008*, significant new and amending regulation will require a Better Regulation Statement. The RIS/BRS is a tool to assist decision making. This is a formal mechanism to provide the Government with an assurance that new or amended regulatory proposals are subject to proper analysis and consultation as to their efficiency and net impact on community welfare. Completion of a RIS/BRS is based on an economic evaluation of the regulatory proposal.

## 1.4 Why are we doing it?

There are efficiency implications of DoCS' service delivery to the wider community. Common efficiency objectives include:

- providing goods and services at least cost (productive efficiency)
- allowing resources to go to where they are valued the most (allocative efficiency)
- a service provider responsive to changes in supply and demand over time through the development of innovative practices to better meet society's demand (dynamic efficiency).

For example, there are positive spillovers to the community and potential for cost reduction in other areas (justice, education etc) as a result of DoCS programs. To achieve economic efficiencies, it is necessary to shift DoCS' own resources, purchasing programs, as well as government expenditures in related policy areas, towards programs with greatest benefits.

The objective of an economic evaluation is to contribute to decision-making and, through this, to promote an efficient allocation of resources so that the best possible outcomes for the community are achieved. Economic evaluation will enable DoCS to:

- demonstrate the benefits of public expenditure on child welfare
- ensure its share of public expenditure matches the benefits its services provide
- get the most for families, children and young people out of every dollar it currently spends.

The main value of economic evaluation is a better understanding of costs and benefits, and how they are distributed across stakeholder groups. It assists ranking of proposals, clearer definition of proposal objectives, wider consideration of options to meet objectives, improved strategic planning and enhanced program evaluation. The economic evaluation process enables choosing the programs that produce the best outcomes for the available funding.

## 1.5 When and how should the analysis be undertaken?

Economic evaluations should be commenced at the same time as a policy, regulatory or operational proposal is being developed. It is a critical part of the response development process and will underpin the final recommendation. Economic evaluation is definitely not a process for justifying decisions that have already been made.

Judgement is needed about whether a proposal or review is significant enough to justify a full economic evaluation. Other, less detailed types of assessment such as an Operational Impact Statement are also available and may be the most appropriate course of action for less complex cases.

The Economics Unit should be contacted if there is any doubt about whether to undertake an economic evaluation.

Generally, simple economic evaluations will be prepared by the area proposing change, using these Guidelines and the expert advice of the Economics Unit. The

## **Economic Evaluation Guidelines**

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Economics Unit will also review and endorse the completed evaluations before they are submitted to the relevant Deputy Director General and Executive.

In the case of more complex evaluations, the Economics Unit will lead a joint working group to conduct the evaluation exercise. If a consultant is needed, the consultancy will be managed by the Economics Unit.

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Baojin Wang, Principal Economist

Phone: 02 9716 2192 or email to [Baojin.Wang@community.nsw.gov.au](mailto:Baojin.Wang@community.nsw.gov.au)

## 2 ECONOMIC EVALUATION TECHNIQUES

### 2.1 Overview of the principles, types of evaluation and methodology

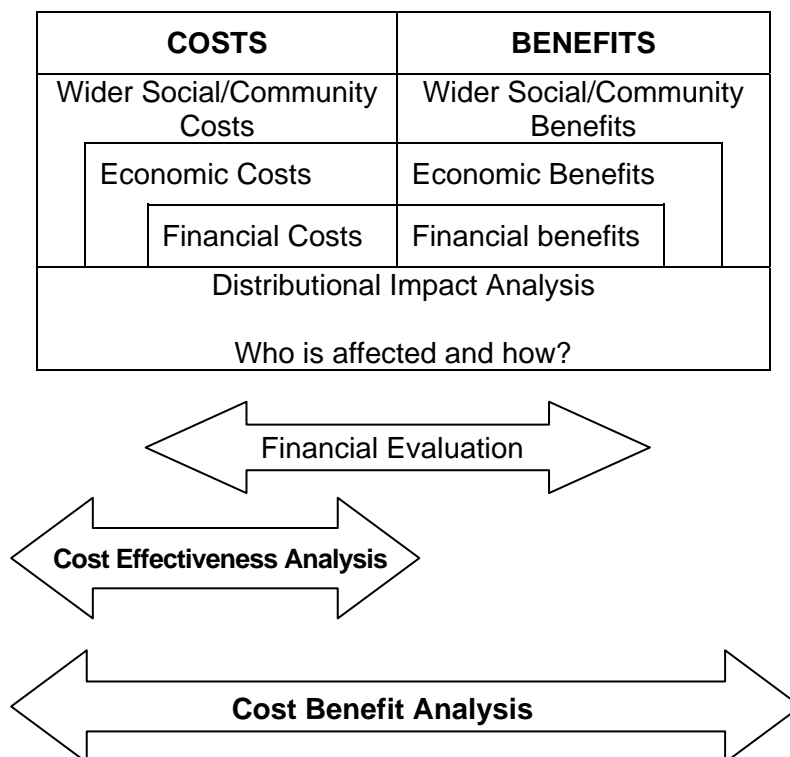
Economic evaluation is a systematic means of analysing all the costs and benefits of options for meeting an objective(s), then selecting the best option. In essence, economic evaluation shows:

- whether the benefits of a proposal or change exceed its costs
- which option has the highest net benefit or which option is the most cost effective if benefits are equivalent
- the distribution of costs and benefits across stakeholders.

Clearly, the results of an economic evaluation will not be the only factor taken into account when making a decision, but they provide important information on the effects of each possible decision.

Different types of evaluation can be applied to proposals. These range from financial evaluations to those that include broader impacts on the community, such as economic and social evaluations (Figure 1).

**Figure 1: Economic evaluation techniques – types of evaluation**



Financial costs and benefits are paid (or saved) in cash by DoCS. For example, DoCS will pay new staff and will purchase new office equipment for them. A new purchasing contract may benefit DoCS by reducing the cost of buying a service.

Economic costs and benefits include all financial costs and benefits, but are broader. They also include benefits and costs to other government agencies, DoCS clients, others in the community and non-financial impacts on DoCS itself. For example, a proposal may impact attendance levels at certain schools, as well as improving the educational outcomes for DoCS clients (a non-financial impact on DoCS).

