NEW ZEALAND INFRASTRUCTURE COMMISSION Te Waihanga

INVESTMENT DECISION ASSURANCE Whakataurangitanga

Investment Decision Assurance

Point 3 Workbook: Delivery strategy

November 2026

tewaihanga.govt.nz

New Zealand Infrastructure Commission, Te Waihanga

Te Waihanga seeks to transform infrastructure for all New Zealanders. By doing so our goal is to lift the economic performance of Aotearoa and improve the wellbeing of all New Zealanders.

We are an autonomous Crown entity, listed under the Crown Entities Act 2004, with an independent board. We were established by the New Zealand Infrastructure Commission/Te Waihanga Act 2019 on 25 September 2019.

Information on the Commission is available at tewaihanga.govt.nz

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1. Introduction to IDA reviews

Investment Decision Assurance

Our future prosperity depends on infrastructure. New Zealand has built extensive networks of roads, water pipes and power lines – as well as social infrastructure like hospitals, schools and courts – that underpin the economy and support our way of life. But we are up against formidable challenges. We spend a lot on infrastructure, but we don't always get good value. New Zealand invests around 5.8% of gross domestic product (GDP) in infrastructure annually, making us one of the top spending countries. Yet we rank towards the bottom for efficiency, or 'bang for buck'.

Decision-makers have not always had clear, consolidated information about whether individual investments are strategically aligned, represent value for money, or are deliverable. Too often, projects are announced without going through a proper planning process. We know that poor planning processes flow through into the delivery phase, substantially increasing the odds of cost overruns and schedule delays.

Investment Decision Assurance (IDA) is an independent, investor-focused assurance process established under the Treasury's IDA Policy. IDA reviews provide independent expert review and challenge at key decision points throughout an investment's lifecycle, providing evidence-based insights on critical risks, delivery confidence and value for money, and forward-looking advice to inform investor decisions.

The Infrastructure Commission is the Assurance Unit (AU) for investments where infrastructure is the primary component and coordinates the delivery of IDA reviews under the Infrastructure Assurance Framework. There are six mandatory IDA Point Reviews across the investment lifecycle. Targeted Investment Reviews may also be undertaken at any time to examine specific issues or areas of concern.

This workbook supports one of the six IDA Point Reviews. It outlines the concepts that are reviewed at this Point and what reviewers are looking for.

Purpose of reviews

IDA reviews provide independent expert review and challenge at key decision points throughout an investment's lifecycle. They assess whether an investment meets New Zealanders' needs, represents value for money, can be successfully delivered on time and budget, and is positioned to achieve its intended benefits and outcomes. Reviews provide evidence-based insights on critical risks, delivery confidence and value for money, together with advice to inform investor decisions. Most reviews are forward-looking, while Point 6 assesses realised outcomes, benefits and lessons.

IDA reviews are not an audit, compliance, approval or endorsement process. They inform investment approval and funding decisions but do not replace those decisions. Accountability for planning and delivery of the investment and its resulting benefits remains with the Investment Agency.

The maturity expected at each Point reflects its place in the investment lifecycle. Reviews are proportionate: the depth of evidence expected reflects the scale, complexity, risk, and maturity of the investment.

Review reports are prepared for investors. Senior Responsible Owners (SROs), project sponsors, project teams, and delivery agencies are important secondary audiences. IDA reviews will also provide targeted advice to project teams addressing SROs' self-identified areas of interest.

Summary of the Policy and Framework

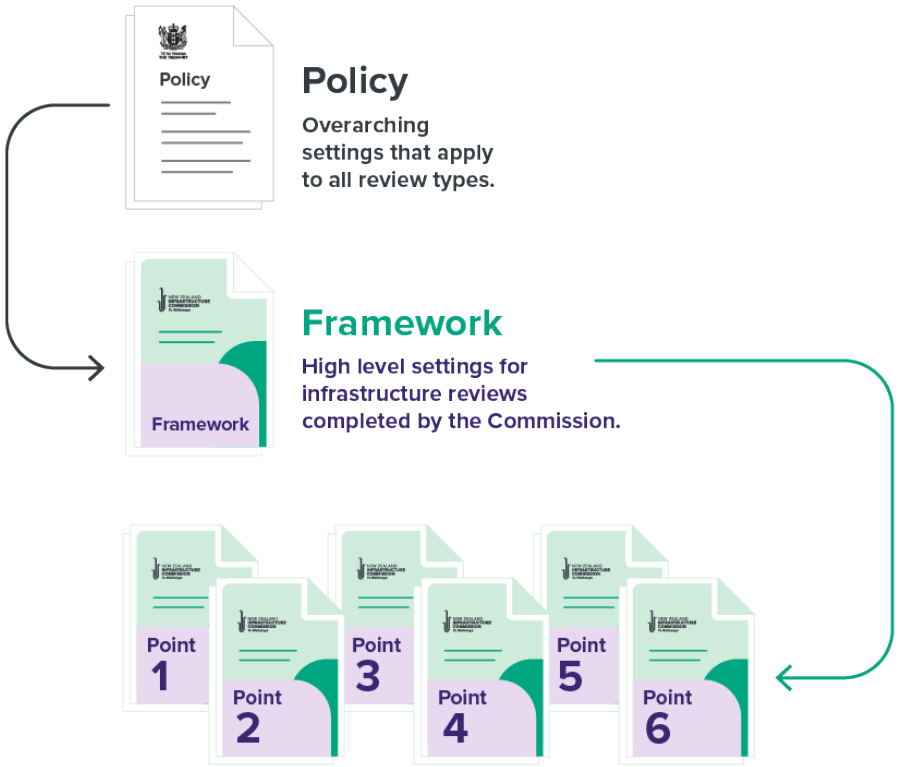
IDA reviews are conducted under the Treasury's IDA Policy, which sets the overarching purpose, principles, and compliance requirements for investment assurance. The IDA Policy identifies seven principles underpinning the assurance process:

1. Value for investor and the agency (SROs).
2. Management of risks – assurance is proportionate to the investment's risk profile, as determined through the Treasury Risk Profile Assessment, taking into consideration scale, complexity, and agency capability.
3. Independent of agency, SRO, and project teams planning and delivering the investment.
4. Outcome-focused – concerned with ensuring benefits and public value of the whole investment and the broader sector/system, considering affordability and whole-of-life cost.
5. Accountability-preserving – responsibility for outcomes remains with agencies.
6. Confidential and transparent – assurance deliberations are confidential, but findings are transparent.
7. An efficient and learning system – insights and feedback loops for continuous improvement to ensure a fit-for-purpose investment management system.

This workbook applies those principles at this evaluation Point.

The Commission has developed the Infrastructure Assurance Framework (IAF), which operates under and gives effect to the IDA Policy. The IAF sets out what the Policy requirements mean in practice for infrastructure investments and how the Commission fulfils its role as the AU for infrastructure investments. Where there is any inconsistency between the IAF and the IDA Policy, the IDA Policy prevails.

How different documents fit together



Which projects qualify

The IDA Policy applies to investments subject to CO (23) 9 that are determined to be high-risk through the Treasury's Risk Profile Assessment (RPA). All high-risk investments must complete the applicable IDA Point Reviews in a timely manner to inform investor decisions. IDA reviews apply to both individual projects and broader programmes.

Ministers may also require an IDA review for a medium- or low-risk investment. Agencies may opt in to IDA reviews for medium- or low-risk investments, subject to the capacity of the relevant AU.

The Infrastructure Assurance Framework applies where infrastructure is the primary investment type, as determined through the RPA process. Reviews where infrastructure is the primary investment type are coordinated by the Infrastructure Commission as the relevant AU.

Investments outside the scope of CO (23) 9, including local government and private sector investments, may request an IDA Review, subject to the Commission's capacity and prioritisation of in-scope investments.

Points and triggers

There are six mandatory IDA Point Reviews aligned to key decision points across the investment lifecycle. Targeted Investment Reviews are a separate review type that may be undertaken at any time to examine specific issues or areas of concern.

Point	Project stage	Focus of review
1	**Strategic assessment**	Is this idea worth investing in, is it aligned to Government, sector or system priorities, and should the agency continue to business case development?
2	**Justification and options**	How well has the investment analysed a range of options to meet the service need and maximise benefits at optimal cost, and will the preferred way forward be developed into a good investment proposal?
3	**Delivery strategy**	How well has the investment proven the preferred option best meets the service need and delivers value for money, and should the agency proceed to finalising design, confirming funding, and procuring the solution?
4	**Investment decision**	Will the contract and the supplier procured deliver the benefits outlined in the business case, and should the agency execute agreements and enter delivery?
5	**Readiness for service**	Is the asset ready for operation and should the agency go 'live', and how well has the investment delivery team and asset owner/operator planned the handover that will ensure the benefits outlined in the business case are achieved?
6	**Operational and benefits realisation review**	Is the resulting asset or service delivering the benefits outlined in the business case and how well is the asset owner/operator tracking benefits and recording lessons learnt?

The focus of each review is tailored to the decision it supports. The expected evidence and maturity of project planning increase as the investment progresses through development and delivery. Points 1, 2 and 3 support decisions during investment planning and development. Point 4 supports the decision on whether to execute agreements and enter delivery. Point 5 assesses readiness for the asset or service to enter operation. Point 6 occurs after delivery and focuses on benefits realisation, performance and lessons that can inform future investments.

In addition to IDA Point Reviews, the Commission may undertake a Targeted Investment Review (TIR) to examine a specific issue or area of concern. TIRs may be used at any stage in the investment lifecycle and are intentionally designed to offer flexibility of scope. TIRs may be initiated for a range of reasons, such as when an investment faces a material change in macroeconomic factors, where an investment does not progress in accordance with its Assurance Plan, when further work is needed to ensure an investment is ready to procure, or when an investment faces a particular issue with a specific key focus area that requires further assurance.

Where an IDA Review results in either a 'Pause and revise' or 'Stop or revert' outcome, the Commission is required to follow up on the Investment Agency's progress against its Action Plan under the enhanced notification process. Within three months of the original review, the Commission will follow up on progress and determine whether further review is required. The Commission may use an Assurance of Action Plan (AAP) review to assess whether actions taken in response to recommendations are addressing the issues and risks identified.

Summary of review approach

IDA reviews adopt a consistent and systematic approach to reviewing projects. Reviews provide broad coverage on the topics that are most likely to influence investment success, rather than attempting to assess every possible aspect of a project in depth. Information is gathered to support review conclusions through a combination of document review and interviews. The workbooks are designed as a structured aid to support professional judgement rather than as a checklist or compliance assessment.

Tiers of advice

There are three tiers of advice provided in reports:

- **Overall IDA review outcome**: independent advice indicating the Review Team's view of what decision investors should make regarding the investment.
- **Key focus area rating:** a rating across each of the six key focus areas which supports the overall review outcome.
- **Recommendations:** specific actions for the SRO to strengthen the successful development or delivery of the investment and its outcomes.

These three tiers of advice are supported by concept evaluation and narrative commentary. Each key focus area is underpinned by a set of concepts and review questions, with supporting commentary and assessment against what good looks like.

Tiers of advice provided in reviews



Overall IDA review outcome

The overall IDA review outcome provides independent advice to investors on the recommended course of action. There are four potential overall IDA review outcomes: 'Proceed', 'Proceed with action', 'Pause and revise', or 'Stop or revert'.

Four potential review outcomes

Proceed	Proceed with action	Pause and revise	Stop or revert
There is confidence that successful development/delivery of the investment against key focus areas appears likely and there are no unmitigated risks or issues that threaten successful delivery. Recommendations may have been identifled, but none are critical to the investment decision or to progressing to the next stage. **The investment is ready to proceed to the next stage.**	There is confidence that successful development/delivery of the investment is feasible provided that recommendations are implemented in a timely manner to mitigate risks or issues. It is believed that the project team is able to address these recommendations and has appropriate support. **The investment is ready to proceed to the next stage provided recommendations are addressed within an agreed timeframe.**	There is a lack of confidence in the successful development/delivery of the investment against key focus areas. There are material risks or issues that cannot be resolved through minor remediation. Investment is not sufficiently developed or ready for the decision sought. Urgent recommendations identified need to be addressed before the investment progresses to the next stage. **The investment is not ready to proceed to the next stage until urgent recommendations are addressed.**	There is no confidence in the successful development/delivery of the investment against key focus reas. The severity of the risks or issues means that proceeding is unlikely to deliver the intended benefits and outcomes. **The investment is not ready to proceed; it is recommended to stop or revert to a previous stage for further development before any investment decisions are made.**

Key focus areas

Overarching advice is supported by a rated evaluation of key focus areas. The key focus areas are designed to provide broad coverage on the topics that are most likely to influence investment success and are aligned with the five-case model of the Better Business Case framework.

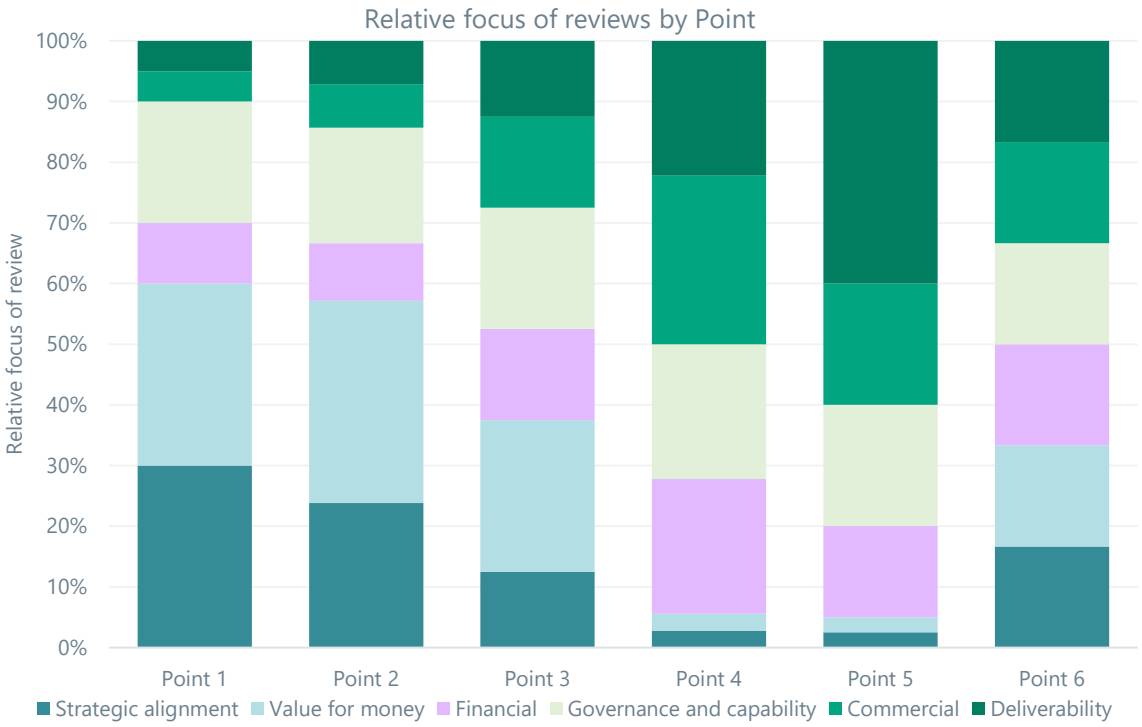
There are six key focus areas explored in every review: strategic alignment, value for money, financial, commercial, deliverability, and governance and capability.