The main forms of economic evaluation are cost benefit analysis (CBA) and cost effectiveness analysis (CEA).

## 2.2 Cost benefit analysis (CBA)

CBA is the most comprehensive economic evaluation technique. It quantifies in money terms all the major costs and benefits of proposed options. Thus the outcomes for a range of options are translated into dollar terms to facilitate evaluation, comparison and decision making.

It should be noted that CBA does not require valuation of each and every benefit and cost involved in the proposal, only the major ones.

When considering how costs and benefits should be valued in practice, it is convenient to classify them into three categories:

1. Costs and benefits which can be readily identified and valued in money terms (eg. cost of extra staff, savings from streamlined procedures).
2. Effects which can be identified and measured in physical terms but which cannot be easily valued in money terms. This may be because of the absence of market prices (eg. lower re-substantiation rates, increased pre-school attendance).
3. Impacts which cannot be accurately quantified, let alone valued (eg. recovery from abuse or neglect, improved self-esteem). The term "intangible" is often applied to these impacts.

There is now a range of tools available to enable the valuation of many impacts. Whether use of these tools is needed would depend on the importance of the issue under consideration and how monetary valuation contributes to decision-making.

In practice, the items to be valued in monetary terms will include:

### *Costs*

- capital costs (estimates of the cost of land, buildings and equipment)
- operating costs (running costs for the whole life of the option).

### *Benefits*

- revenue from selling goods and services
- benefits to users of the service not reflected in the price paid but which can be valued
- cost savings

- those benefits to the broader community which can be valued
- avoided costs - that is, costs which are unavoidable if action is taken
- residual value of assets (if any).

### 2.2.1 Valuation of costs and benefits

Where valuation is possible, two key concepts need to be considered.

#### The opportunity cost principle

The use of resources (labour and capital) for one particular purpose means they cannot be used for any other. Hence the basis for valuing the resources used is the "opportunity cost" of committing the resources, ie the value those resources would have in the most attractive alternative use.

Commonly, the market price paid for new capital, labour or other inputs will reflect the opportunity cost of the resources. An example is the opportunity cost of the time donated by a volunteer, which can be estimated based on the volunteer's forgone earnings.

#### Willingness-to-pay Principle

A fundamental concept in economics is that people's preferences should be the basis for valuing goods and services. Given limited resources, people make trade-offs, choosing the goods that give them the most relative satisfaction or welfare. Here, the willingness-to-pay concept gives a convenient monetary indication of relative preferences. People are willing to pay more for goods they value more, conditional on their ability to pay ie. their income or wealth.

In a market there may be some (or many) people whose willingness-to-pay is higher than the market price. The excess benefit over the market price enjoyed by such people is termed the consumer surplus. The correct measure of value is the gross willingness-to-pay which is the sum of the market price plus consumer surplus.

### 2.2.2 Valuation techniques

A variety of techniques are used to put a value on costs and benefits. In the following, an overview of these techniques is provided.

- **Productivity Technique**

The productivity technique uses measurable outcomes to value changes in productivity caused by the provision of a program or service. For example, a program that improves the educational performance of students could be valued as the difference between future earnings of program participants and future earnings of students not receiving the program.

*Strength:* The reliability of results from the productivity technique is high as they are based on observable market prices, which reflect the actual values individuals place on goods and services.

*Limitation:* This technique will typically underestimate benefits or the total value of the change in productivity. For example, the estimated gains in earnings may not reflect a higher quality of life from improved employment prospects.

- **Preventative Expenditure Technique**

The preventative expenditure technique estimates the value of a program or service by identifying payments to prevent harm or negative outcomes in life which the program or service aims to address. In other words, the minimum value people place on child welfare initiatives can be estimated by observing how much they are willing to spend to avoid undesirable consequences. For example, the amount spent by parents on baby capsules for car travel could be taken as an estimate of the value of reduced risk of injury or death to children.

*Strength:* The reliability of results from the preventative expenditure technique is high as they are based on observable market prices, which reflect the actual values individuals place on goods and services.

*Limitation:* This approach provides only a minimum estimate of the benefits. Parents and carers may be prepared to spend in excess of the amount they have actually spent on the preventative measure in question in order to prevent harm to their child.

- **Remedial Cost Technique**

The remedial cost technique involves identifying expenditures made in an attempt to remedy the damage caused because programs and services to prevent these costs were not in place. By identifying these remedial expenditures, the technique provides a value of the benefits that could be realised by programs and services.

Expenditure by an organisation responsible for treating abused and neglected children, such as health, is an example of remedial cost. This approach can also identify the remedial costs associated with children who have not been provided with ideal development conditions in early childhood. These expenditures are remedial in that they are attempting to repair the damage to children who have achieved poor outcomes as young people and adults.

*Strength:* The reliability of results from the remedial cost technique is high as they are based on observable market prices, which reflect the actual values individuals place on goods and services.

*Limitation:* A major limitation of this approach is that the remedial good or service provided to victims of child abuse and neglect does not entirely remove the damaging effects of child abuse and neglect or the pain and suffering felt by crime victims and their families.

- **Contingent Valuation Technique**

The contingent valuation technique uses a survey to ask individuals what they would be willing to pay for a practical improvement in an outcome or prevention of a bad outcome. In assessing their willingness to pay, respondents would be provided with a reasonably detailed description of the specified outcome, the circumstances in which the outcome would exist and how payment would be exercised.

Survey questions can be designed to extract willingness to pay information to suit a variety of child welfare initiatives. For example, the survey could ask respondents to state what they would be willing to pay to ensure that children are not sexually abused, or it might ask respondents what they would be willing to pay to ensure children are not emotionally neglected, and so on.

*Strength:* This technique can be used to value non-marketable costs and benefits such as the intangible losses incurred by victims of child abuse and neglect, which are difficult to quantify through the use of other techniques.

*Limitation:* This technique is survey-based and so there is a risk that respondents may misinterpret the questions or may frame their responses in an attempt to please the interviewer. The former problem may be addressed by ensuring that the elements of the survey are described in sufficient detail to ensure respondents understand the features of the good to be valued and the context in which it is provided.

- **Surrogate Market Technique**

This technique uses observed behaviour in an alternative market as a proxy value for benefits in another market.

Observable trade-offs between income and wellbeing are observed in one market context, which are then applied to measure similar trade-offs in alternative markets.

This technique is known as hedonic pricing in environmental economics, where trade-offs between land value and environmental quality can be used to measure the value of cleaner air or reduced pollution.

For example, trade-offs that are observed between income and risk in the labour market can be used to estimate the value of a program that results in reduced pain and suffering and improved quality of life for program participants.

*Strength:* As this technique is based on price differentials in related markets, results obtained are reflective of actual consumer choice and are reasonably reliable.

*Limitation:* A limitation of this technique is that the price differentials in the related market may depend on a variety of factors, not just risk.

### **2.2.3 Time value of money - concept of discounting**

The practice of discounting in economic analysis tries to address the issue that a benefit in the future is not regarded by people in the same way as a benefit now. The discount rate gives the rate at which the weighting attached to future costs and benefits is lowered as one goes further into the future.

There are several interrelated reasons behind discounting:

- there is an opportunity cost in terms of the forgone return on capital
- there is the issue of diminishing marginal utility of income as people get richer with time
- the simple observation that people prefer to have things now rather than wait to have them in the future due to uncertainty.

All future costs and benefits of a proposal should be discounted by an appropriate rate and expressed in terms of today's dollars.

#### **2.2.4 Impact studies**

An important part of an economic evaluation is identification of the distribution of the costs and benefits across different groups in the community. The sort of issues to be examined include:

- the incidence of the impacts (eg government, industry, families, sectors of the community)
- whether they are transitional or long term
- whether they are direct or indirect impacts.

The different options (including base case) may result in a different mix of costs and benefits across different groups. This may have a significant influence on the final decision because a proposal's distributional effects are often a key factor in policy decisions.

### **2.3 Cost effectiveness analysis (CEA)**

There may be cases where the main benefits of a proposal are not readily measurable in monetary terms. This often occurs in certain areas of social and community services, health, education, law and order, where it is difficult to put a price on wellbeing or where all the impacts of a policy are difficult to measure.

In such circumstances, if the benefits of the various options under consideration are roughly similar, CEA can be used to identify the least-cost option. In doing this, however, any differences in output quality, for example because of differences in service quality and resultant benefits, should be closely examined.

### **2.4 Other evaluation techniques**

Other evaluation techniques that may be applied within the overall economic evaluation framework are financial analysis and multi-criteria analysis.

#### **2.4.1 Financial analysis**

A traditional financial analysis examines a proposal from the narrow perspective of the entity in financial terms. It does not take account of effects on other agencies or individuals.

The economic evaluation techniques outlined above do not remove the need for a financial analysis. The financial analysis will show the demands on cash flow and funding which will result from the proposal – an important factor when managing DoCS' finances.

### 2.4.2 Multi-criteria analysis

Multi-criteria analysis (MCA) recognises that there may be a number of criteria that need to be satisfied in choosing between alternative proposals.

A standard feature of multi-criteria analysis is a *performance matrix*, which outlines the performance of the options against each criterion. The individual performance assessments may relate to some measurable output (eg reduction in the number of notifications), but may also be expressed as relative scores, or colour coding.

In a basic form of MCA this performance matrix may be the final product of the analysis. The decision-makers are then left with the task of assessing the extent to which their objectives are met by the entries in the matrix. Such intuitive processing of the data can be speedy and effective, but it may also lead to the use of unjustified assumptions, causing incorrect ranking of options.

In more rigorous uses of multi-criteria analysis, importance weights can be used to aggregate the various performance scores into a single measure so that the best option can be selected. However, deriving the importance weights is no easy matter and a range of values for them may need to be tested to determine the implications for the final choice.

### **3 STEPS IN PREPARING AN ECONOMIC EVALUATION**

The first step before starting to prepare an economic evaluation is to consult with the Economics Unit to establish the level of analysis required and the arrangements for the conduct of the evaluation. In the case of more complex evaluations, the Economics Unit will lead a joint working party, or commission external consultants to undertake the work.

Each of the steps is required to undertake a CBA or a CEA, except that CEA does not express benefits in monetary terms.

#### **3.1 Define intended results and scope of the proposed change or project**

The intended results need to be expressed clearly and in as specific terms as possible. They need to be consistent with DoCS' strategic directions.

If there are time, budget or any other constraints, then these should also be clearly specified within the statement of intended result.

#### **3.2 Identify options for achieving the intended results**

The widest possible range of realistic options should be identified at the earliest possible stage of the planning process.

The natural tendency to concentrate on the traditional solutions or service delivery types should be resisted, as it can lead to potentially innovative options being dismissed at an early stage.

One option to be considered is the Base Case of "maintaining the status quo". It is the situation that will arise if the current policy settings are maintained. The status quo should always be considered as an option to ensure alternatives chosen would not lead to worse outcomes than expected by maintaining current policy settings.

Status quo does not necessarily mean "spending nothing". Frequently it becomes the "minimum essential expenditure option" (ie there may be increasing maintenance costs).

The following list of questions may be useful in generating options and might prompt clarification of intended results.

1. What different levels or quality of the activity/program are possible?
2. Are all elements of the program equally justified?
3. Could the program be combined with another or divided into parts?
4. Could the activity/program be contracted out?
5. Could the proposal be scaled down?

6. What alternative locations are possible?
7. What is the effect of varying the direction of the proposed scheme?
8. Are there choices involving a trade-off between the use of different resources (ie. capital vs maintenance costs, caseworkers vs administrative staff, residential vs home based care)?
9. What is the sensitivity of demand to the level and structure of pricing? Is it a realistic alternative to vary the pricing structure?

Evaluations must report on all feasible options and clearly explain why potential options may not have been evaluated.

### **3.3 Analysis of options: CBA or CEA**

All costs and benefits should be identified, with an explanation of who (DoCS, other government agencies, businesses, NGOs, individuals) bears or receives them.