Six key focus areas covered in every review



Each key focus area is reviewed at every evaluation Point. The relative weight placed on each key focus area shifts throughout the investment lifecycle. At Point 1, the main focus of a review is on the strategic alignment and value for money key focus areas. As a proposal progresses in its maturity, the relative focus of reviews shifts towards the financial, commercial, and deliverability key focus areas. At Point 6, the focus becomes more evenly distributed across the key focus areas, reflecting the need to assess both whether the investment has achieved its intended outcomes and value, and how effectively it has been delivered and sustained. The governance and capability key focus area receives a consistent focus across all stages of the investment lifecycle, as governance, leadership, and resourcing arrangements are critical to project success at all phases of a project's development.

The relative weight on each focus area shifts through the investment lifecycle



Each key focus area is given a rating on a three-point Red/Amber/Green scale. While all key focus areas are evaluated during each Point Review, the level of maturity expected for each is tailored to the decision sought at each Point. Key focus area rating scales are specific to each focus area at each Point, reflecting the appropriate level of maturity needed to support each decision.

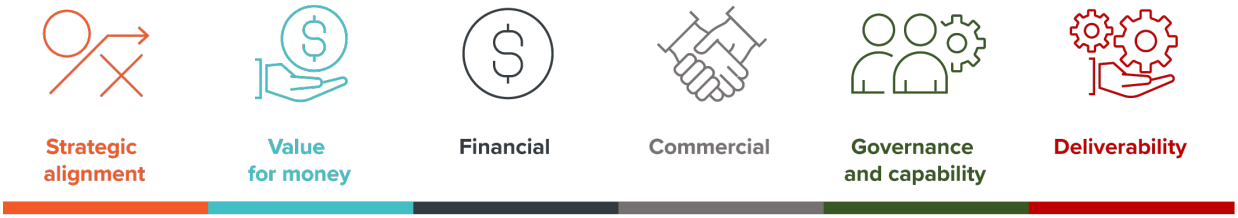
Status	Broad approach for rating scale
Green	Aligned with expectations, high confidence in success.
Amber	Generally aligned with expectations, but some need for improvement or reservations on confidence.
Red	Material issues threaten project success.

Concepts and questions

Each key focus area is supported by a set of concepts representing the core aspects of investment development and delivery relevant to that focus area.

The diagram below shows a comprehensive list of all the concepts that are covered across all Point Reviews. Because different levels of planning and delivery maturity are expected at each Point, the number of concepts covered under each key focus area varies across workbooks.

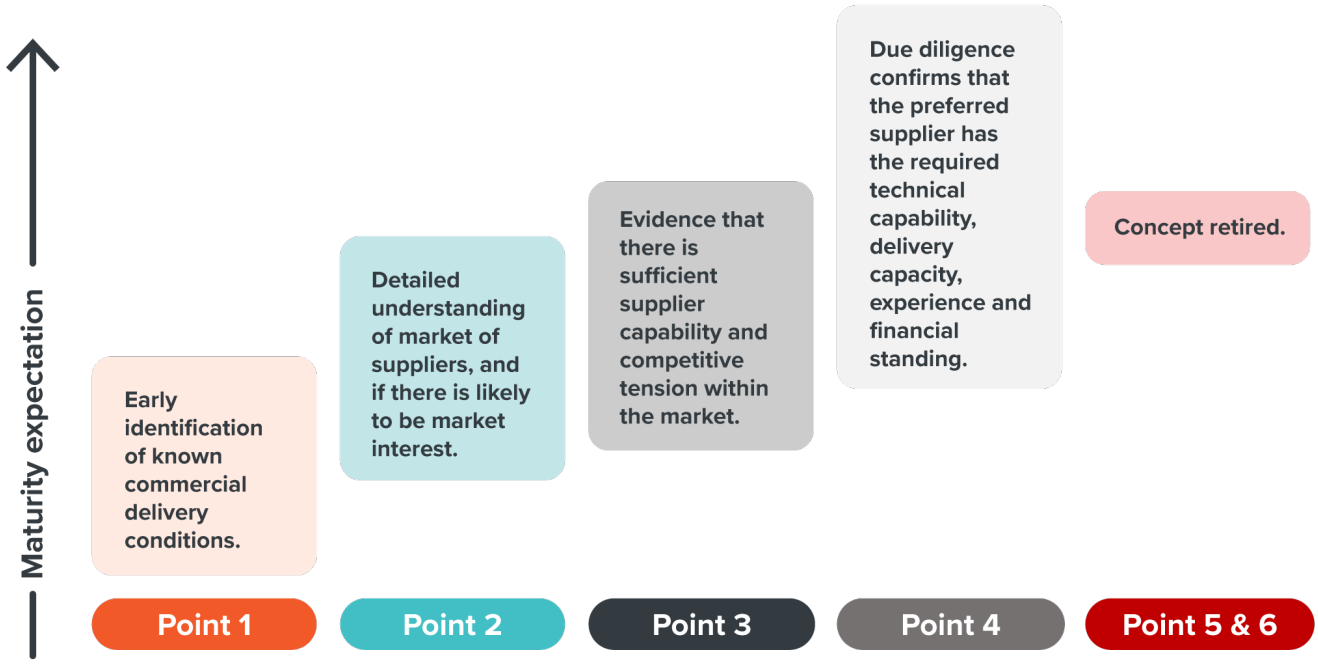
List of all concepts covered in workbooks



Strategic alignment	Value for money	Financial	Commercial	Governance and capability	Deliverability
Defining & sizing the problem	Scope	Affordability	Market conditions	Organisational trackrecord & ability to deliver	Interdependencies and interfaces
Alignment to national & sector strategies	Identifying options	Available funding	Commercial approach	Team capacity & capability	Risk management
Confirming the strategic need	Evaluation approach	Funding approaches	Procurement	Project planning maturity	Stakeholder engagement
Confirming alignment to national & sector strategies	Shortlisting options		Validating commercial approach	Delivery planning and controls	Change management
Confirming the investment can address the strategic need	Develop shortlisted options		Confirming supplier capability in current market conditions	Project assurance	Operational
Extent to which the problem was addressed	Assess shortlisted options		Commercial readiness for contract award	Appropriateness of governance arrangements	Readiness & Transition
	Testing for uncertainty		Commercial arrangements		
	Selecting a preferred option				
	Enabling future review of costs and benefits				
	Managing benefits following service commencement				

Review concepts are designed to follow a 'maturity ladder' approach where investment planning and delivery maturity is expected to increase at each decision point. This concept is demonstrated in the diagram below, using the market conditions concept as an example. At Point 1, a relatively low level of maturity is expected, with expectations growing through Point 2, 3, and 4. At Point 5, the concept has been retired as it is no longer relevant to a review.

Example of maturity expectation progression across workbooks



For each concept, the workbook provides:

- an 'about this concept' section, which provides an introduction to the concept
- a 'what we are looking for' section, outlining our expectations for the concept at each Point
- one or more review questions, supported by bullet points that summarise what good looks like.

Each review question has been designed to enable evaluation expectations to be proportionate to the scale, complexity, risk, and infrastructure sector of the investment being evaluated. Smaller or lower-risk investments are not expected to demonstrate the same level of evidence as very large or highly complex programmes. Professional judgement remains an important component of every IDA review.

Each review question has a Question ID (for example, D12). These IDs are shared across the IDA workbook suite. Questions that recur at later Points keep the same ID, while new questions receive the next available ID. Numbering within an individual workbook may therefore not start at one or run sequentially. The full set of review questions for this Point is in Appendix B.

Recommendations

Each review report includes a set of recommendations, which outline the Review Team's assessment of actions that the Senior Responsible Owner (SRO) can take to improve either the public value or deliverability of the investment.

Recommendations for SROs are categorised as either good practice, essential, or urgent according to the following table.

Types of recommendations that can be given for SROs

Recommendation rating	Description
Good practice *Consider*	The investment would benefit from the uptake of this recommendation.
Essential *Do by <date>*	The recommendation is critical but not urgent. To increase the likelihood of a successful outcome the SRO takes action in the near future.
Urgent *Do now*	The recommendation is critical and urgent. To increase the likelihood of a successful outcome the SRO takes action immediately.

Every IDA review report provides the Review Team's overall independent advice to the investor on the investment and whether it is ready to progress at the relevant decision point. In addition to this overall advice, the Review Team may identify specific matters on which investor action is recommended. These may relate to conditions on progression, risks or issues that the investor should explicitly acknowledge, or decisions or actions required to support the investment. The IDA review report is not itself the formal investor decision document; rather, it identifies the action the Review Team considers appropriate through the relevant decision-making process.

How the different tiers of advice fit together

The different tiers of advice have been designed to fit together to provide a cohesive set of advice for investors, SROs and project teams. Focus area ratings are broadly mapped to the type of recommendations made, while the types of recommendations made are mapped to the overarching advice given to investors.

When a key focus area receives a green rating, there should either be no recommendations given or good practice (consider only) recommendations given. This is because a green rating means that the work completed is aligned with expectations and there is high confidence in success. As a result, there should be no recommendations related to the focus area that are critical to project success or require urgent attention.

An amber key focus area rating can be given in two different scenarios:

- when a review includes either essential or urgent recommendations that have a clear path to resolution while the project continues to move forward
- where there are no essential or urgent recommendations, but there are risks or reservations that reduce confidence and should be noted or monitored as the project proceeds.

A red key focus area rating can be given in three different scenarios where there are material issues that threaten project success:

- when a review includes either essential or urgent recommendations that relate to material issues that threaten project success, but which can be addressed at the current project stage

- when a review includes either essential or urgent recommendations that relate to material issues that threaten project success, but which cannot be addressed at the current project stage, and require either a pause or reset to the project
- when there are material issues that threaten a project's success, which do not have a clear path to resolution.

How different tiers of advice fit together

Focus area rating	Recommendations	Overarching advice	
Green			
Aligned with expectations, high confidence in success.	Either no recommendations or Consider recommendations only.	**Proceed**	
Amber			
Generally aligned with expectations, but some need for improvement or reservations on confidence.	Includes either 1) Essential or Critical recommendation(s) that have a clear path to resolution while moving forward or 2) risks/reservations to be noted/monitored.	**Proceed** For risks or reservations to be noted	**Proceed with action** For essential or critical recommendations to be actioned
Red			
Material issues that threaten project success.	Includes either 1) Critical recommendations that either require a pause/reset/revert to address or 2) do not have a clear path to resolution.	**Pause and revise** For issues that can be addressed at current stage	**Stop or revert** For issues that threaten project success and cannot be addressed

Each review includes six key focus area ratings in total, with supporting recommendations included for each key focus area. A single overarching outcome is provided for the review as a whole, based on the ratings and recommendations given across all six key focus areas. Because maturity of expectations and associated focus area rating scales are tailored to each review Point, all key focus area ratings inform the overall review outcome at all review Points. A material issue in one focus area may determine the overall outcome, but the overarching advice remains a holistic judgement by the Review Team, informed by the ratings, recommendations and supporting evidence across all six focus areas.

2. What we assess at this Point

About this Point

Point 3 provides assurance on whether the Detailed Business Case presents a sufficiently robust basis for selecting and investing in a preferred option. The review considers whether the underlying problem remains clearly defined, material, appropriately sized, and aligned with current strategic priorities, and whether the preferred option responds to the root cause and is proportionate to the scale and timing of the problem. It also tests whether the option was selected through a credible process: a sufficiently broad range of alternatives was considered, shortlisted options were developed and assessed on a comparable basis, and the preferred option demonstrably offers the strongest overall value for money. This should be supported by mature scope and design information, comprehensive whole-of-life costs, robust economic analysis, transparent assumptions, and uncertainty testing that confirms the value for money case remains resilient as estimates become more detailed.

The review also seeks confidence that the preferred option is affordable over its life, that funding is available or on a credible pathway for the next stage, and that the proposed funding source and approach are credible and implementable. The proposed commercial approach, procurement strategy, market capacity, risk allocation, and delivery programme should be sufficiently developed to demonstrate a viable route to market. Key dependencies, approvals, delivery risks, stakeholder impacts, organisational changes, and operational requirements should be incorporated into implementation planning, with appropriate governance, leadership, capability, project controls, and assurance in place. Overall, the Point asks whether there is a preferred option that meets the service need, maximises public value, is financially and operationally credible, and is sufficiently mature to support an investment decision and provide a credible pathway towards procurement and delivery.

Document and evidence requirements

The documents and evidence below indicate the types of information reviewers would normally expect to be available to support the review at this Point. Evidence should be proportionate to the scale, complexity, and risk of the investment.

Agencies are not expected to prepare every item as a separate document. Evidence may be contained within the relevant business case, supporting analysis, project documentation, or other material available to the Review Team. Some evidence may also be obtained or supplemented through interviews with the Senior Responsible Owner, project team, or others involved in the investment.

Evidence is grouped as follows:

- **Evidence expected at this Point:** evidence that should normally be available at a level of maturity sufficient to support an investment decision on the preferred option and progression towards procurement planning
- **Additional evidence where relevant:** evidence that may be expected depending on the scale, complexity, risk, delivery approach or other circumstances of the investment
- **Emerging evidence expected to be developed further at later Points:** matters that should be sufficiently developed to demonstrate a credible pathway into procurement, but which are not necessarily expected to be complete or final at Point 3.

Documents and evidence

Evidence expected at this Point

Overall

- Detailed Business Case or equivalent decision-support documentation
- Response to relevant recommendations from previous assurance or Point reviews
- Approved Programme Business Case or Indicative Business Case where relevant

Strategic alignment

- Evidence that the problem or service need remains clearly defined and supported, including appropriate sizing and the consequences of no further investment
- Evidence that the problem or service need remains clearly defined, appropriately sized, material and current
- Evidence that the preferred option responds to the identified problem and intended outcomes
- Evidence that the preferred option remains aligned with relevant strategic priorities

Value for money

- Economic analysis supporting the preferred option including whole-of-life costs and benefits
- Evidence comparing the preferred option with the shortlisted alternatives
- Evidence of key assumptions, risks and uncertainty testing
- Benefits Realisation Plan and evidence of expected outputs and outcomes

Financial

- Detailed capital and operating cost information for the preferred option
- Whole-of-life cost estimates including maintenance and renewal costs where relevant
- Evidence that the preferred option is affordable within relevant funding settings
- Evidence of the funding pathway including funding source, status, approvals and drawdown requirements
- Evidence of the effect of the preferred option on agency capital and operating budgets
- Evidence that the proposed funding source and funding approach are credible and implementable, including the expected revenues or contributions, timing, approvals and any material policy or legislative requirements

Commercial

- Preferred delivery and commercial approach with supporting rationale
- Procurement strategy and supporting procurement planning sufficiently developed to demonstrate a credible route to market, including the proposed programme, approvals, governance, evaluation, probity and resourcing approach
- Current market intelligence and supplier assessment
- Evidence that key commercial risks and proposed risk allocation have been considered

Deliverability

- Developed implementation strategy and high-level delivery programme
- Current risk and issue management information
- Evidence that material dependencies, interfaces, approvals and constraints have credible pathways to resolution
- Evidence that operational readiness, change and ownership implications have been considered where relevant

Documents and evidence

- Evidence of stakeholder engagement and material stakeholder commitments or concerns relevant to the preferred option, procurement and implementation
- Evidence of alignment, roles and responsibilities with key delivery partners, and organisational support from relevant leadership and the future asset/service owner or operator

Governance and capability

- Governance, accountability and reporting arrangements appropriate to the preferred option and next phase
- Evidence of relevant organisational experience delivering investments of comparable scale, complexity and risk
- Evidence of the internal and external capability required for procurement and delivery
- Project Assurance Plan and relevant assurance findings
- Evidence that project controls and performance reporting arrangements are sufficiently developed for the next stage

Additional evidence where relevant

- Commercial, legal, procurement, technical, probity or financial adviser reports
- Formal market engagement or market-sounding outputs
- Detailed commercial risk or risk-allocation analysis
- Quantitative Risk Assessment
- Detailed property, consenting, utility or interface strategies
- Organisational design, workforce or change-management planning
- Independent cost, schedule or technical assurance

Emerging evidence expected to be developed further at later Points

- Final procurement plan and procurement timetable
- Final tender or market documentation
- Final evaluation methodology and probity arrangements
- Final requirements or specification documentation
- Final contractual terms and contract documentation
- Finalised risk allocation and commercial positions to be tested through procurement
- Detailed procurement resourcing and mobilisation arrangements
- Detailed contract-management mobilisation arrangements

3. Strategic alignment

Does the preferred option address the problem and remain aligned?