All economic evaluations should be based on *incremental* costs and benefits associated with a particular proposal. Changes which would have occurred anyway should be excluded. Assumptions used in developing the capital and recurrent cost estimates should be made explicit in the evaluation.

The degree of precision desirable will vary with the significance of the proposal, data availability and the cost of obtaining missing data. Broad estimates may be sufficient, however, they need to be based on sound and objective analysis.

#### **3.3.1 Valuation of specific cost items**

##### *Land and pre-existing buildings/plant*

Where purchase or disposal of land and buildings is proposed, the value should be an up-to-date valuation based on the most profitable alternative use likely to be allowed under land use regulations. Expert advice on land valuation is available from the Valuer General's Department.

##### *Labour*

This includes direct labour costs as well as on-costs such as superannuation, payroll tax, payroll tax on superannuation, workers compensation insurance, leave loading and long service leave.

Incremental labour on-costs are unavoidable costs and, as such, must be included in the cost figures (and also in the savings estimates if labour savings are involved on the benefits side).

##### *Overheads*

Labour related overheads such as supervision, transport costs, administrative costs, printing and stationery etc, are also included if the with/without comparison shows that they differ between proposal alternatives and the base case.

### *Residual values*

For capital works project, at the end of the planning horizon or project life, an asset may have reached the end of its economic life but have a scrap value. This value is a benefit to the proposal and should be included in the evaluation.

### **3.3.2 Benefits and costs which are difficult to quantify**

Sound economic evaluation requires careful consideration of the non-monetary benefits. They remain a vital part of the evaluation and their identification and description is one of the more difficult aspects of CEA and CBA.

Some of the impacts of proposals can be quantified to a certain degree but it may be difficult to place monetary values on them. For example, benefits such as better cognitive and language skills can be quantified with relative ease, but putting monetary values on them is more difficult. Benefits such as social readiness for school and more considerate and sociable behaviour are much more difficult to both quantify and monetise.

In other cases, the impacts may not even be able to be quantified with much accuracy and a qualitative explanation may be the most achievable action. In any case, it is important to include available quantitative and qualitative information, so that the decision-makers have as full a picture of the relative benefits and costs as possible.

Greater effort needs to be expended in quantifying these benefits and costs when they represent the main or a major impact of a proposal.

### **3.4 Calculation of net monetary benefits**

Quantifiable future costs and benefits over the project life should be expressed in constant dollar terms. Inflation should be excluded.

The future stream of costs and benefits should then be discounted by a real discount rate of 7%, with sensitivity testing using discount rates of 4% and 10%.

Using the discounted stream of costs and benefits the following decision measures should be calculated:

- Net Present Value (NPV) of the sum of benefits minus costs: a proposal is potentially worthwhile (subject to the availability of funds) if the NPV is greater than zero.
- Benefit Cost Ratio: a proposal is potentially worthwhile if the BCR is greater than one, ie the present value of benefits exceeds the present value of costs.

Sensitivity analysis should be undertaken to test the robustness of results under different scenarios, using different assumptions about some or all of the key variables.

### **3.5 Analysis of risks and how they affect costs and benefits**

The discussion so far has focused on the best or most likely estimates of costs and benefits. However, many aspects of proposals are uncertain or probabilistic. That is, there may be a risk that the outcomes of a proposal may be either better or worse than that indicated by the most likely estimates.

In these cases the best and worst case scenarios should be assessed by using reasonable high and low estimates of the uncertain factors and their impacts.

### **3.6 Assess distributional impacts**

If relevant to the decision-making process, the distributional impacts should be clearly presented and form part of the analysis and choice of options.

The groups or geographic areas that are significantly affected should be listed and the impacts on each quantified where possible.

### **3.7 Choose the best option**

The appropriate decision rule for selecting the best option depends on whether the budget is variable or fixed and whether the projects are divisible or lumpy, that is whether the scale of the project can be changed in small increments, or whether there are a few distinct options for project scale.

In practice, the combination of limited budgets and lumpy projects is the most typical setting. That means the decision rule should be to choose the project mix that maximises net benefits. To establish the proper rank order, this means all possible projects should be considered and compared. More likely than not, however, comparison will be more limited and projects where the benefit cost ratio is significantly higher than one will be chosen.

Appendix 1 provides a case example and illustrates the general approach to presenting the results of an economic evaluation.

### **3.8 Common pitfalls**

#### **3.8.1 Double counting or overstating of benefits**

In calculating the costs and benefits of a proposal, care should be taken to avoid double counting. Double counting may occur due to a failure to recognise the redistributive impacts of particular policies. For example, if resources are fixed, in assessing the benefit of a new service provided by caseworkers the impact on the levels of existing services should also be considered. The measured benefit is not only the benefit of the new service, but rather the benefit of the new service minus the reduction in benefits from any other service(s) no longer performed.

Sometimes benefits can be overstated by not taking into account all the costs of increased production. For example, one benefit of increased child care services may

be the extra income earned by parents. The extra work-related costs such as home internet access will need to be deducted from the extra income.

### **3.8.2 Treatment of inflation**

Due to inflation, costs and benefits which occur later will be higher in cash terms than similar costs or benefits which occur earlier. Analysis should use future costs and benefits valued in real terms (ie current year dollars) and discounted by a real discount rate. However, differences in the patterns of change of the real values of different items also need to be considered eg. if labour costs are projected to increase by 4% per annum and the CPI 3% per annum, the real increase in labour costs is approximately the difference between these two rates, ie 1% per annum.

### **3.8.3 Costs to be excluded from analysis**

A number of items which are included as costs in accounting reports or financial evaluations should not be included in an economic evaluation.

#### *Sunk costs*

In an evaluation, all costs must relate to future expenditures only. The price paid 10 years ago for a piece of land or a plant item is of no relevance. It is the opportunity cost in terms of today's value (or price) which must be included. All past or sunk costs are irrelevant and should be excluded.

#### *Interest*

Future cash flows are discounted to present value terms in economic evaluations, with the choice of the discount rate based on various factors which include the rate of interest and associated finance charges. Therefore, the discounting process removes the need to include interest and other finance charges in the cash flows.

## **4 REGULATORY IMPACT STATEMENT AND BETTER REGULATION STATEMENT**

### **4.1 Regulatory Impact Statement (RIS)**

#### **4.1.1 When a regulatory impact statement is required?**

A regulatory impact statement is required for a principal statutory rule which includes a regulation, by-law, rule or ordinance.

Under the *Subordinate Legislation Act 1989*, before a principal statutory rule is made, the responsible Minister is required to ensure that, as far as is reasonably practicable, a regulatory impact statement is prepared in connection with the substantive matters to be dealt with by the regulation. Among other things, the Minister must then publish a notice in the government Gazette and a daily newspaper advising where a copy of the regulatory impact statement may be obtained or inspected. A period of public consultation and consideration then follows before the regulation is made.

Under the *Subordinate Legislation Act 1989*, the following matters do not require a Regulatory Impact Statement:

- Matters of a machinery nature.
- Direct amendments or repeals.
- Matters of a savings or transitional nature.
- Matters arising under legislation that is substantially uniform or complementary with legislation of the Commonwealth or another State or Territory.
- Matters involving the adoption of international or Australian standards or codes of practice, where an assessment of the costs and benefits has already been made.
- Matters that are not likely to impose an appreciable burden, cost or disadvantage on any sector of the public.
- Matters that have undergone a public consultation process that is similar to or no less rigorous than the public consultation process for the making of such policies.

#### **4.1.2 Content of a Regulatory Impact Statement**

A regulatory impact statement (RIS) assesses whether the anticipated economic and social benefits of the regulation outweigh the costs. The RIS also considers alternatives to a statutory-based regulation.

Under Schedule 2 of the *Act*:

1. A Regulatory Impact Statement must include the following matters:
  - (a) A statement of the objectives sought to be achieved and the reasons for them.
  - (b) An identification of the alternative options by which those objectives can be achieved (whether wholly or substantially).

- (c) An assessment of the costs and benefits of the proposed regulation, including the costs and benefits relating to resource allocation, administration and compliance.
  - (d) An assessment of the costs and benefits of each alternative option to the making of the regulation (including the option of not proceeding with any action), including the costs and benefits relating to resource allocation, administration and compliance.
  - (e) An assessment as to which of the alternative options involves the greatest net benefit or the least net cost to the community.
  - (f) A statement of the consultation program to be undertaken.
2. Wherever costs and benefits are referred to in the Regulatory Impact Statement, both direct and indirect effects are to be taken into account and given due consideration.
  3. Costs and benefits should be quantified, wherever possible. If this is not possible, the anticipated impacts of the proposed action and of each alternative should be stated and presented in a way that permits a comparison of the costs and benefits.

## **4.2 Better Regulation Statement (BRS)**

### **4.2.1 When a Better Regulation Statement is required?**

Under NSW Government's *Guide to Better Regulation*, a Better Regulation Statement will be required and will need to be certified by the Minister for Regulatory Reform.

The *Guide to Better Regulation* states that only significant new and amending regulation will require a Better Regulation Statement. The Portfolio Minister is responsible for determining whether a Regulation is significant. The decision of the Portfolio Minister is subject to the views of the Department of Premier and Cabinet informed by the Minister for Regulatory Reform. In general, a regulation is considered significant if it would:

- Introduce a major new regulatory initiative
- Have a significant impact on individuals, the community, or a sector of the community
- Have a significant impact on business, including by imposing significant compliance costs
- Impose a material restriction on competition, or
- Impose a significant administrative cost to government

#### 4.2.2 Content of a Better Regulation Statement

The Better Regulation Statement should demonstrate that the regulatory proposal is required, reasonable and responsive by demonstrating that it meets the better regulation principles. There are 7 better regulation principles:

1. The need for government action should be established
2. The objective of government action should be clear
3. the impact of government action should be properly understood by considering the costs and benefits of a range of options, including non-regulatory options
4. Government action should be effective and proportional
5. Consultation with business and the community should inform regulatory development
6. The simplification, repeal, reform or consolidation of existing regulation should be considered
7. Regulation should be periodically reviewed, and if necessary reformed to ensure its continued efficiency and effectiveness

A Better Regulation Statement template is provided in the *Guide to Better Regulation*. A very important part of BRS is to develop viable options and quantify costs and benefits associated with each option. In general, the following costs and benefits may be considered:

- Compliance costs: Including administrative time and costs, compliance and enforcement costs, and monetary savings expected from the option.
- Social impacts: Including such considerations as quality of life, equity, achieving community norms, and ensuring public health and safety.
- Economic impacts: Including impacts on resource allocation, productivity, competition and innovation. Other economic impacts such as opportunity costs and externalities.

These costs and benefits should be quantified if possible. In some cases, a qualitative assessment may be justified if data for quantitative analysis is not available.

#### 4.3 The relationship between RIS and BRS

The *Subordinate Legislation Act 1989* requires the preparation of a Regulatory Impact Statement (RIS) for all new statutory rules in NSW. Under NSW Government's *Guide to Better Regulation 2008*, a Better Regulation Statement (BRS) is required for a significant regulatory proposal.

If RIS is prepared and the regulation is significant, the RIS should be consistent with the requirement of the *Subordinate Legislation Act 1989*, and should address the better regulation principles. In these cases, the RIS will replace the need for a separate BRS.

The RIS/BRS is a formal reporting and consultation mechanism that presents the assessment of new regulations proposal. Public consultation is a specific requirement for RIS/BRS. The impacts and distributional effects of costs and benefits (and their extent) should be thoroughly investigated through consultation. Public comments may result in refinement and changes to the proposed regulations.

The format and length of a RIS will depend on the issues under consideration. The greater the impact and the more complicated a regulation, the more detailed a RIS will be. However, a BRS should be a succinct document that can be readily assessed by decision makers. Depending on the nature of the regulatory proposal, it might be only 10 pages long in some cases. While in other cases, it may require more details. As a general rule, a BRS should be no longer than 30 pages.

The following should be avoided in RIS/BRS:

- Discussing peripheral matters and missing or disguising the central issue.
- Forgetting the audience the Regulatory Impact Statement is being prepared for, and assuming prior knowledge of the topic.
- Using industry jargon, without explanation, which may not be understood by the layperson as it will be used in public consultation.
- Getting bogged down in technicalities.