Focus of assessment

At Point 3, the strategic alignment assessment focuses on whether the Detailed Business Case confirms a clear, evidence-based case for investment and uses this to identify and test the preferred option. At this stage, the problem definition and problem sizing should be sufficiently mature to demonstrate that the preferred option is responding to the root cause problem, and that the scale, timing, and cost of the proposed investment are proportionate to the problem being addressed.

A strong strategic case at this stage means the agency can show that the problem remains material, that the problem statements are clearly defined and weighted, and that the value or cost of the problem has been sized in quantitative or monetary terms where possible. The Detailed Business Case should also use a clear do-nothing or do-minimum counterfactual to test the marginal benefits of the preferred option. Where the counterfactual, longlist, or shortlist analysis was developed in an earlier business case, the Detailed Business Case should confirm that this analysis remains current or clearly explain any material updates. The proposal should also demonstrate alignment to current national or sector priorities for infrastructure.

Reviewer tips

Connection with value for money

The preferred investment should remain grounded in a clear understanding of the scale and significance of the problem it is intended to address. Assess here whether the scale, significance and consequences of the problem remain sufficiently evidenced to support the investment case. Whether the proposed scope is proportionate to that problem and appropriately defined for the preferred option is assessed under **value for money – scope.**

Concepts we are reviewing at this Point

Defining and sizing the problem

About this concept

Defining and sizing the problem is the process of identifying the root cause of the infrastructure problem and estimating the scale of its impacts, so the proposal can test whether further investment is justified and proportionate. Having a clear problem, and sizing it in quantitative or monetary terms where possible, is important for determining whether the preferred option is justified and proportionate. At Point 3, the problem definition should be mature enough to support the Detailed Business Case, including the identification and testing of the preferred option.

A well-defined and well-sized problem helps confirm that the preferred option responds to the root cause of the issue, rather than only treating visible symptoms or reflecting a pre-determined solution. It also provides the basis for testing whether the expected benefits, costs, and timing of the preferred option are appropriate for addressing the problem. Where longlist and shortlist options analysis, or the counterfactual, were developed in earlier business cases, the Detailed Business Case should confirm that this analysis remains current, or clearly explain and evidence any updates.

What we are looking for

Problem statements

Problem statements should clearly identify the root cause of the problem and should not imply or pre-select a specific solution. At Point 3, the problem definition should be sufficiently developed to support the identification and testing of the preferred option relative to other shortlisted options and should remain consistent with the evidence presented across the business case process. Problem statements should have allocated weightings to signal their relative importance. This helps provide confidence that the preferred option is addressing the most important problems.

Problem sizing

The problem should be supported by empirical evidence that demonstrates its size and scale. The value or cost of the problem should be directly sized in quantitative terms and, where economic evaluation guidance exists, in monetary terms. The methodology, assumptions, data sources, and any uncertainty in the problem sizing should be clearly explained.

Where the longlist or shortlist options analysis was completed in an earlier business case, the Detailed Business Case does not need to repeat that analysis in full. However, it should confirm that the earlier analysis remains valid for identifying and testing the preferred option, or clearly identify any material changes to the problem, scope, options, assumptions, evidence, or decision context that require the analysis to be updated.

Issues with problem sizing

In most cases, the size of the problem should not be inferred from the monetised benefits of proposed solutions. In cost-benefit analysis, the problem should be defined and quantified before options are assessed. Benefits reflect the incremental impact of an option, not necessarily the full scale of the underlying problem. Inferring problem size from benefits may only be appropriate in limited circumstances, such as where a low-cost or minimum viable option is compared directly with the do-nothing option. Even then, this should be treated as evidence of the minimum addressable value of the problem, not necessarily the full problem size.

Developing a counterfactual

The consequences of no further investment should be clearly understood and presented because the dounnothing or do-minimum scenario forms the counterfactual against which options are assessed. Where the counterfactual was established in an earlier business case, the Detailed Business Case should confirm that it remains appropriate for testing the preferred option, or update it where there have been material changes.

A clear and current counterfactual is needed to assess the marginal benefits of the preferred option, explain why it is preferred over other options, and test whether the scale, timing, and cost of the proposed investment are proportionate to the problem. **Table 1** provides an example of strong and weak practice.

Table 1: Using the counterfactual to test the preferred option

Strong example	Weak example
A Detailed Business Case for a water resilience investment uses the do-minimum scenario developed in the Indicative Business Case. It updates the counterfactual to reflect new asset condition data and recent service interruptions. The updated counterfactual shows the expected frequency, duration, and consequence of outages if no further investment occurs. This is then used to test whether the preferred option remains proportionate and solves the problem.	A Detailed Business Case for a water resilience investment compares the preferred option against an unclear baseline. The benefits are presented as total benefits of the project, but it is not clear what would happen without investment. This makes it difficult to assess whether the preferred option provides additional value or whether its scale is justified.

Alignment to national and sector strategies

About this concept

Alignment to national and sector strategies is the extent to which the proposal is supported by current and recognised policy, strategy, investment, regulatory, or asset management documents. Demonstrating alignment to national and sector strategies helps show that the preferred option is addressing a recognised infrastructure priority. At Point 3, this means confirming that the alignment presented at earlier stages remains current, and that the preferred option contributes meaningfully to relevant government, sector, and agency priorities. This helps ensure that the preferred option presented in the Detailed Business Case is supporting long-term infrastructure priorities and investment direction.

What we are looking for

The proposal should show how the preferred option fits within the wider context of its infrastructure network or system, and why the preferred option is strategically important within the sector.

For central government projects, relevant documents may include legislation, government policy statements, Cabinet agreements, agency long-term strategies, sector strategies, long-term investment plans, network plans, asset-management plans, and other recognised central government planning documents. For local government projects, they may include legislation, national policy statements, regional policy statements and plans, long-term plans, infrastructure strategies, asset-management plans, and other formally adopted council planning documents.

Documents relied on to demonstrate alignment should be current, relevant, and of sufficient quality to support the strategic case for the preferred option.

The proposal should explain the nature of the alignment, rather than only listing documents. It should identify the specific priority, outcome, objective, or problem that the preferred option contributes to, and explain why the preferred option is strategically important in that context. Where alignment was demonstrated at earlier Points, the proposal should update that information rather than simply repeat it. This should include identifying any changes to relevant government priorities, sector plans, agency strategies, funding settings, or asset management information since the earlier stage. **Table 2** provides an example of strong and weak practice.

Table 2: Confirming the preferred option remains aligned with sector priorities

Strong example	Weak example
A Detailed Business Case for a regional rail investment confirms that the preferred option aligns with current government transport priorities, the long-term rail network plan, and relevant asset management planning. The Detailed Business Case explains how the preferred option supports specific sector priorities, including network resilience, freight reliability, and capacity on a nationally significant corridor. It also identifies that a new policy statement has been released since the Indicative Business Case and explains why the preferred option remains consistent with the updated direction.	A Detailed Business Case for a regional rail investment states that the project is "aligned with transport priorities" and lists several strategy documents, but does not explain which specific priorities the preferred option contributes to. It does not check whether sector priorities, agency plans, or investment settings have changed since the earlier business case. As a result, decision-makers cannot tell whether the preferred option remains strategically important or whether the case for investment has weakened.

It is not sufficient to demonstrate alignment only with political party manifestos, fast-track applications, resource consent status, or applications to infrastructure funds, unless the proposal is also supported by the types of strategic, sector, or planning documents described above. These sources may indicate political priority, planning procedure, or funding direction for a project, but they do not generally establish sector-level strategic priority on their own.

Point 3: Strategic alignment review questions

Question	What good looks like
Concept: Defining and sizing the problem	
S1: Is there a clearly defined problem?	• Evidence that the identified problem is the root cause problem • Problem statements have allocated weightings to signal their relative importance
S2: Has the problem been sized in monetary or quantitative terms?	• Value/cost of the problem has been directly sized in quantitative terms • The problem is sized in monetary terms for sectors where economic evaluation guidance exists • Inferring from benefits monetisation only appropriate where a low-cost or minimal viable product option is compared to the do-nothing option • The consequences of no further investment are clearly understood and presented (beyond general qualitative statements)
Concept: Alignment to national and sector strategies	
S3: Does the proposal make a meaningful contribution to priorities signalled in sector or agency long-term strategies?	• Clear alignment to at least one priority detailed in: legislation, government policy statements (required where relevant), Cabinet agreements, Cabinet approved long-term investment plans, agency long-term strategies or local council long-term plans • Consistent with priorities signalled in agency or council asset management planning • Strategic planning documents referenced are current (including new documents since prior Points) • Long-term strategies do not include priorities signalled in party manifestos, fast-track applications, resource consent status or infrastructure funds unless these are also in the documents listed above

Rating scale

We use a traffic-light system to provide an overall rating for the strategic alignment key focus area. The rating reflects the evaluators' holistic judgement of the evidence against the review questions and the description of what good looks like, using the rating scale below.

Status	Description
Green	The problem is clearly defined, material, appropriately sized, and aligned with current strategic priorities. The preferred option responds to the problem and is proportionate to the scale and timing of the need.
Amber	The problem is defined and strategically aligned, but some uncertainty remains about the scale, timing, materiality, or the extent to which the preferred option responds to the problem.
Red	The problem is not sufficiently defined, evidenced, current or material to justify investment **and/or** the proposal is not aligned with current strategic priorities **and/or** the preferred option does not adequately respond to the problem or is materially disproportionate to the scale or timing of the need.

4. Value for money

Does the preferred option offer the strongest value for money?

Focus of assessment

At Point 3, the value for money assessment focuses on whether the preferred option provides the strongest overall public value and is sufficiently mature to support an investment decision.

The proposal should confirm that the options process undertaken at Point 2 was robust and remains valid. This includes showing that a broad and proportionate range of options was considered, shortlisted options were developed and assessed on a comparable basis, and the preferred option was selected through a transparent and credible process.

The preferred option should now have a clearly defined scope, more mature design information and comprehensive whole-of-life cost estimates. The economic analysis should be updated using current costs, benefits and assumptions, and should demonstrate that the preferred option continues to provide value for money under proportionate uncertainty testing.

Where the project forms part of a wider programme, the assessment should consider whether the project remains consistent with the approved programme scope, sequencing and intended outcomes. It should also assess the project's contribution to programme benefits, its dependencies on other programme components, and whether changes to the wider programme affect the case for proceeding with the project.

Overall, Point 3 should provide confidence that the preferred option is justified, offers the strongest overall value among credible alternatives and is sufficiently mature to support investment approval.

Reviewer tips

Connection with strategic alignment

The proposed scope should remain proportionate to the evidenced scale and significance of the problem. Assess here whether the scope of the preferred option is appropriately defined and proportionate to the problem being addressed. Whether the scale, significance and consequences of the underlying problem remain sufficiently evidenced is assessed under **strategic alignment – sizing the problem.**

Connection with financial

The preferred option's costs inform both economic and financial assessment. Assess here whether the preferred option's expected benefits justify its whole-of-life costs and whether it continues to provide strong public value. Whether those costs are affordable and have a credible funding pathway is assessed under **financial.**

Connection with deliverability

Scope and deliverability are closely connected. Assess here whether the preferred option's scope is appropriately defined and proportionate to the problem being addressed. Whether that scope is realistically deliverable within the anticipated timeframe and delivery environment is assessed under **deliverability.**

Relevant guidance and resources

Core New Zealand guidance: New Zealand Treasury, *Guide to Social Cost Benefit Analysis*; New Zealand Treasury, *CBAx Tool User Guidance*; New Zealand Treasury, *Approaches to sensitivity analysis*; New Zealand Treasury, *Techniques to quantify risk and uncertainty*; New Zealand Treasury, *Managing Benefits from Projects and Programmes - Better Business Cases*; relevant sector-specific economic evaluation guidance, where applicable.

Additional useful resource: Infrastructure Australia, *Guide to risk and uncertainty analysis*.

These resources provide further guidance on robust appraisal of the preferred option, testing key assumptions and uncertainties, and establishing benefits management arrangements that enable later comparison of actual outcomes with the investment case.

For land transport investments, the NZ Transport Agency *Monetised benefits and costs manual* provides sector-specific economic evaluation guidance, while the *Land Transport Benefits Framework measures manual* can support the identification of measures, baselines, data sources and benefits monitoring.

Concepts we are reviewing at this Point

Scope

About this concept

Scope is the defined boundary of what the investment will and will not deliver. It includes the assets, services, locations, users, interfaces, outputs and outcomes covered by the proposal.

At Point 3, the preferred option's scope should be sufficiently clear and mature to support an investment decision. A clearly defined scope provides a reliable basis for design, cost estimation, economic analysis, procurement planning and implementation. Progressing with an unclear or disputed scope increases the risk of cost escalation, delay, scope creep and reduced benefits. Where the scope has changed since Point 2, the proposal should explain the reasons for the change and assess whether the earlier options analysis, cost estimates or economic appraisal need to be updated.

Where the project forms part of a wider programme, its scope should clearly define the project boundary, intended outputs and outcomes, interfaces with other programme components, sequencing requirements and matters that sit outside the project.

What we are looking for

The preferred option should clearly identify what is in and out of scope and show how the scope aligns with the identified problem and intended outcomes. Its scale and cost should be proportionate to the evidenced size and consequences of the problem.

Any material changes since Point 2 should be explained and supported by evidence. Where those changes could affect the relative performance of options, the options analysis and economic assessment should be updated.

The proposal should identify key dependencies, interfaces and out-of-scope components required to realise benefits. It should also confirm that no material unfunded or unapproved component has been omitted from the assessment of costs and benefits, and that the agency has the mandate to lead the investment.

Where the project forms part of a wider programme, the proposal should explain how the project contributes to programme outcomes, which benefits depend on other programme components, and whether the project's scope and timing remain consistent with the wider programme.

Table 3: Examples of strong and weak scope at Point 3

Strong	Weak
Coopertown City Council is seeking investment approval for an electric-bus project that forms part of a wider programme to reduce transport-related air pollution and increase public and active transport use. The project scope clearly includes the purchase of eight electric buses, retirement of four diesel buses, depot modifications, charging infrastructure and associated network upgrades. It also defines the routes and service changes that will be delivered through the project. The proposal identifies cycleway improvements and parking-pricing measures as separate programme components outside the project scope. It explains how the electric-bus project depends on the timely delivery of depot and electricity-network works and how it contributes to the wider programme outcomes. The project scope, cost estimate, economic analysis and implementation plan are based on the same defined project boundary.	Coopertown City Council proposes an electric-bus project as part of a wider transport programme but does not clearly define what the project will deliver. It is unclear how many buses will be purchased, whether depot and charging infrastructure are included, which routes will be affected, or whether required electricity-network upgrades sit within this project or another programme component. The cost estimate excludes some enabling works, while the benefits analysis assumes that they will be delivered. The proposal also does not explain how the project depends on, or contributes to, the wider programme.