#### **4.4 Process for preparing the RIS and BRS**

To ensure consistency in the evaluation process and application of the benefit cost analysis and impact assessment framework, the Economics Unit will manage the process of preparing a RIS/BRS with the support of the area proposing the regulation and should be contacted as early as possible in the regulation development process.

Where an external consultant is employed to prepare a RIS / RBS, the Economics Unit will manage the consultancy including the preparation of a consultancy brief.

## 5 OPERATIONAL IMPACT STATEMENTS

In good regulatory and policy development it is essential to examine the impacts of the proposals on internal as well as external stakeholders, and assess the operational aspects fully to ensure smooth and successful implementation. Consequently, all changes to DoCS' operational systems as a consequence of legislative, policy, or operational proposals need to have an operational impact assessment.

An Operational Impact Statement (OIS) is a mechanism to systematically and consistently examine potential impacts of the operational change arising from the above and communicating the information to management and decision-makers.

The purpose of the OIS is to gather and present all information required in order to assess and implement the change. An operational impact analysis should be undertaken at an early stage in proposal development. DoCS' regional staff as well as all other areas impacted by the proposal should be consulted.

The template in appendix 2 has been developed to gather and present all information required to develop an OIS.

The OIS will be developed by staff of the initiating directorate, but will reflect input from the Economics Unit and Operations Division, other relevant areas (ie. Human Resources, Information Management) and would be signed-off by the initiating directorate, the Policy and Planning Division and the Operations Division. The Operations Division contact for Operational Impact Statements is the Manager, Operations Systems.

## APPENDIX 1 - CASE STUDY

### Family Visitation Centre

#### Context

In 2002-03 CSC A provided around 3,700 hours of supervised family contact at a cost of around \$200,000. Demand increases are expected to push expenditure to \$230,000 by 2004-05.

Contact supervisors are employed casually by an NGO. Caseworkers must phone a list of supervisors to see if they are available then organise contact arrangements. Contact generally occurs in public places like parks, movies, restaurants and at the CSC.

This proposal is regarding an alternative model with three permanent staff (including a coordinator) who would supervise contact in a specially modified house from 9am to 7pm Monday to Friday.

#### Intended Result

A service mix that will achieve the best outcomes for the children involved at a reasonable cost to DoCS.

#### Options

1. Base case: maintain current casual service: \$230,000 p.a.
2. Permanent service run by NGO, staffed by social workers
3. Permanent service run by DoCS, staffed by caseworkers.

#### Costs

Capital costs and operating costs, except staffing costs, are the same whether options 2 or 3 are chosen:

<b>Capital Costs</b>	<b>one-off</b>	<b>Operating Costs</b>	<b>per year</b>
Computer System	2,000	Motor vehicle (leasing)	30,000
Office Equipment	2,000	Postal/Phone/Internet	2,500
Fitout of Premises*	10,000	Utilities/Cleaning/ Security	5,000
Telephone and Internet Connection	300	Consumables/Stationary	2,000
Toys and Equipment	5,000	Lawn mowing	1,500
Security System	3,000	Training	5,000
Furniture and Fittings	5,500	Accommodation - rent	23,400
TV/DVD/Stereo	1,200	Maintenance	1,000
DoCS Staff Secondment	15,000	<b>Total Operating</b>	<b>70,400</b>
<b>Total Capital</b>	<b>44,000</b>		
<b>6 year p.a. cost at 7% discount factor</b>	<b>9,231</b>		

\*Fitout needs will not be known with certainty until a venue is found.

## Economic Evaluation Guidelines

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The cost differences between options are caused by different award salary rates:

### *Option 2 – Permanent Service run by NGO*

<b>Employee Costs</b>	<b>per year</b>
2 x Contact Supervisor SACS G3Y5	61,405
Coordinator SACS G4Y4	43,834
Casual Staff as needed	10,000
<i>Total Salaries</i>	<i>115,239</i>
Leave loading (1.35%)	1,556
Workers Comp (7%)	8,067
Superannuation (9%)	10,372
Long service leave (3.5%)	4,033
<b>Total Salary + Oncosts</b>	<b>139,266</b>

### *Option 3 – Permanent Service run by DoCS and staffed by caseworkers*

<b>Employee Costs</b>	<b>per year</b>
2 x CWs max 7	104,571
Manager grade 9	63,707
Casual Staff as needed	10,000
<i>Total Salaries</i>	<i>178,278</i>
Leave loading (1.35%)	2,407
Workers Comp (7%)	12,479
Superannuation (9%)	16,045
Long service leave (3.5%)	6,240
<b>Total Salary + Oncosts</b>	<b>215,449</b>

Assumptions:

- Contact supervisors work part-time for 30 hours / week each.
- Payroll tax is not paid by the NGO. Effectively not paid by the government either.
- The average grade of a caseworker at CSC A is max 7.
- Motor vehicle costs include \$25,000 for leasing and running costs and \$5,000 for additional vehicle use when necessary.
- A house in the centre of town will cost \$450 / week to lease. Located close to public transport etc.
- A DoCS caseworker will be seconded to assist with establishment of the service.

### **Benefits**

Quantifiable benefits are the same for options 2 and 3:

- a) Reduced time taken by caseworkers organising contact. This arises because the coordinator handles booking and scheduling when the caseworker calls, rather than the caseworker finding and organising an available supervisor.

Approximately 33 hours / week Grade max 7. Saving in caseworker time 1,716 hrs, **\$90,358** per year.

**Economic Evaluation Guidelines**

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b) Elimination of invoice administration (currently each contact is invoiced):

<b>Task</b>	<b>Yearly Cost</b>
Contact supervisor preparing invoice, time charged to DoCS	Approximately 4 hours weekly @ \$45 per hour. <b>\$9,360</b>
DoCS' admin staff process invoice	7 hours weekly, Grade 3/4. <b>\$14,454</b>
Manager Casework approves payment	Approximately 2 hours weekly, Grade 9. <b>\$6,105</b>
Admin staff copy invoices and send to Businesslink	Approximately 2.5 hours weekly, Grade 3/4. <b>\$5,162</b>
Businesslink processes each voucher	Approximately 8.5 hours weekly, 60% Grade 1/2, 40% Grade 6. <b>\$16,093</b>
<b>Total</b>	<b>\$51,174 per year</b>

c) Elimination of supervisor training by Manager Casework, including weekly meetings.

Approximately 2 hours / week, Grade 9. **\$6,105** per year.

d) Additional hours available for contact.

The centre will be open from 9am to 7pm Monday to Friday, 50 hours per week and 2,600 hours per year. It can accommodate 2 families at the same time on most occasions. Sometimes 1 high-risk or 3 low risk families can be accommodated at the same time. The centre could therefore potentially generate around 5,000 hours available for contact per year compared to 3,700 hours bought in 2002-03.

If demand for contact continues to rise at CSC A, this centre would have the capacity to absorb around 1,300 more hours (35%) at no cost. Because it is not certain this capacity will be used, it is not counted as a monetary benefit.

Assumptions:

- Savings in time are costed based on salary costs including super, long service leave, workers compensation etc. They do not include a share of overhead costs.
- Caseworkers effectively work for 1,400 hours per year.

Qualitative benefits:

- Physical and psychological safety of the child in a more controlled environment.
- Opportunity for children and families to learn how to interact in a positive way through structured activities that are within the capabilities of both parents and children, that will assist to reunify the family, whether or not children are restored to the care of parents.
- Improved worker safety through the development of safe work practices in a more controlled environment.
- Opportunity for quality assessments of parent/child relationships because permanent staff will be better trained and experienced.
- Improved review of visitation arrangements and quality of visitation reporting back to caseworkers because of better oversight by the coordinator. This should improve the identification of cases that are likely to have a successful reunification outcome.

**Risks**

- *Option 2* - As with all NGO arrangements, the contract specifications may not ensure the centre is used to full capacity if NGO run.
- *Option 3* - If the centre is DoCS run parents may feel antagonistic due to previous experiences when their children were removed. If caseworkers are employed they may not have good career development.

**Results**

The table below compares the per annum costs and benefits of each option.

<b>Results of Economic Evaluation</b>			
	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
Costs \$'000 (including capital p.a.)	230	219	295
Benefits \$'000 (quantifiable only)	0	148	148
Net Cost \$'000	230	71	147

**Conclusion**

The analysis shows that Option 2 – NGO run centre - is the preferred option.

There are also significant qualitative benefits from options 2 and 3 and 35% extra service capacity that could be used in the future at no cost.

Sensitivity tests of several variables (alternative discount rates, higher capital costs, higher staff levels, lower productivity savings, etc.) do not materially alter the outcome and Option 2 remains the preferred option.

The success of the DoCS-NGO contract and relationship will affect the realisation of benefits.

It should be noted that of all the benefits, only the \$16,093 *businesslink* costs are realisable monetary savings to DoCS. The others result in extra time for more DoCS services eg. more caseworker hours available for investigations.

The cash recurrent cost of the new centre would be \$210,000 per year (depreciation and interest are not cash costs) and the capital establishment cost \$44,000.

## **APPENDIX 2 - OPERATIONAL IMPACT STATEMENT TEMPLATE**

### **OPERATIONAL IMPACT STATEMENT TEMPLATE**

1. In good regulatory and policy development it is essential to examine the impacts of the proposals on internal as well as external stakeholders, and assess the operational aspects fully to ensure smooth and successful implementation. Consequently, all changes to DoCS' operational systems as a consequence of legislative, policy, or operational proposals need to have an operational impact assessment.
2. An operational impact analysis should be undertaken at an early stage in proposal development. DoCS' regional staff as well as all other areas impacted by the proposal should be consulted.
3. The attached template has been developed to gather and present all information required to develop an Operational Impact Statement (OIS).
4. The OIS will be developed by staff of the initiating directorate, but will reflect input from the Economics Unit and Operations Division, other relevant areas (ie. Human Resources, Information Management) and would be signed-off by the initiating directorate, the Policy and Planning Division and the Operations Division. The Operations Division contact for Operational Impact Statements is the Manager, Operations Systems.
5. The scope of the OIS will vary depending on the scope of the proposed change. For minor changes, only completing the appropriate parts of the template will be adequate. A substantial change will require a full economic evaluation and extensive consultation. In such cases the OIS will serve as one of the inputs to the economic evaluation.

**OPERATIONAL IMPACT STATEMENT – SUMMARY SHEET**

Title of Proposal:	
Statement of problem, key clients and results intended:	
Proposed implementation date:	OIS and version ID:
Sponsor:	Contact Officer:
<u>List all positive operational impacts</u> (quantify as far as possible)	<u>List all negative operational impacts</u> (quantify as far as possible)
Risk assessment: <i>[the factors that would affect the operational impacts associated with the proposal]</i>	
Other options considered:	
Consultation: <i>[Who in DoCS was consulted]</i>	

## OPERATIONAL IMPACT STATEMENT

### KEY INFORMATION

- Type of change proposed (circle those that apply)

Legislation	Y	N
Other policy	Y	N
Operational procedure	Y	N
Other change .....		
  
- Is the proposed change temporary or permanent (circle one)
  
- Is the implementation date variable? Y   N  
If not, explain why
  
- Is there precedent for this change? Y   N  
If so, provide a brief description
  
- If there are any other options for change considered, list them along with the reasons why they were not chosen.

### ASSESSMENT OF COMPONENTS OF CHANGE

Will implementation affect the following?

- |  |   |   |
|--|---|---|
| A - Human Resource Planning                                | Y | N |
| B - Training   | Y | N |
| C - Documentation Systems, Data & IT (KiDS, Business Help) | Y | N |
| D - Stakeholders & Communication                           | Y | N |
| E - Impact on Children and Young People                    | Y | N |
| F - Budget and Office Accommodation                        | Y | N |

Where 'Y' is circled, complete the corresponding section below. [You may also want to complete the relevant section for other change options to evaluate what the best option is.]