The strong example clearly defines the project boundary, its interfaces with other programme components and the dependencies required to realise benefits. The weak example does not provide a sufficiently clear or consistent scope to support reliable cost estimation, economic analysis or an investment decision.



Key insight

Using problem size to confirm scope remains proportionate

At Point 3, the preferred option's updated scope and cost should be tested against the evidenced size and consequences of the problem. Problem sizing provides an important reference point for assessing whether the preferred option remains proportionate as design and cost estimates become more mature.

Where the preferred option's cost has increased materially since Point 2, the agency should consider whether its scope should be reduced, staged or reconsidered, or whether another shortlisted option may provide better value for money.

For example, a $250 million bridge proposed to address a connectivity problem valued at $2 million per year is unlikely to be proportionate unless it generates significant additional benefits not captured in the problem estimate. Even on an undiscounted basis, it would take 125 years for benefits of $2 million per year to equal the initial cost, and longer once discounting and whole-of-life costs are included.

Where the problem has not been monetised, the proposal should provide other credible evidence that the preferred option's scale and cost are justified.



Additional notes on scope at Point 3

Mandates to deliver

The agency should demonstrate that it has the mandate to deliver the preferred option. Where delivery requires more than one organisation, the proposal should identify their respective roles, contributions and accountabilities and provide evidence that they support the proposed scope.

Consideration of dependencies and interfaces

Realising project benefits may depend on the availability or delivery of another project, asset or service. The proposal should identify these dependencies and clarify whether they sit within or outside the project scope. Dependencies may also include interfaces with adjacent infrastructure where works are required to connect assets, including works delivered in partnership with other asset owners. Agencies should be transparent about any unfunded or unapproved out-of-scope components required to realise the project's benefits. These issues are covered in greater detail in the deliverability focus area.

Identifying options

About this concept

Identifying options involves developing a broad and proportionate range of plausible ways to address the identified problem. At Point 2, the agency should have considered complete options, including non-built, lower-cost, staged and more capital-intensive responses where relevant.

Point 3 does not require the agency to repeat the full longlisting process. Instead, the focus is on confirming that the earlier longlist was sufficiently broad and robust and remains a sound basis for selecting the preferred option. Where there have been material changes to the problem, scope, policy context, technology, costs, benefits or delivery environment since Point 2, the agency should assess whether additional options need to be considered or previously excluded options revisited.

Where the project forms part of a wider programme, the Detailed Business Case should reference the programme-level options process that led to the project being identified. It should also confirm that the project-level options remain appropriate within the current programme scope, sequencing and delivery context.

What we are looking for

The proposal should provide enough evidence to demonstrate that the Point 2 longlist was broad, proportionate and made up of complete and credible responses. Non-built, lower-cost and staged options should have been included where relevant, and no clearly viable option should have been excluded without explanation.

The Detailed Business Case should confirm that the earlier longlist remains valid under current conditions. Where a new option has been introduced since Point 2, it should be developed and assessed to a comparable standard before it can credibly be selected as the preferred option.

Where the project forms part of a wider programme, the proposal should demonstrate that the project was identified through a robust programme-level options process. It should confirm that the project's role remains valid and explain whether changes to programme scope, sequencing or other component projects require the project-level options to be revisited.

Table 4: Examples of strong and weak options identification at Point 3

Strong	Weak
The Nunnsburg Regional Water Authority identifies a projected water supply shortfall in 15 years. The Indicative Business Case considered demand management, leakage reduction, pricing, reuse and new-supply options. The Detailed Business Case summarises that process and confirms that no material changes in demand forecasts, asset condition, policy or technology have created a credible new option or undermined the earlier longlist. It also explains why desalination and several other options remain unsuitable.	The Nunnsburg Regional Water Authority's Detailed Business Case refers only to three reservoir sizes. It does not reference the earlier longlist analysis or explain whether demand management, leakage reduction, pricing or reuse options were considered. Demand forecasts and water-policy settings have changed since the earlier business case, but the agency has not assessed whether these changes require the longlist to be revisited.

The strong example provides confidence that the earlier options process was sufficiently broad and remains valid. The weak example does not demonstrate that credible lower-cost or non-built alternatives were considered or that the earlier analysis remains current.

Warning: Relying on an incomplete or outdated longlist

Point 3 does not require agencies to repeat the full longlisting process. However, the proposal should provide enough evidence to show that the earlier longlist was broad, proportionate and based on complete options.

Where the problem, scope, policy context, technology, costs or delivery environment have changed materially, the agency should assess whether new options need to be considered or previously excluded options revisited. A preferred option should not be approved solely because it emerged from an earlier process that is no longer current.

Shortlisting and developing options

About this concept

Options development covers both filtering the longlist to a credible shortlist and developing shortlisted options to a comparable level of maturity.

At Point 3, the focus is on confirming that the earlier shortlisting process was transparent and proportionate and that shortlisted options were sufficiently comparable to support selection of the preferred option. The preferred option should then be developed to a greater level of maturity than the other shortlisted options, with scope, design, costs and implementation assumptions sufficient to support an investment decision.

The required level of maturity will depend on the nature, scale and complexity of the investment. A reference design, developed concept design or suitable equivalent may be appropriate where it provides reasonable confidence in scope, feasibility, costs and risks.

Where the project forms part of a wider programme, the proposal should confirm that the project was identified through a robust programme-level options process and that its role within the programme remains valid. The project should then be developed to a level of maturity appropriate for an investment decision, including its scope, timing, sequencing, dependencies and whole-of-life costs. The analysis should explain how the project contributes to programme outcomes, whether its benefits depend on other programme components, and whether changes to the wider programme affect the case for proceeding with the project.

What we are looking for

The proposal should demonstrate that a transparent and proportionate method was used to filter the longlist to a credible shortlist and that cost and value for money were given appropriate consideration. Shortlisted options should have been developed to a comparable level in scope, design, whole-of-life cost, benefits, risk and feasibility.

Differences in evidence or design maturity should not have unfairly favoured the preferred option. Material constraints, dependencies, implementation challenges and approval requirements should have been considered consistently across options. Any new or materially changed option should have been developed and assessed comparably.

The preferred option should now be sufficiently developed to define the intended assets, services, outputs and outcomes, demonstrate technical and operational feasibility, identify material land, property, consenting and interface requirements, and support credible cost estimation, economic analysis and implementation planning.

Material increases in costs or risks since Point 2 should be clearly explained. Where these changes could affect option rankings or the preferred option's value for money case, the shortlist should be reconsidered.

The preferred option's cost estimate should be sufficiently mature to support the investment decision. For high-value, complex or materially uncertain investments, independent review or assurance should test whether the estimate reflects the current scope and design, includes all material capital and whole-of-life costs, uses reasonable assumptions and methods, and reflects risk and uncertainty appropriately. The level of assurance should be proportionate to the investment's scale, complexity and uncertainty.



Whole-of-life cost estimates

Whole-of-life costs should include all material costs required to develop, deliver, operate, maintain, renew and, where relevant, dispose of the preferred option.

The estimate should reflect the current scope and design maturity, use an appropriate and transparent methodology, and include capital, operating, maintenance, renewal, enabling, transition and other material implementation costs. Risk and uncertainty allowances should be clearly distinguished from base costs, and the proposal should explain its price base, escalation assumptions and appraisal period.

Where costs have increased materially since Point 2, the proposal should assess whether the preferred option still provides value for money and whether shortlisted alternatives should be reconsidered.

Where the project forms part of a wider programme, its whole-of-life costs should be presented separately from wider programme costs. The proposal should also identify any costs carried by other programme components that are necessary for the project to deliver its stated benefits.

Warning: Relying on the earlier shortlisting analysis

Confirming that cost was treated appropriately

The proposal should provide evidence that cost and value for money were given appropriate weight when the longlist was filtered to a shortlist. Where multi-criteria analysis (MCA) was used, the weighting and scoring approach should be transparent and should not have systematically favoured higher-cost options.

If later cost development shows that the preferred option was materially under-costed or that option rankings may have changed, the agency should revisit the shortlist before seeking investment approval.

Relying on earlier rapid cost-benefit analysis (CBA)

Rapid CBA may provide a proportionate basis for shortlisting at Point 2, but it should not substitute for the more developed economic analysis required to support the investment decision. The Detailed Business Case should explain whether updated costs, benefits or assumptions have changed the earlier relative assessment of shortlisted options.

Where incremental benefit-cost ratios (BCRs) are presented, overall BCRs and net present values (NPVs) should also be shown.

Warning: Introducing new or materially changed options at the DBC stage

Where a new option, revised option or different permutation of an earlier option is introduced at the Detailed Business Case (DBC) stage, the agency should develop the new or changed option to a level that enables a fair, like-for-like comparison with the other shortlisted options considered at Point 2. This should include consistent treatment of scope, design maturity, whole-of-life costs, benefits, risks, dependencies, delivery assumptions and uncertainty.

The proposal should explain how the new or changed option relates to the earlier shortlist, details on why it was introduced (such as changes to underlying problem, service requirements, technology etc.), and whether its inclusion changes the relative ranking of options or the basis for selecting the preferred option. This information is important as decisions to progress from prior Points likely relied on prior Investment Decision Assurance advice and findings.

A new permutation should not be treated as the preferred option only because it has been developed in greater detail or uses more current information than the alternatives. Where necessary, the earlier shortlisted options should be updated sufficiently to support a robust comparison.

Table 5: Examples of strong and weak options development at Point 3

Strong	Weak
At Point 2, the Combined Agencies Services Enablement Authority developed four shortlisted office precinct development options to a comparable concept-design level and assessed their scope, costs, benefits, risks and dependencies consistently. At Point 3, the Authority develops the preferred option to a more detailed design level and updates the whole-of-life cost estimate. The updated cost is 12% higher than the Point 2 estimate because of improved ground-condition information. The Authority updates the economic analysis and confirms that the preferred option still performs strongly relative to the other shortlisted options. Independent cost assurance confirms that the estimate is appropriate for an investment decision.	The Combined Agencies Services Enablement Authority selected a preferred office precinct development option at Point 2 despite it being developed in more detail than the other shortlisted options. At Point 3, the preferred option's cost increases by 45%, but the Authority does not update the comparison with the other options. Maintenance and renewal costs, site clearance and some land costs remain excluded, and the cost estimate has not been independently reviewed.

The strong example demonstrates comparable earlier development, a sufficiently mature preferred option and a transparent response to updated costs. The weak example does not show that the preferred option remains the strongest choice once more complete information is available.

Assess shortlisted options

About this concept

Assessment of shortlisted options involves structured comparison of the whole-of-life costs, benefits, disbenefits, risks and trade-offs associated with each option. At Point 3, the agency should confirm that the economic assessment undertaken at Point 2 was robust and remains valid. It should also update the analysis using the more mature scope, design, cost and benefit information available for the preferred option.

The assessment should demonstrate both absolute value for money, meaning whether the preferred option's expected benefits exceed its costs, and relative value for money, meaning whether the preferred option provides stronger overall public value than credible alternatives.

Where the project forms part of a wider programme, the economic analysis should assess the project's incremental costs and benefits and explain its contribution to the programme's overall value for money. It should identify any benefits attributed to the project that depend on other programme components and test whether the project remains justified if programme scope, sequencing or timing changes.

What we are looking for

The proposal should demonstrate that shortlisted options were assessed using a robust and proportionate economic methodology and that whole-of-life costs, benefits and disbenefits were compared consistently. Material assumptions should be transparent, evidenced and current. Relevant non-monetised impacts should be assessed alongside monetised results, and the preferred option should be compared with the counterfactual and credible alternatives.

The analysis should be updated using current scope, design, cost and benefit information and should explain any material changes from the Point 2 assessment. It should consider NPV, BCR, incremental performance and wider evidence.

Where material impacts cannot be monetised credibly, they should be assessed transparently alongside the monetised analysis. Cost-effectiveness analysis may be appropriate where the principal benefits cannot be monetised

and options can be compared against a common, clearly defined outcome. Economic impact analysis should not be used as the primary method for assessing value for money. It may provide supplementary context but does not provide a complete comparison of the incremental costs and benefits of options.

For high-value, complex or uncertain proposals, independent review or assurance of the economic analysis should be considered.

Table 6: Examples of strong and weak economic assessment at Point 3

Strong	Weak
The Fernland Transport Authority assessed diesel, hybrid, electric and biofuel ferry options at Point 2 using a consistent CBA and assessment of material non-monetised impacts. Hybrid was identified as the preferred way forward. At Point 3, the Authority updates the analysis using refined vessel specifications, current energy prices, revised demand forecasts and more mature whole-of-life costs. Hybrid continues to provide positive value for money and the highest NPV. Electric has a slightly higher BCR but lower NPV, greater infrastructure dependencies and materially higher downside cost risk. The Authority explains why hybrid provides the strongest overall public value.	The Fernland Transport Authority selects electric ferries because they received the highest MCA rating at Point 2. The Detailed Business Case calculates a BCR only for the electric option and does not update the economic comparison with hybrid, diesel or biofuel options. The analysis excludes charging infrastructure, some electricity-network upgrades and material service-disruption effects.

The strong example compares credible alternatives using updated evidence and explains the preferred option by reference to overall public value rather than a single metric. The weak example cannot demonstrate relative value for money because only the preferred option has been assessed fully.



Absolute versus relative value for money

Absolute value for money considers whether an option's expected benefits exceed its costs. Relative value for money considers how the preferred option performs against other credible options. This should draw on NPV, BCR, incremental analysis, material non-monetised impacts, uncertainty, affordability and deliverability.

Where economic analysis has been completed only for the preferred option, the proposal may demonstrate absolute value for money but cannot demonstrate that the option provides the strongest relative value.

Warning: Presentation of BCRs

BCRn versus BCRg

Where national or societal BCRs (BCRn) and government BCRs (BCRg) are calculated, both should be presented and clearly defined. The societal measure informs overall economic efficiency, while the government measure can help explain fiscal and funding effects.

BCRs should be considered alongside NPV, incremental analysis, non-monetised impacts and uncertainty.

Testing for uncertainty

About this concept

Infrastructure investments are subject to uncertainty in costs, benefits, timing, demand and delivery conditions. At Point 3, uncertainty testing should be updated using the more mature information available for the preferred option.

The purpose is to determine whether the preferred option remains credible under less favourable conditions and whether updated evidence changes its value for money case relative to other shortlisted options.

Risk analysis identifies material risks and informs contingency or risk-adjusted cost estimates. Sensitivity testing assesses how results change when individual assumptions or inputs are varied. Scenario analysis tests performance under coherent alternative futures involving several related changes. Probabilistic analysis models the combined effect of multiple uncertain variables and the range or likelihood of possible outcomes.

These approaches are complementary and should be proportionate to the investment's scale, complexity, maturity and uncertainty.

What we are looking for

The proposal should confirm that uncertainty testing was undertaken consistently across shortlisted options at Point 2 and update the tests most material to the preferred option using current scope, design, cost and benefit information.

Material cost and delivery risks should be reflected in contingency and economic analysis. The proposal should show whether the preferred option remains likely to provide value for money under plausible downside conditions and whether uncertainty could materially affect NPV, BCR, affordability, deliverability or benefits realisation.

Where updated analysis materially weakens the preferred option's case or suggests that another shortlisted option may now perform better, the shortlist should be revisited.

Where the project forms part of a wider programme, uncertainty testing should consider dependencies on other programme components, changes to programme sequencing or timing, and the effect of delays, cancellation or scope changes elsewhere in the programme on the project's costs, benefits and viability.

Updating uncertainty analysis at Point 3

The agency does not need to repeat every test undertaken at Point 2. It should update the tests most material to the preferred option using current scope, design, cost, demand and benefit information.