### COMPONENT A - HUMAN RESOURCE PLANNING

The purpose of this section is to find out whether:

- staff costs will change
- staff responsibilities or job descriptions will change
- management structures will change

and if so, what those changes are. Where frontline staff are affected, there may be DoCS client impacts. Consider this and note any client impacts in section E.

#### **Work Responsibilities**

1. Will workload increase or decrease and by how much? Explain the reasons for the increase/decrease.

2. Will the scope of work performed by DoCS staff/contractors change? If so, what new tasks/responsibilities will be performed or tasks/responsibilities deleted and what types of staff will be affected? How much extra/less time will this take?
3. Will the proposed change mean new skills and amending Position Descriptions? If so, will there be a need for formal job evaluation? How much time will this take?

**Staffing implications**

4. Will the proposal mean new or reduced staff numbers? If so what are their job titles, locations and grades?
5. Consider the extra/lower work time in questions 1 and 2. Is the workload change completely balanced by changes in staff numbers? If not, how will this impact DoCS' business?

**Staff structures**

6. Will the proposal mean a change in regional service-delivery structures? If so, what does this mean for reporting lines and associated accountabilities?
7. Will the span of supervision change? If so, what types of managers and staff are affected and how?

**Occupational Health and Safety (OH&S)**

8. Will the proposal improve or reduce the health, safety or welfare of staff in the workplace? Are there any changes to premises and/or methods of work? If so, are the changes sufficient to warrant an OH&S assessment and consultation process under s15 of the Occupational Health and Safety Act 2000?
9. If these are new positions, have the OH&S aspects of the positions been assessed?
10. How will the OH&S aspects of the proposal affect workers compensation premiums? Is it possible to estimate the financial impact?

**COMPONENT B - TRAINING**

The purpose of this section is to find out, in consultation with Learning & Development Unit, how training needs will change and what needs to be done to implement the changes.

11. What are the implications for the current Caseworker Development Course? Will the course now take longer to complete?
12. Will the proposal require that new or existing staff receive special training? If so, which form(s) of training will be used?
 

Briefing package	Y	N
Face-to-face	Y	N
Self-paced electronic	Y	N
Other .....		
13. If face-to-face training is required, provide detail on numbers to be trained, training locations, likely cost, budget provision, etc.
14. Must training be completed before the proposed change commences? (*'No' implies that training could be completed after commencement*)

15. Will new training material be required? If so, where will this material be developed? If any external training or material must be purchased, what is the estimated cost? Will Learning and Development Branch be able to provide training and associated material, or will external training be required?

### **COMPONENT C - DOCUMENTATION / SYSTEMS/DATA**

The purpose of this section is to find out what changes need to be made to documentation, systems and data.

#### **Business Help**

16. Will the proposed change mean amending or adding to Business Help?  
If so, which directorate will draft the text?  
How much time will it take to draft the text?

#### **KiDS and other IT support**

17. Will the proposed change require amending KiDS (including reports)?  
If so, describe what is required
18. Will the proposed change require any IT support?  
If so, describe what is required
19. Describe any advice received from Director, Information and Communications Technology?

#### **Forms**

20. Will the proposed change mean changing or creating a Form?  
If so, which directorate will prepare the text of the Form?
21. Will the proposed change affect other DoCS documents (eg letters, etc)?  
If so, who will develop the document?

#### **Delegations**

22. Will the proposed change affect the current scheme of delegations?
- |                            |   |   |
|----------------------------|---|---|
| Financial delegations      | Y | N |
| Administrative delegations | Y | N |
- If so, provide detail

#### **Data**

23. Does the proposed change have significant implications for data collection?  
If so describe what is required and any advice received from Director Information Management.

### **COMPONENT D - STAKEHOLDERS & COMMUNICATIONS**

The purpose of this section is to identify and assess the impact of the proposal on other agencies, NGOs and others outside DoCS.

#### **Stakeholders**

24. Who are the stakeholders for this proposed change and how will they be affected?
25. Is this change likely to be controversial or contentious?  
If so, provide details.
26. How can controversy/conflict be minimised or contained?

### **Special Need Groups**

27. Is it likely that the proposed change will have particular impact on certain client groups?

Indigenous people	Y	N
Cultural / Language minorities	Y	N
People with a Disability	Y	N
Women	Y	N
People living in remote localities	Y	N

If so, what are the impacts and why are they positive or negative?

### **Whole-of-Government issues**

28. Will the proposed change have an impact on another government agency? If so, what are the impacts?

### **Industrial Relations**

29. Will the proposed change require formal negotiation with the PSA? Has this been confirmed by Industrial Relations Unit?

### **Communications**

30. Have you discussed communications issues with Media and Communication Branch?  
How will the proposed change be communicated to stakeholders?

## **COMPONENT E – IMPACT ON CHILDREN AND YOUNG PEOPLE**

The purpose of this section is to identify and assess the significant direct and indirect impacts on DoCS' ability to promote the welfare, wellbeing and future development of children and young people.

### **Time**

31. Will the proposed change increase/decrease the time front-line staff (such as, but not limited to, caseworkers/NGO staff) have to address client needs? If so, how?

### **Prioritisation**

32. Will the proposed change affect the ability of front-line staff to direct their time/support/services to clients who can benefit from them most? If so, how?

33. If the change affects service provision, does it encourage the provision of the service types that most benefit clients? If so, how?

### **Service Levels**

34. Will the proposed change increase or decrease the service levels clients receive? If so, how?

## **COMPONENT F – BUDGET AND ACCOMMODATION**

This section identifies costs not covered in other sections, and accommodation issues

### **Non-staff costs**

35. Will the proposal require any project-specific costs such as publishing, special travel, etc.? If so, name these expenses and estimate the associated costs.

36. Will the proposal require significantly higher use of standard operating expenses such as telephones, motor vehicles, etc.? If so, name these expenses and estimate the associated costs.

37. Has this proposal been discussed with Finance Branch? If so, what was their view?

**Accommodation**

38. Will deploying additional human resources mean new office premises? If so, where will these be required?

39. Any special 'fitout' requirements for new or existing offices? If so, provide details.

40. Has this proposal been discussed with Executive Director Corporate Services and Businesslink Property Branch? If so, what was their view?