The updated analysis should show whether the preferred option remains likely to provide value for money, whether plausible downside conditions could materially weaken its case, whether another shortlisted option may now perform better, or whether the preferred option should be reduced, staged or reconsidered.

Table 7: Examples of strong and weak uncertainty testing at Point 3

Strong	Weak
A regional water authority selects a preferred reservoir option at Point 2. At Point 3, it updates the appraisal using a refined design, current construction costs, revised demand forecasts and improved information on drought frequency. The preferred option retains a positive NPV and BCR under the central case and remains positive under most plausible downside scenarios. A more severe demand-and-cost scenario reduces the BCR below 1, but the authority explains the likelihood and consequences of this outcome and identifies staging measures that reduce exposure. The updated analysis confirms that no other shortlisted option has a stronger overall risk-adjusted case.	A regional water authority selects a preferred reservoir option at Point 2. At Point 3, the authority relies on the central BCR calculated at Point 2. Since then, estimated capital cost has increased significantly and forecast demand has fallen, but the sensitivity and scenario analysis has not been updated. A small increase in cost would reduce the BCR below 1, and the authority has not assessed whether another shortlisted option would now provide better value.

The strong example uses current evidence to test whether the preferred option remains resilient and compares the result with credible alternatives. The weak example relies on outdated analysis and cannot demonstrate that the preferred option remains justified.

Selecting a preferred option

About this concept

At Point 3, the agency should demonstrate that the preferred option was selected through a robust and transparent process and provides the strongest overall public value among credible alternatives. The assessment should confirm that the preferred option remains justified using the more mature information developed for the Detailed Business Case. Where updated costs, benefits or risks materially weaken the case, the agency should revisit the shortlist rather than continue with a predetermined option.

Where the project forms part of a wider programme, the selected project option should provide the strongest overall value among the credible project-level alternatives and make a justified contribution to programme outcomes.

What we are looking for

The preferred option should have emerged from a credible and transparent options assessment process. It should provide positive value for money under central assumptions, perform strongly relative to credible alternatives and remain credible under proportionate uncertainty testing.

The proposal should explain how affordability, deliverability and non-monetised impacts informed selection and why other shortlisted options were not progressed. No material unfunded or unapproved components should be required to realise the stated benefits.

The preferred option should be sufficiently mature to support an investment decision, with scope, design, costs, risks and dependencies understood to an appropriate level. The preferred option's cost estimate should be supported by assurance proportionate to the investment's scale, complexity, design maturity and uncertainty. See 'Options development' for further guidance.

Where the project forms part of a wider programme, the proposal should demonstrate that the preferred project option remains consistent with the approved programme direction and provides a justified incremental contribution to programme outcomes. It should explain dependencies on other components and whether changes to programme scope, sequencing or timing affect the case for proceeding.

Table 8: Examples of strong and weak selections of a preferred option at Point 3

Strong	Weak
The Haganland Defence Agency is seeking investment approval for a secure access road and utilities corridor at its primary air base. The preferred option is supported by design information sufficient to define the alignment, security interfaces, staging and principal construction risks. Its cost estimate includes enabling works, capital costs, maintenance, renewals and risk allowances. The updated CBA gives the preferred option a BCR of 1.5 and the highest NPV among the shortlisted options. Another option has a slightly higher BCR in the central case but lower NPV, greater operational disruption and higher delivery risk. These impacts are quantified where possible and assessed transparently. The agency explains why the preferred option provides the strongest overall public value across a range of likely scenarios and confirms that no unfunded supporting infrastructure is required to realise its benefits.	The Haganland Defence Agency is seeking investment approval for a secure access road and utilities corridor at its primary air base. The agency selects a preferred option largely because it was identified early in the business-case process. The design and cost estimate remain insufficiently developed to identify key security interfaces, enabling works and whole-of-life costs. Updated costs reduce its BCR below that of another shortlisted option, but the agency does not reconsider the selection or explain why the preferred option still provides stronger overall value. Several supporting utility upgrades are required to realise the benefits but are outside the cost estimate and do not have confirmed funding.

The strong example uses sufficiently mature information and considers economic performance, operational impacts, risk, dependencies and whole-of-life costs. The weak example does not demonstrate that the selected option remains the strongest choice or that all costs required to realise its benefits have been included.



Warning: Dependencies required to realise benefits

Decision-makers should be clearly informed of any external infrastructure, approvals, land, services or activities required for the preferred option to deliver its stated benefits.

The proposal should identify whether these dependencies are funded, approved and included in delivery planning. Where they remain uncertain, the costs, benefits and risks should be reflected in the economic analysis. A preferred option should not appear to provide value for money only because material enabling components have been excluded from its scope or cost estimate.



Enabling future reviews of costs and benefits

Achieving value for money means a project delivers greater benefits than costs over the full life of the asset. To verify this, agencies need to plan for a process to capture data on projects costs and key benefits during delivery and operational phases. This will enable the agency to compare values that were forecasted at Point 3 to actual post-delivery levels. Agencies need to provide evidence of this planning in the Deliverability focus area (under the Change Management concept).

Point 3: Value for money review questions

Question	What good looks like
Concept: Scope	
V12: Is there a clearly defined scope to enable a robust investment decision to be made?	• Any material changes in scope since Point 2 are clearly explained and supported by evidence, with the options analysis and economic assessment updated where appropriate • Preferred option clearly aligned with scope • Preferred option remains proportionate to the value of the identified problem • Key dependencies, interfaces and out-of-scope components required to realise benefits are identified • No material unfunded or unapproved component has been omitted from the assessment of costs and benefits • Demonstrates mandate to lead the investment • Scope is realistically deliverable in anticipated timeframe and delivery environment • Where the project forms part of a wider programme, the project boundary, interfaces with other programme components, sequencing requirements and programme dependencies are clearly defined
Concept: Identifying options	
V13: Has the agency provided evidence that they investigated a wide range of options at the longlisting step?	• The Point 2 longlist included a sufficiently broad range of plausible options, proportionate to the size and nature of the problem (as evidenced in the IBC/PBC) • Non-built, lower-cost, staged and more capital-intensive options were considered where relevant • Each longlisted option represented a complete and credible response rather than an individual feature or dimension • No clearly viable option was prematurely excluded without explanation • Options considered and excluded are documented, with supporting rationale • The proposal confirms that the earlier longlist remains valid under current conditions • Where there have been material changes to the problem, scope, policy context, technology, costs, benefits or delivery environment, the agency has considered whether new or previously excluded options should be assessed • Where the project forms part of a wider programme, there is evidence that it was identified through a robust programme-level options process and that its role remains valid under the current programme scope and sequencing

Question	What good looks like
Concept: Shortlisting and developing options	
V14: Has the agency provided evidence (in a prior IBC/PBC) that a robust methodology was used to filter from a longlist to a shortlist, ideally 3–5 options?	• Acceptable methodologies are rapid CBA or multi-criteria analysis, ideally using weightings with investment cost weighted at 50% (or at least to a level equal to the total weighting allocated to benefits) • Uncertainties of costs and benefits have been considered as a weighted criterion for proposals with options where these are highly uncertain • Should result in 3–5 shortlisted options (final number should consider the value and scale of problem being addressed) • Where the project forms part of a wider programme, the proposal confirms that the programme-level process provided a credible basis for progressing the project and that project-level options were developed consistently with programme scope, timing and dependencies
V8: Has the agency developed the design and cost estimation for each shortlisted option to an appropriate level of maturity?	• This includes scope, indicative/preliminary design and whole-of-life cost estimates to enable a fair and robust comparison of shortlisted options • Indicative/preliminary cost estimates should have been used to compare costs across options. This enables testing of affordability at order-of-magnitude levels • Confirmation that more detailed cost estimates for the preferred option in the DBC have not resulted in material cost escalations suggesting that shortlisted options should be revisited • Uncertainty, and contingency assumptions have been considered consistently across shortlisted options • Key delivery constraints, dependencies, implementation challenges, and approval requirements have been considered consistently across shortlisted options • Where a new option is introduced in the DBC, this late inclusion needs to be clearly rationalised, including evidence it has been developed to a comparable standard and enable a like for like comparison between all the options considered

Question	What good looks like
Concept: Assess shortlisted options	
V15: Has the agency provided evidence that shortlisted options (evidence in the IBC/PBC) were previously assessed using a robust economic analysis methodology?	• CBA provides a proportionate comparison of whole-of-life costs and monetary benefits for each shortlisted option • All shortlisted options are assessed using the same approach and consistent assumptions, including: the same time horizon and discount rate, the same treatment of inflation and real values, and the same assumption about what remains at the end of the assessment period • Assumptions made in economic analysis are transparent, evidenced and rationalised (particularly for demand modelling and benefits calculations) • Where there are material benefits that cannot be monetised, economic analysis of shortlisted options can be supplemented with analysis of non-monetary benefits • Cost-effectiveness analysis only where benefits cannot be monetised and there is one primary quantifiable outcome/objective • Economic Impact Analysis is not used as the primary method for assessing value for money. It may provide supplementary context but does not provide a complete comparison of incremental costs and benefits • Evidence of external assurance of economic analysis provided (particularly for high complexity and capital-intensive projects) • Where the project forms part of a wider programme, the analysis assesses the project's incremental costs and benefits, its contribution to programme outcomes, and any reliance on other programme components
Concept: Testing for uncertainty	
V16: Does updated uncertainty testing for the preferred option suggest the solution is highly likely to achieve value for money?	• Uncertainty testing is repeated for the preferred option following more detailed design and cost estimates • Where results suggest value for money is in doubt, the agency should revisit shortlisted options • Agency provides access to the original uncertainty testing undertaken for shortlisted options (in prior IBC/PBC) • Material risks and uncertainties have been appropriately reflected in economic analysis assumptions – noting relationship between this and risk management (under the deliverability key focus area) • Where the project forms part of a wider programme, testing considers the effect of changes to programme scope, sequencing, timing and dependent components on the project's value for money

Question	What good looks like
Concept: Selecting a preferred option	
V17: Has the agency provided comprehensive whole-of-life costs for their preferred option, with a sufficiently mature level of cost estimation, including an appropriate contingency?	• Agencies should use reference design or suitable equivalent methodology that enables a reasonably high degree of confidence of cost certainty to support a robust investment decision to be made • Agencies need to account for renewal costs if these expected to occur within the project or evaluation period • Cost estimate reflects current scope and design maturity, includes all material whole-of-life costs, with base costs distinguished from risk/contingencies • Contingency is aligned with risk and uncertainty (note the relationship to affordability in the financial section, and deliverability question D15) • Cost estimates for high risk/complex proposals supported by independent review or assurance • The agency provides assurance that no other components, within or outside of the scope of this investment, will require additional funding to realise the benefits detailed in this DBC (note relationship to scope question)
V18: Has the agency selected a preferred option that optimises value for money?	• Preferred option has the highest overall value for money, and evidence from commercial, financial and deliverability and governance and capability focus areas confirm deliverability, affordability and readiness to proceed • Where the project forms part of a wider programme, the preferred option makes a justified incremental contribution to programme outcomes and remains valid under the current programme scope, sequencing and dependencies

Rating scale

We use a traffic-light system to provide an overall rating for the value for money key focus area. The rating reflects the evaluators' holistic judgement of the evidence against the review questions and the description of what good looks like, using the rating scale below.

Status	Description
Green	The preferred option has a clearly defined scope, credible whole-of-life costs and robust economic analysis. It provides strong overall public value relative to credible alternatives and remains likely to provide value for money under proportionate uncertainty testing. Where the project forms part of a wider programme, its role, dependencies and incremental contribution are clearly demonstrated.
Amber	The preferred option has a defined scope and a credible value for money case, but some manageable gaps or uncertainties remain in the options process, costs, economic analysis or uncertainty testing. Where the project forms part of a wider programme, some dependencies, sequencing or incremental benefits require further clarification.
Red	There is insufficient confidence that the preferred option provides value for money or represents the strongest overall public value for money. Significant gaps or plausible changes in assumptions require revision or reconsideration before an investment decision is made. Where the project forms part of a wider programme, its role or incremental contribution has not been adequately demonstrated.

5. Financial

Is the preferred option affordable and fundable?

Focus of assessment

At Point 3, the financial assessment focuses on whether the preferred option is affordable over its life, whether funding is available or on a credible pathway for the next stage, and whether the proposed funding source and approach are credible and implementable. At this stage, the proposal should provide a clearer view of affordability than at Point 2, because the assessment is now focused on the preferred option rather than a range of shortlisted options.

A strong financial case at this stage means the agency has demonstrated that the preferred option is broadly affordable within approved funding parameters. This should include the expected capital cost as well as future operating, maintenance, and renewal funding obligations. The proposal should identify any material affordability risks and explain how these will be managed as the project progresses.

The proposal should also show that funding is in place, or there is a credible plan to secure funding, to progress the project to the next stage. This should include the source and status of funding, including any approvals required to commit, release, or draw down that funding. The preferred option should also have a credible and implementable funding source and approach, taking account of the nature of the infrastructure, who benefits, the certainty and timing of anticipated revenues or contributions, the feasibility of implementing the funding mechanism, and the affordability and willingness or ability of users or beneficiaries to contribute where relevant.

Reviewer tip

Connection with value for money

The preferred option's costs inform both the financial and value for money assessment. Assess here whether the preferred option is affordable over its life, whether funding is available or on a credible pathway for the next stage, and whether the proposed funding approach is credible and implementable. Whether its benefits justify those costs is assessed under **value for money.**

Concepts we are reviewing at this Point

Affordability

About this concept

Affordability is the extent to which the expected cost of the investment is realistic and manageable within the relevant funding context, including capital, operating, maintenance, and renewal costs. Reviewing project affordability is important for determining whether the preferred option is likely to be financially realistic, in terms of both short-term capital costs and longer-term operational expenditure.

At Point 3, affordability is about whether the preferred option can credibly be funded and sustained over the life of the asset or service. The assessment should consider whether the preferred option's whole-of-life costs fit within approved funding parameters, including future operating, maintenance, and renewal funding obligations. Because the

proposal is now focused on a preferred option, the affordability assessment should be more developed than at Point 2. It should identify any material cost pressures, funding constraints, or future affordability risks that could affect the ability to deliver, operate, maintain, or renew the infrastructure over time.

What we are looking for

At Point 3, the proposal should demonstrate that the preferred option has a credible pathway to funding, including capital costs, operating costs, maintenance, renewals, and other whole-of-life cost implications.

The whole-of-life costs for the preferred option should fit within approved funding parameters. This should include future operating, maintenance, and renewal funding obligations, not only the initial capital investment.

Where the preferred option is expected to place pressure on existing funding settings, the proposal should clearly identify the scale of that pressure and explain whether it can be managed through existing baselines, reprioritisation, additional Crown funding, external funding, co-funding, or other funding decisions.

The proposal should also identify material affordability risks and explain how these will be managed in the next stage. This may include risks related to scope, escalation, contingency, market capacity, delivery timing, operating costs, maintenance obligations, renewals, or asset condition assumptions.

Table 9 has an example of strong and weak practice.

Table 9: Confirming the preferred option is affordable over its life

Strong example	Weak example
A Detailed Business Case identifies a preferred option for a hospital redevelopment. It confirms the estimated capital cost, operating cost implications, maintenance requirements, and renewal obligations. It explains how these costs fit within approved funding parameters and where future funding decisions will be required. The case also identifies material affordability risks, including escalation and workforce-related operating costs, and sets out how these will be managed before approval to deliver.	A Detailed Business Case selects a preferred option for a hospital redevelopment but does not clearly show how it will be funded. It focuses on the capital cost of construction and does not identify operating, maintenance, or renewal costs. Decision-makers cannot tell whether the preferred option is financially sustainable over the life of the asset.

The strong example demonstrates that the agency has considered the full whole-of-life cost of the preferred option, not just the upfront capital cost. It shows how those costs fit within available funding parameters, identifies where further funding decisions will be needed, and recognises material affordability risks that could affect the investment over time.

The weak example focuses only on the cost of building the asset and does not demonstrate how the preferred option will be funded and sustained over its life. Without information on operating, maintenance and renewal costs, decision-makers cannot assess whether the option is genuinely affordable or whether future funding pressures could undermine delivery or operation.

Available funding

About this concept

Available funding is the extent to which funding is available, approved, or on a clear pathway for the next stage of the investment. Funding must be committed, or there must be a credible plan to secure funding, for a project to advance from one investment phase to the next. This includes funding for more advanced stages of business case planning, pre-implementation work, and project delivery where relevant.

At Point 3, available funding is about whether the project has a clear funding pathway for the progressing to Approval to Deliver. The proposal should identify the funding required, the source of that funding, and the status of funding approvals. This includes understanding whether funding has already been approved, whether further approvals are required, and whether any conditions must be met before funding can be committed, released, or drawn down.

What we are looking for

At Point 3, the proposal should demonstrate whether funding is in place, or there is a credible plan to secure funding, to progress the project to the next stage.

This should include the source of funding, such as capital funding, operating funding, third-party contributions, external funding, or co-funding. It should also identify the status of that funding, including whether it has been approved, whether it is subject to future Budget, Cabinet, agency, or other approval processes, and whether there are any conditions attached to its release or drawdown.

Where funding is not yet confirmed, the proposal should identify the funding gap, explain how and when funding is expected to be secured, and describe whether this creates a risk to progressing the project.

Funding approaches

About this concept

A credible and implementable funding approach is one that is appropriate for the nature of the infrastructure and who benefits from it, and that can realistically generate or secure the funding required to support the preferred option.

At Point 3, the preferred option should have a sufficiently developed funding approach to demonstrate a credible pathway to implementation, even where final funding approvals or contributions are not yet confirmed. This includes understanding the expected sources of funding, the level and timing of anticipated revenues or contributions, and any decisions, approvals or other steps required before the approach can be implemented.

The proposed funding mechanism should be feasible within the investment's timeframe and current policy and legislative context. Where costs are expected to be recovered from users or beneficiaries, the proposal should also consider whether the proposed charges or contributions are affordable and whether those expected to pay are willing and able to do so.

Relevant government guidance and principles, including the Treasury's Funding and Financing Framework where applicable, should inform the development of the proposed approach.

What we are looking for

At Point 3, the proposal should demonstrate that the preferred option has a credible and implementable funding source and approach. The assessment should explain why the proposed funding source is appropriate for the nature of the infrastructure and who benefits from it. It should identify the anticipated revenues, contributions or other funding sources and provide sufficient confidence about their availability and timing to support the investment.

The proposal should demonstrate a credible pathway for implementing the funding approach, including any approvals, legislative or policy requirements, charging arrangements, agreements with funding partners, or other steps required. The proposed mechanism should be capable of being implemented within the investment's timeframe and current policy and legislative context.

Where users or other beneficiaries are expected to contribute to costs, the proposal should demonstrate that user affordability and willingness or ability to pay have been appropriately considered.

The funding source and approach should also be consistent with relevant government guidance and principles, including the Treasury's Funding and Financing Framework, where applicable.

Table 10: Confirming the preferred option has a credible and implementable funding approach

Strong example	Weak example
A Detailed Business Case for a water infrastructure upgrade identifies that the preferred option primarily benefits direct network users. It assesses user charges, development contributions, Crown and local government funding, private capital and co-funding before identifying a preferred funding approach. The case explains the expected contribution from each source, when funding will become available, and the approvals and implementation steps required. It tests whether proposed user charges are affordable and capable of generating the anticipated revenue and demonstrates that the approach can be implemented within the project timeframe and current policy and legislative settings. Relevant government funding guidance has informed the approach.	A Detailed Business Case for a water infrastructure upgrade assumes that the preferred option will be funded through local government rates but provides little evidence that the required revenue can be raised when needed. It does not explain why rates are the appropriate funding source, whether other beneficiaries should contribute, or what decisions or processes are required to implement the approach. It does not consider the affordability of the proposed charges or demonstrate that the funding mechanism can be implemented within the project timeframe. Decision-makers therefore cannot determine whether the funding approach can realistically support the preferred option.

The strong example shows that the agency has considered a range of credible funding sources and selected an approach that reflects who benefits from the investment. It also demonstrates that the approach is implementable, with sufficient clarity about anticipated revenues, timing, approvals and implementation steps. Where users are expected to contribute, affordability has also been considered.

The weak example assumes a funding source without demonstrating that it is appropriate, sufficient or implementable. It does not provide confidence that the required revenue will be available when needed, explain the implementation pathway, or adequately consider who should contribute and whether proposed charges are affordable.

Point 3: Financial review questions

Question	What good looks like
Concept: Affordability	
F5: Is the preferred option affordable over its life?	• The preferred option's whole-of-life costs fit within approved funding parameters at the investment decision point and are credible relative to the agency's long-term investment and asset-management requirements • This should include significant whole-of-life funding obligations associated with the preferred option, including operating, maintenance, renewal and financing costs, where relevant • The effect of whole-of-life costs on the agency's capital and operating budgets should be demonstrated
Concept: Available funding	
F6: Is funding in place to progress the project to the next stage?	This should include: • the source of funding (for example, capital funding, operating funding, or third-party contributions), including external funding or co-funding • a clear plan to secure funding, setting out the status of that funding, and any approvals required to commit, release, or draw down that funding
Concept: Funding approaches	
F7: Is there a credible and implementable funding source and approach for the preferred option?	The preferred option has a funding source and approach that is credible and capable of supporting the investment, including: • The proposed funding source is appropriate for the nature of the infrastructure and who benefits from it • The funding approach has a credible implementation pathway, including sufficient certainty about anticipated revenues or funding contributions and the timing of their availability • The proposed mechanism is feasible within the investment's timeframe and current policy and legislative context • Where costs are recovered from users or beneficiaries, the implications for affordability and willingness or ability to pay have been appropriately considered • The funding source and approach are consistent with relevant government guidance and principles, including the Treasury's Funding and Financing Framework, where applicable

Rating scale

We use a traffic-light system to provide an overall rating for the financial key focus area. The rating reflects the evaluators' holistic judgement of the evidence against the review questions and the description of what good looks like, using the rating scale below.

Status	Description
Green	There is high confidence that affordability has been considered when selecting the preferred option, the preferred option sits within relevant affordability parameters, **and** funding is in place to progress the project or programme to the next stage or plans are in place to secure this, AND the preferred option has a credible and implementable funding source and approach.
Amber	Affordability has informed selection of the preferred option and a credible funding pathway has been identified, but some funding assumptions, approvals, conditions, anticipated revenues or contributions, or implementation arrangements require further resolution. Funding for the next stage is available or supported by a credible plan to secure it, and any remaining issues with the funding source or approach are capable of being resolved without materially undermining progression.
Red	Affordability has not been appropriately considered, **or** the preferred option is outside relevant affordability parameters, **or** there is no credible pathway to funding the next stage, **or** the proposed funding source or approach is not sufficiently credible or implementable to support the preferred option.

6. Commercial

Is the preferred commercial approach fit for purpose and supported by market evidence?

Focus of assessment

At Point 3, the commercial assessment focuses on whether the preferred commercial approach is sufficiently mature to support the investment decision and provide a credible pathway to procurement and successful delivery of the preferred option. This includes assessing whether the proposed commercial model, procurement strategy, market capability, risk allocation, and delivery approach have been appropriately developed and tested. Reviewers and decision-makers should have confidence that the preferred commercial approach is achievable within current market conditions, supported by an informed procurement strategy, and provides a credible pathway for successful project delivery.

The proposal should also demonstrate that market evidence and procurement planning are sufficiently mature for this stage to support commitment to the preferred option and provide a credible pathway towards Point 4.

Reviewer tips

Connection with Targeted Investment Reviews

At Point 3, assess whether the preferred commercial approach and procurement planning are sufficiently developed to support the investment decision and demonstrate a credible pathway to procurement and delivery. Do not assess whether every matter required to commence procurement has been fully resolved. Where material commercial or procurement-readiness matters remain dependent on further design, market engagement or other information, reviewers should identify these clearly. A Targeted Investment Review (TIR) may be recommended where additional assurance is warranted before the investment approaches the market.

Connection with deliverability

The proposed commercial approach determines how some risks may be allocated and managed through procurement and contracting. Assess here whether the commercial approach and proposed allocation of risk are appropriate. Wider delivery risks, dependencies and implementation arrangements are assessed under **deliverability.**

Connection with governance and capability

Procurement planning may identify specific decision-making, probity, capability and resource requirements. Assess here whether procurement planning is sufficiently developed to provide a credible route to market. Whether governance, decision-making authority, organisational capability and project capability are sufficient to support progression of the investment is assessed under **governance and capability.**

Relevant guidance and resources

Core New Zealand guidance:
New Zealand Government Procurement, *Government Procurement Rules, 5th edition*; New Zealand Government Procurement, *Plan your procurement*, within the *Guide to procurement*; New Zealand Government Procurement, *Construction Procurement Guidelines: Developing your construction procurement strategy*, where relevant.

These resources provide further guidance on procurement planning, market considerations, selection of delivery models, allocation of responsibilities and risks, and development of the proposed approach to market. The construction procurement guidance specifically addresses assessing project characteristics, client and market capability, delivery models and the approach to market.

Concepts we are reviewing at this Point

Commercial approach

About this concept

The commercial approach establishes how an investment will be procured, contracted, delivered and commercially managed throughout its lifecycle. It includes the delivery and contract model, packaging and staging, risk allocation, pricing arrangements, supplier interfaces, client capability and whole-of-life commercial management.

A credible commercial approach is important because it influences market participation, value for money, affordability, risk exposure and the agency's ability to successfully deliver and operate the investment.

Reviewer tips

Where reviewers consider that material information will not be sufficiently developed until after Point 3, they may recommend a TIR. This may be appropriate where further design, market evidence or other information is needed before remaining procurement details or the detailed risk allocation can be confirmed, and additional assurance would be valuable before approaching the market.

What we are looking for

At Point 3, the focus is on whether the preferred commercial approach has been sufficiently developed, tested and assured to support the investment decision and provide a credible pathway to procurement and delivery.

At Point 3, the agency should show that it has chosen a preferred commercial approach that is mature enough to support commitment to procurement planning for the preferred option. Overall, evidence provided should give confidence that the selected approach is suitable for the project's scope, risk profile and delivery requirements, Point 3 represents a progression from identifying and developing the commercial approach to confirming the preferred approach for the selected option. The agency should therefore demonstrate that:

- the preferred commercial approach has been selected and is appropriate for the preferred option
- commercial risks and risk allocation have been appropriately considered
- the agency understands the implications of the preferred commercial approach for procurement, delivery, and ongoing operation
- the commercial approach is proportionate to the scale, complexity, and risk of the investment
- the preferred commercial approach provides confidence that successful procurement and delivery can be achieved.

The paragraphs below elaborate on the points above, highlighting what agencies must address to instil confidence that their approach can be successfully procured and delivered.

Selecting an appropriate commercial approach for the preferred option

The agency needs to explain the strengths and challenges of their preferred approach, including how key challenges will be managed. In doing so, the agency should demonstrate that the preferred commercial approach is well matched to the project's scope, design maturity, risk profile and market conditions. Strengths can include clearer accountability, stronger price certainty, better supplier innovation, faster delivery, or improved integration of design, construction and commissioning. Likely challenges may include higher procurement complexity, reduced market competition, difficult risk allocation (including agencies carrying delivery risks), greater contract management demands, or the need for specialist commercial, technical and legal capability.

Consideration and allocation of commercial risks

The agency needs to show it considered the main risks and trade-offs of different commercial models, rather than only justifying the preferred approach. This includes how each model would affect risk allocation, price certainty, supplier appetite, procurement complexity, delivery control and contract management demands. The agency should explain why the preferred model is better suited to the project's scope, maturity and risk profile than credible alternatives. It should also identify any risks that the preferred model creates or increases, and how these will be managed.

The agency should explain which risks are best managed by suppliers and which should be retained, particularly where risks are uncertain or outside supplier control. The assessment should show how the preferred approach supports value for money and deliverability, and should be evidenced through a preliminary risk allocation framework that is proportionate to the scale, complexity, and risk of the investment.

Implications of preferred approach on procurement, delivery and ongoing operations

The agency should demonstrate that it understands the organisational, commercial and contract-management implications of the preferred commercial approach. This includes identifying the internal roles, specialist commercial and technical support, legal advice and contract-management capability likely to be required to procure and manage the selected model effectively. Any material capability requirements or gaps arising from the preferred approach should be identified and reflected in planning. Whether the organisation and investment team have, or can credibly secure, the required capability is assessed under governance and capability.

Ensuring approach is proportionate to the scale, complexity and risk of the investment

When selecting an investment's preferred commercial approach, agencies should ensure the procurement model, risk allocation and contract management effort are proportionate to the scale, complexity and risk of the investment. A simple, low-risk project may not justify a complex or resource-intensive commercial model. A high-cost or uncertain project may need more market testing, specialist advice, assurance and flexible risk allocation. If the approach is not proportionate, it can create unnecessary cost and delay, or leave major delivery risks unmanaged.

Table 11: Examples of strong and weak commercial approaches at Point 3

Strong example	Weak example
The Greenstone Rail Authority is planning a double-tracking rail upgrade along a section of an urban rail corridor. It has developed a reference design and cost estimate for its preferred option. The project involves track realignment, bridge works and drainage upgrades in an area with uncertain ground conditions. The Authority has assessed several commercial pathways, including design and construct, construct-only delivery, and a staged approach involving early contractor involvement before entering into a subsequent delivery contract. It concludes that the reference design and understanding of ground conditions are not sufficiently mature to support a construct-only procurement without creating substantial pricing and variation risk. It also considers that proceeding directly to a design and construct contract may limit the opportunity for the agency and supplier to jointly investigate and manage key geotechnical uncertainties before finalising the delivery contract. The Authority therefore selects a staged commercial approach, beginning with an early contractor involvement phase to further investigate ground conditions, develop the design, test construction methods and refine risk allocation. Subject to satisfactory completion of this phase, confirmation of value for money and the required approvals, the Authority may proceed to a subsequent delivery contract. A preliminary risk allocation framework identifies which geotechnical risks the Authority expects to retain and which may be transferred once the risks are better understood. The Authority concludes that retaining some residual ground-condition risk is likely to provide better value for money than requiring suppliers to price uncertainty that is substantially outside their control. The Authority has also identified the key procurement and contract-management implications of the staged approach and reflected these in its procurement planning.	The Greenstone Rail Authority is planning a double-tracking rail upgrade along a section of an urban rail corridor. It proposes using a construct-only contract based on its current reference design because it has previously delivered projects using this model and considers that it provides greater price certainty. The Authority intends to transfer residual geotechnical, design coordination and existing-asset risks to the supplier. It has not demonstrated that these risks are sufficiently understood or within the supplier's control, and it has not assessed whether a design and construct or staged early contractor involvement approach would provide better value for money. It has not prepared a preliminary risk allocation framework or tested how the proposed allocation may affect supplier appetite, competition, pricing or the likelihood of later variations.

The strong example demonstrates that the agency has assessed credible commercial pathways and selected an approach that reflects the project's design maturity, uncertainty, risk profile and value for money objectives. It also demonstrates that the agency has considered how risk allocation will influence supplier behaviour, pricing and competition, and has supported its preferred approach with a preliminary risk allocation framework. This provides confidence that the commercial approach is well matched to the investment and provides a credible pathway to successful procurement and delivery.

The weak example shows that the agency has selected a commercial approach without demonstrating that it is the best fit for the project's design maturity or risk profile. It assumes that transferring risk to the supplier will provide greater cost certainty, despite limited evidence that those risks are sufficiently understood or within the supplier's control. The agency has not assessed credible alternative commercial pathways, prepared a preliminary risk allocation framework, or considered how its proposed risk allocation may affect supplier appetite, competition or pricing. As a result, decision-makers cannot be confident that the proposed commercial approach will achieve value for money or support successful delivery.



Key insight: Assurance of commercial approach

The preferred commercial approach should be assured because it is a key driver of value for money, risk allocation and delivery confidence. Assurance should be proportionate to the project's cost, complexity and risk. For high-cost or complex projects, good practice is likely to include an independent external peer review, or advisers with demonstrable transaction experience in the relevant commercial model, to challenge whether the approach is suitable, market-tested, deliverable and supported by the agency's capability.

Market conditions

About this concept

Market conditions are key factors enabling suppliers to participate in and successfully deliver infrastructure solutions. These typically relate to suppliers' capability, capacity and interest to deliver. Successful delivery depends on there being a market with the capability, capacity, and appetite to deliver the preferred option. At Point 3, the focus is on whether market analysis and engagement have demonstrated that the preferred commercial approach is achievable under current market conditions, and whether significant market risks have been identified and appropriately addressed.

What we are looking for

At Point 3, the agency should provide current and proportionate evidence that:

- the market has sufficient capability, capacity, and interest to deliver the preferred option
- market engagement has informed commercial and procurement decisions
- significant market risks have been identified and are being appropriately managed
- delivery timing and market conditions have been considered
- procurement planning supports sustainable market participation.

The following information provides further detail on these expectations.

Market capability, capacity and interest

The agency can provide recent evidence from market engagement, supplier soundings, adviser input or comparable procurements. The agency should show that suppliers with the required skills, scale and experience are likely to bid, and that they can deliver within the proposed timeframe.

Market engagement

This includes clear evidence of what the market said and how this has influenced the shaping of the procurement approach. This could include changes to packaging, timing, risk allocation, contract model, tender requirements or evaluation criteria.

Market risks

The agency should detail market risks, such as limited competition, supplier capacity constraints, specialist skill shortages, supply chain pressures or unattractive risk allocation. The agency should explain how these risks will be managed through procurement design, delivery timing, contract settings or market engagement.

Delivery timing and market conditions

The agency should demonstrate that they have tested whether the proposed procurement and delivery timetable is realistic in current market conditions. This should consider competing programmes, labour availability, material supply, escalation pressures and supplier mobilisation timeframes.

Enabling sustainable market participation

The agency should demonstrate that their procurement approach encourages capable suppliers to participate without imposing unreasonable cost, risk or timetable pressures. The agency should consider whether packaging, tender requirements, bid costs, risk transfer and programme timing support a healthy and competitive supplier market.



Key insight

At Point 3, agencies are expected to provide current and proportionate evidence that capable suppliers are likely to have the capacity and interest to participate. The assessment should identify barriers such as competing programmes, labour constraints, supply-chain pressures or unattractive risk allocation that could affect future procurement. Where material barriers remain, agencies should demonstrate that credible responses are being developed before Point 4. Where resolution depends on further market evidence or other information, a Targeted Investment Review may be appropriate before the market is approached.

Point 4 may be too late to address significant market constraints without affecting project timelines or procurement outcomes.



Using the National Infrastructure Pipeline

The National Infrastructure Pipeline gives agencies a forward view of planned infrastructure activity by sector, region, and funding status, showing where competing investments may constrain market capacity, and where investment timing can be coordinated with other providers and the construction market.

Procurement

About this concept

Procurement translates the preferred commercial approach into a practical strategy for engaging the market, securing suppliers, and delivering the required assets. At Point 3, the focus is on whether procurement planning is sufficiently developed to support the investment decision and provide confidence in a credible and achievable pathway to procurement. This includes the proposed procurement methodology, market approach, governance and approvals, evaluation and probity arrangements, commercial capability, programme, and transition to delivery.

What we are looking for

At Point 3, the agency should demonstrate that procurement planning has been developed to a level sufficient to support the investment decision. The planning should provide confidence that procurement can be successfully

progressed following Approval to Deliver, without requiring all procurement documents and arrangements to be fully completed at this Point.

The agency should have identified procurement ownership, key decision and approval requirements, probity and assurance needs, material procurement risks, and the activities and dependencies that must be addressed before procurement commences.

The agency should demonstrate a credible procurement process covering market engagement, evaluation, contract award and transition to delivery. The proposed procurement process should be appropriately sequenced, with realistic timeframes, clear evaluation criteria, planned supplier engagement and a defined handover from procurement to delivery.

Key approval dependencies and timelines should be identified and realistic. This means a clear timeline that reflects the effort required for internal approvals, external dependencies, market engagement, tender periods, negotiation, contract award and mobilisation.

The agency should identify the commercial, technical, legal and specialist expertise likely to be required to undertake procurement using the preferred approach, including any material capability gaps or timing dependencies. Whether the organisation has, or can credibly secure, the required capability is assessed under governance and capability. Resource planning should be sufficiently developed to identify internal roles, adviser requirements, capability gaps, and when each resource needs to be available.



Expectations for procurement planning at Point 3

Procurement plans are not expected to be fully completed by Point 3. However, procurement planning should provide sufficient evidence of a credible and achievable pathway to market following Approval to Deliver at Point 4. It should identify the key activities, decisions, dependencies, outstanding readiness matters and realistic timelines required to support successful procurement and delivery. Where material matters remain dependent on further evidence or development, a Targeted Investment Review (TIR) may be appropriate before the investment approaches the market.

Point 3: Commercial review questions

Question	What good looks like
Concept: Commercial approach	
C5: Has the preferred commercial approach been sufficiently developed and tested to support the investment decision and provide a credible pathway to procurement and delivery?	• The preferred commercial approach has been selected and is demonstrably appropriate for the preferred option, considering its scope, maturity, complexity and risk profile • Credible alternative commercial approaches have been considered and the rationale for the preferred approach is clear • The commercial approach is supported by a preliminary risk allocation framework that demonstrates material risks have been allocated to the party best placed to manage them • The agency understands the implications of the preferred commercial approach for procurement, delivery and ongoing operation • The approach is proportionate to the scale, complexity and risk of the investment and provides confidence that successful procurement and delivery can be achieved
Concept: Market conditions	
C6: Has the agency provided evidence that the market has the capability, capacity and interest to deliver the preferred option within current market conditions?	• Current and proportionate evidence demonstrates that suppliers with the required capability, capacity and interest are likely to participate and that sufficient competition can reasonably be achieved, or the implications of a limited market are understood • Market engagement has informed the commercial approach and procurement planning, including, where relevant, packaging, timing, risk allocation and contract settings • Material market constraints, including labour and supply-chain pressures, competing programmes, delivery timing and unattractive risk allocation, have been identified and understood • Where material market constraints exist, credible responses have been incorporated into commercial and procurement planning to support competitive and sustainable market participation
Concept: Procurement	
C7: Has the agency undertaken a sufficient level of procurement planning to support commitment to the preferred option?	• Procurement planning is sufficiently developed to support commitment to the preferred option and provide confidence in a credible and achievable pathway to procurement following Approval to Deliver • The proposed procurement pathway covers the key activities, decision and approval requirements, assurance and probity needs, market engagement, evaluation and selection approach, contract award, transition to delivery and indicative timelines • The commercial, technical, legal and specialist expertise required for procurement has been identified, together with any material capability gaps or timing dependencies • The agency shows an understanding of any commercial and procurement decisions that remain open and how they will be resolved if relevant

Rating scale

We use a traffic-light system to provide an overall rating for the commercial key focus area. The rating reflects the evaluators' holistic judgement of the evidence against the review questions and the description of what good looks like, using the rating scale below.

Status	Description
Green	The preferred commercial approach is fit for purpose and proportionate to the investment, is supported by current market evidence, and procurement planning is sufficiently developed to support commitment to the preferred option, and provide confidence in a credible pathway to successful procurement and delivery.
Amber	The preferred commercial approach, market evidence and procurement planning are generally appropriate to support commitment to the preferred option, although material aspects require further development before the investment approaches the market. These matters have a credible pathway to resolution and do not prevent progression at this stage. A Targeted Investment Review may be appropriate where further assurance is warranted.
Red	The preferred commercial approach, market evidence or procurement planning are insufficiently developed to support commitment to the preferred option, or demonstrate a credible pathway to procurement and delivery. Material commercial issues remain unresolved and require significant further development.

7. Governance and capability

Are governance, controls and capability ready to progress the preferred option?

Focus of assessment

At Point 3, the review focuses on whether the organisation has the governance, capability, planning and assurance arrangements sufficiently developed to support commitment to the preferred option and provide a credible pathway to procurement and delivery of the preferred option. At this stage, organisational capability, implementation planning, governance, project assurance and leadership arrangements should be sufficiently mature to support progression towards procurement and delivery.

Reviewer tips

Reviewers should have confidence that the organisation has the experience, capacity, leadership, project controls, governance and assurance appropriate to this stage to support commitment to the preferred option and successfully progress the preferred option towards procurement and delivery.

Connection with commercial

Governance and capability should reflect the requirements of the proposed procurement approach. Assess here whether the agency has the authority, governance arrangements and capability needed for the next stage. Whether procurement planning itself provides a credible route to market is assessed under **commercial – procurement.**

Connection with Targeted Investment Reviews

Point 3 does not require every governance, capability or delivery-management arrangement for the procurement and delivery phases to be fully established. However, material gaps should be understood, owned and have a credible pathway to resolution. Where material readiness matters require further evidence or confirmation before the investment approaches the market, a Targeted Investment Review may be appropriate.

Concepts we are reviewing at this Point

Organisational track record and ability to deliver

About this concept

An organisation's ability to successfully deliver an investment is a critical determinant of project success. Even where a strong Detailed Business Case exists, projects can experience delays, cost escalation, procurement challenges, or benefits shortfalls if the organisation lacks the capability, capacity, leadership, or experience required to deliver them. At Point 3, the focus is on whether the organisation's track record and previous delivery experience provide confidence that it understands the challenges associated with the preferred option and has applied relevant lessons to its proposed delivery approach. Where directly comparable experience is limited, the resulting risks should be understood and credible arrangements identified to supplement that experience.

What we are looking for

The proposal should demonstrate that the organisation has relevant experience delivering investments of comparable scale, complexity, and risk. This should include experience managing the commercial, technical, financial, delivery, statutory, stakeholder, and operational challenges associated with the preferred option.

The organisation should also demonstrate that it has the leadership, governance, systems and delivery capability required for the preferred option, and that its capacity remains sufficient when current commitments and competing programmes of work are taken into account.

Where the organisation has limited experience of investments of comparable scale, complexity or risk, the proposal should identify the implications and demonstrate how relevant experience will be supplemented through partnerships, advisers, specialist support or other arrangements.

Learning from previous delivery experience provides an opportunity to improve delivery practice. Previous experience and relevant lessons learnt should inform how the organisation proposes to govern, resource, plan, and manage risk for the investment. These lessons should be demonstrably reflected in the proposed delivery approach, rather than simply listed. The evidence should provide confidence that the organisation understands the challenges it is likely to encounter, is applying lessons from comparable investments, and is ready to progress from business case development towards procurement and delivery.

Team capacity and capability

About this concept

Successful delivery of an investment depends on having the right people, with the right skills, available at the right time. Delivering infrastructure requires contributions from diverse teams of subject matter experts.

At Point 3, the focus is on whether the project has the leadership, capability and capacity appropriate to this stage, together with credible arrangements for securing the capability required as the investment progresses through procurement and delivery. The exact mix of skills required will depend on project scale, complexity and risk, but can include expertise in project leadership, commercial capability, and project management, and a range of other specialised areas. Inadequate capability or capacity at this stage can result in procurement delays, delivery risks, cost escalation, and reduced confidence in successful implementation.

What we are looking for

The proposal should demonstrate that the project has the leadership, capability, capacity, and specialist expertise required to deliver and implement the preferred option. Key leadership roles should be filled by appropriately experienced individuals, and the project team should have sufficient internal capacity to manage delivery, governance, reporting, risk, commercial activities, stakeholder requirements, and transition into operation.

Required technical, commercial, procurement, financial, planning, environmental, legal, operational, and project-management expertise should be identified and available when needed through internal resources or external advisers. The project-management arrangements and any supporting programme or project-management office capability should be proportionate to the scale, complexity, and risk of the investment.

Roles, responsibilities, reporting lines, delegations, and accountabilities should be clearly defined and understood. The team should operate as an integrated delivery function under clear leadership, with effective coordination between project, commercial, technical, operational, and specialist workstreams.

Project planning maturity

About this concept

As a project progresses through the planning lifecycle, its level of maturity increases. The preferred scope becomes better defined, designs become more developed, cost estimates become more reliable, and project risks become better understood. By the Detailed Business Case stage, the project should have reached a level of maturity that provides a robust basis for the investment decision and a credible pathway towards procurement and delivery.

Reviewer tips

Different sectors use different design-development and cost-estimating classifications. Avoid relying solely on a stated design percentage or estimate class when assessing project maturity. Instead, consider whether the underlying scope, investigations, assumptions, design information, risk assessment, and estimating methodology are sufficiently mature to support the proposed investment decision, procurement strategy, and delivery approach.

Different infrastructure sectors use different approaches to classifying design maturity and cost estimates. Regardless of the methodology used, there are several common characteristics:

- There is a defined estimating methodology for the estimation type/class.
- Each estimate type/class has an intended usage, for example, for bid/tender.
- A maturity level is reported, for example, 30% to 75%.
- An expected accuracy range is reported based on maturity, for example, -10% to +30%.

Higher levels of planning maturity are generally associated with more detailed design information, more reliable cost estimates, and narrower estimate accuracy ranges. Appropriate cost estimating depends on the maturity of key inputs, including design, investigations, consenting strategies, and risk assessment.

Mature project planning provides confidence that the preferred option has a credible and achievable pathway to procurement, delivery and transition into operation. At Point 3, the focus is on whether implementation planning is sufficiently mature to support the investment decision and that pathway. Appropriate project planning maturity is critical at Point 3 because quality of planning undertaken prior to receiving funding strongly predicts whether a project will be delivered on time, on budget, and deliver the intended benefits.

This includes confidence that project scope, programme, resources, governance, procurement, approvals, project controls, and implementation requirements have been appropriately developed and integrated. It also includes confidence that the preferred option has reached an appropriate level of design development and cost estimate maturity for this stage of the investment lifecycle.

Warning

Research into Australian megaprojects found that although only one-third of funded projects commenced without a completed business case, these projects accounted for almost 80% of total cost overruns. This highlights the importance of completing robust planning before committing to implementation.[1]

What we are looking for

The Detailed Business Case should be substantially complete and provide a robust and internally consistent basis for the investment decision. The preferred scope should be sufficiently defined, and design development should be appropriate to support implementation planning, cost estimation, risk assessment, and future delivery.

Cost estimates should reflect the current scope and level of design maturity, use an appropriate estimating methodology, include suitable allowances for risk and uncertainty, and be independently reviewed where appropriate. Contingency allowances should be consistent with the project's risk profile and the maturity of the available

[1] Terrill, M., O Emslie, and G Moran. The Rise of Megaprojects: Counting the Costs. Grattan Institute Report No 2020-15. 2020. Accessed September 20, 2021. https://grattan.edu.au/wp-content/uploads/2020/11/The-Rise-of-Megaprojects-Grattan-Report.pdf

information. For example, a project proposing a traditional construction contract would normally require a more developed design and more tightly defined scope than a project using a design-and-build model. In either case, the design and cost estimate should be sufficiently mature to support the proposed procurement strategy, risk allocation, investment decision, and the level of cost certainty appropriate for that stage of the project.

A realistic and credible implementation programme should integrate procurement, statutory approvals, enabling works, delivery, commissioning, transition activities, operational readiness, and key dependencies. It should identify critical milestones, decision points, sequencing requirements, resources, and the critical path to implementation.

Project scope, programme, resources, governance, approvals, controls, dependencies, and implementation requirements should be integrated into a coherent implementation plan. Appropriate project controls, reporting arrangements, change-control processes, and performance-monitoring systems should be established. Key assumptions, risks, dependencies, interfaces, constraints, and critical decisions should be actively managed. Overall, planning should be proportionate to the scale, complexity and risk of the investment, and demonstrate that the preferred option is sufficiently mature to support a robust investment decision and demonstrate a credible and achievable pathway towards procurement and delivery.

Project assurance

About this concept

Project assurance provides independent challenge, verification, and confidence that the preferred option and implementation arrangements are sufficiently robust to support investment decisions. At Point 3, the focus is on whether appropriate assurance activities have been completed and have provided confidence that the preferred option, Detailed Business Case and implementation planning are sufficiently robust to support commitment to the preferred option and planned pathway towards procurement and delivery. Effective assurance improves decision-making, identifies emerging risks and issues, strengthens project quality, and reduces the likelihood of avoidable delivery failures, cost escalation, and unrealised benefits.

What we are looking for

The proposal should demonstrate that assurance activities are proportionate to the scale, complexity, and risk of the investment and that appropriate independent assurance has been undertaken throughout development of the Detailed Business Case and implementation arrangements.

Assurance should typically include a suitable combination of internal quality review, peer review, specialist technical and commercial assurance, cost and schedule assurance, governance oversight, and formal assurance reviews where appropriate. Different types of assurance will be appropriate for different projects and project components. For example, some projects may require independent peer review of cost estimates, while others may require specialist design reviews, safety audits, commercial assurance, or sector-specific technical assurance activities. Assurance should be proportionate to the scale, complexity, risk, and delivery approach of the investment.



Reviewer tips

At the Detailed Business Case stage, reviewers should expect to see evidence that appropriate assurance activities have been undertaken, and that the findings have informed development of the preferred option, implementation planning, and commitment to the preferred option. This Point Review does not replace project-level assurance activities. Instead, it considers whether the assurance undertaken is appropriate for the scale, complexity, and risk of the investment, and whether significant findings have been addressed before progression.

Assurance findings and recommendations should demonstrably inform project development, implementation planning, and investment decision-making. Actions arising from assurance reviews should be actively monitored and managed, and either appropriately closed out or carried forward with clear ownership and agreed timeframes. Any significant unresolved findings should be clearly reported and understood by decision-makers. The evidence should

provide confidence that the preferred option, Detailed Business Case and implementation arrangements are sufficiently robust to support the investment decision and progression towards procurement and delivery.

Appropriateness of governance arrangements

A useful way to distinguish governance from project management is that governance represents the interests of the investing organisation and provides direction, oversight, accountability, and decision-making authority. Project management is responsible for the day-to-day coordination and delivery of the work within the parameters established by governance.

Effective investment governance provides the leadership, accountability, oversight, and decision-making necessary to successfully procure, deliver, and realise the intended benefits of an investment. The Senior Responsible Owner (SRO) is accountable to the investing organisation for the successful development and delivery of the investment and the realisation of its intended outcomes. The SRO should have sufficient authority, capacity, continuity, and access to decision-makers to perform this role effectively.

At Point 3, the focus is on whether governance arrangements are operating effectively and provide sufficient oversight, accountability and decision-making authority to support the investment decision and progression towards procurement and delivery of the preferred option. Strong governance enables timely decisions, effective management of risks and issues, and appropriate oversight throughout project delivery.

What we are looking for

Governance arrangements should be clearly documented and appropriate to the scale, complexity, risk, and delivery model of the investment. In most cases, a single SRO should be accountable for the success of the project, supported by a suitably empowered project leader responsible for day-to-day delivery.

The SRO and project leadership should have sufficient authority, engagement, expertise, capacity, continuity, and appropriate delegations to perform their roles effectively. Governance groups should have appropriate membership, expertise, authority, and responsibilities. Where delivery involves multiple organisations, inter-agency or multi-party governance arrangements should clearly define shared responsibilities, accountabilities, and decision-making processes.

Governance roles, reporting lines, delegations, decision rights, and escalation pathways should be clearly defined and operating effectively. Governance should receive timely and reliable reporting on project scope, programme, cost, risk, performance, dependencies, and significant issues. It should support timely decision-making and effective escalation and resolution of matters that exceed agreed tolerances.

The evidence should demonstrate that governance arrangements are operating in practice, support successful delivery of the preferred option, and will remain proportionate as the investment progresses through delivery.

Table 12: Confirming the organisation is ready to successfully procure and deliver the preferred option

Strong example	Weak example
The Gateway Transport Project is seeking commitment to the preferred option following completion of its Detailed Business Case, enabling the preferred option to progress towards procurement and delivery. During design development, updated ground investigations identified poor ground conditions beneath a major interchange, increasing the forecast cost and creating a six-month programme risk. In response, the Project Director escalated the issue when the forecast exceeded the approved tolerance. The Senior Responsible Owner convened the project governance board, which included commercial, technical, operational, financial and investor representatives with the authority required to make timely decisions. The integrated project team assessed the available responses, including redesign, additional ground treatment, scope adjustment and revised risk allocation. The cost estimate and implementation programme were independently reviewed, and the project's quantitative risk assessment and contingency were updated. Governance considered the implications for benefits, affordability, procurement strategy and operational performance before approving a revised technical approach and recommending a revised funding envelope. The decision, assumptions, accountabilities and residual risks were clearly recorded. Assurance actions were assigned and monitored, and the revised scope, programme, estimate, risk allocation and procurement planning were aligned before the investment decision was presented for approval. The organisation has successfully delivered comparable transport investments, has retained experienced leadership and maintains specialist capability for procurement and delivery. Project controls provide reliable reporting on scope, cost, programme, risk, benefits and performance, with clear tolerances and escalation pathways. Overall, the organisation's governance, capability, planning, controls and assurance arrangements are sufficiently developed to support the investment decision and provide a credible pathway to procurement and delivery of the preferred option.	The Gateway Transport Project is seeking an investment decision following completion of its Detailed Business Case, enabling the preferred option to progress towards procurement and delivery. During design development, updated ground investigations identified poor ground conditions beneath a major interchange, increasing the forecast cost and creating a six-month programme risk. The issue was discussed within the technical team for several months and was not formally escalated because governance tolerances and decision rights were unclear. The Senior Responsible Owner had limited involvement, and the governance board received inconsistent reporting on the potential cost and programme consequences. Design changes were progressed before the commercial, operational and financial implications had been assessed. The cost estimate was updated using a general allowance rather than a revised risk assessment, the implementation programme continued to assume the original completion date, and the procurement strategy did not clearly allocate the ground-condition risk. Several senior delivery roles remained vacant, and specialist commercial and scheduling capability was shared across competing programmes. Independent assurance identified concerns about the estimate, programme and governance arrangements, but the recommendations had no clear owners or agreed closure dates. The project nevertheless continued to seek the investment decision on the basis of the original scope, funding envelope and programme. Overall, the current arrangements do not provide a sufficiently reliable basis for timely decision-making, change control, risk management or successful procurement and delivery of the preferred option.

At Point 3, reviewers should look beyond whether governance structures exist on paper and consider whether they are operating effectively. Strong governance is demonstrated when emerging issues are identified, escalated within clear tolerances, considered by appropriately authorised decision-makers, and resolved using reliable project information and independent challenge. The resulting decisions should be reflected consistently across scope, programme, cost, risk, procurement, and funding. This provides confidence that the organisation can maintain control when delivery conditions change.

Weak governance often becomes visible when a project encounters pressure or uncertainty. Where decision rights are unclear, reporting is unreliable, leadership capacity is limited, or assurance actions remain unresolved, significant issues may drift while the business case continues to present outdated assumptions. At the Detailed Business Case stage, this is a material concern because the investor may be asked to approve the investment on a basis that the delivery organisation is not yet capable of credibly progressing towards procurement and delivery.

Point 3: Governance and capability review questions

Question	What good looks like
Concept: Organisational track record and ability to deliver	
G12: Does the organisation have a track record and organisational experience that provide confidence it can successfully deliver the preferred option?	• The organisation has demonstrated experience delivering investments of comparable scale, complexity and risk • Its previous experience demonstrates an ability to manage relevant commercial, technical, financial, statutory, stakeholder, operational and delivery challenges • Relevant lessons from previous investments have been identified and demonstrably reflected in the proposed governance, resourcing, planning and risk-management approach • Where comparable organisational experience is limited, the resulting risks and capability gaps are understood, and credible arrangements are in place to supplement the organisation's experience • The evidence provides confidence that the organisation understands the delivery challenges likely to arise and has adapted its approach accordingly

Question	What good looks like
Concept: Team capacity and capability	
G13: Does the project have the leadership, capability and capacity required to progress the preferred option through procurement and delivery?	• Key project leadership roles are filled by appropriately experienced individuals with sufficient capacity to perform their roles effectively • The project team has sufficient capability and capacity to manage the investment through the next stage • Required technical, commercial, procurement, financial, planning, environmental, legal, operational and project-management expertise has been identified and is available when needed through internal resources and/or external advisers • Material capability, resourcing or continuity risks have been identified, with credible arrangements to secure or retain the required capability before they become constraints on procurement or delivery • Current organisational commitments, capacity constraints and known delivery weaknesses have been considered and do not materially undermine confidence in successful delivery • Roles, responsibilities, reporting lines, delegations and accountabilities are clearly defined and understood • Project-management and supporting PMO arrangements are proportionate to the scale, complexity and risk of the investment • The project team operates as an integrated delivery function under clear leadership, with effective coordination across relevant workstreams

Question	What good looks like
Concept: Project planning maturity	
G14: Is project planning sufficiently mature and integrated to support the investment decision and provide a credible pathway to procurement and delivery?	• The Detailed Business Case is substantially complete and provides a robust and internally consistent basis for commitment to the preferred option • The preferred scope is sufficiently defined and design development is appropriate for the proposed procurement and delivery approach (note relationship with scope under the value for money key focus area) • Cost estimates including contingency reflect the current scope and level of design maturity, use an appropriate estimating methodology and have been independently reviewed where appropriate (note the relationship to value for money V17) • A realistic and credible implementation programme integrates procurement, statutory approvals, enabling works, delivery, commissioning, transition activities, operational readiness and key dependencies • Project scope, programme, resources, governance, approvals, controls and implementation requirements are integrated into a coherent implementation plan • Appropriate project controls, reporting arrangements, change-control processes and performance-monitoring systems are established • Key assumptions, risks, dependencies, interfaces, constraints and critical decisions are identified and actively managed • Overall planning provides confidence that the preferred option is sufficiently mature to support the investment decision and has a credible pathway towards procurement and delivery • Benefits realisation arrangements are sufficiently developed for this stage, including identified benefit owners, proposed measures and data requirements, and a credible plan to maintain benefits information through procurement and delivery • Baseline data has been collected where this needs to occur before procurement, construction or implementation changes the conditions against which future benefits will be measured

Question	What good looks like
Concept: Project assurance	
G15: Has appropriate project assurance been undertaken, and has it provided sufficient confidence to support the investment decision and planned pathway to procurement and delivery?	• The assurance approach is proportionate to the scale, complexity, and risk of the investment, and includes appropriate independent assurance activities (such as internal quality assurance, peer reviews, specialist assurance, and governance oversight) • Assurance findings have informed project development, implementation planning, and investment decision-making • Actions arising from assurance reviews are actively monitored and managed, and are either appropriately closed out or carried forward with clear owners and timeframes • Assurance activities provide confidence that the preferred option, Detailed Business Case and implementation arrangements are sufficiently robust to support the investment decision and progression towards procurement and delivery
Concept: Appropriateness of governance arrangements	
G16: Are governance arrangements clearly defined, proportionate and operating effectively to support the investment decision and progression towards procurement and delivery?	• A single Senior Responsible Owner (SRO) is identified and accountable for the success of the investment • A suitably empowered project leader is responsible for day-to-day delivery • The SRO has sufficient authority, engagement, expertise, capacity, continuity and appropriate delegated decision-making authority to perform the role effectively • Governance groups have appropriate membership, expertise, authority and clearly defined responsibilities • Where delivery involves multiple organisations, inter-agency or multi-party governance arrangements clearly define shared responsibilities, accountabilities and decision-making processes (note relationship with Interdependences and Interfaces under the Deliverability key focus area) • Governance roles, reporting lines, delegations, decision rights and escalation pathways are clearly defined and understood • Governance arrangements are being used as intended and provide effective oversight of scope, programme, cost, risk, performance, dependencies and significant issues • Governance arrangements support timely decision-making and effective escalation and resolution of matters exceeding agreed tolerances • Governance arrangements are proportionate to the scale, complexity, risk and delivery model of the investment and are capable of evolving appropriately as the investment progresses

Rating scale

We use a traffic-light system to provide an overall rating for the governance and capability key focus area. The rating reflects the evaluators' holistic judgement of the evidence against the review questions and the description of what good looks like, using the rating scale below.

Status	Description
Green	The proposal demonstrates that governance, organisational capability, project planning and assurance arrangements are sufficiently mature to support commitment to the preferred option and provide confidence in a credible and achievable pathway to procurement and delivery of the preferred option.
Amber	The proposal demonstrates that governance, organisational capability, project planning and assurance arrangements are generally appropriate to support commitment to the preferred option. Some material gaps or weaknesses remain, but these have clear owners and credible pathways to resolution and do not prevent progression at this stage.
Red	The proposal does not demonstrate sufficient governance, organisational capability, project planning or assurance maturity to support commitment to the preferred option or provide confidence in a credible pathway to procurement and delivery. Significant gaps or weaknesses remain unresolved and materially undermine confidence in the organisation's ability to progress the preferred option successfully.

8. Deliverability

Are key risks, dependencies and operational needs integrated into a credible delivery plan?

Focus of assessment

At Point 3, the review focuses on whether the external and organisational conditions necessary for successful delivery have been identified, integrated into implementation planning, and are being actively managed. This includes management of key interdependencies, statutory approvals, third-party interfaces, delivery risks, stakeholder impacts, and organisational change required to support successful implementation and transition into operation. Consideration is given to whether the preferred option has a credible and achievable pathway to procurement, delivery and implementation.

Reviewer tips

Reviewers should have confidence that significant delivery dependencies have been identified, appropriate mitigation strategies are in place, and the preferred option can be successfully implemented within its wider operating environment.

Connection with commercial

Some delivery risks may be addressed through the proposed commercial or contractual arrangements. Assess here whether the overall delivery risk profile is understood and manageable. Whether commercial risks are allocated appropriately is assessed under **commercial.**

Connection with Targeted Investment Reviews

At Point 3, assess whether the key dependencies, risks and implementation arrangements are sufficiently developed to support the investment decision and demonstrate a credible pathway to procurement and delivery. Do not expect every dependency, approval, third-party agreement or implementation matter to be fully resolved. Where material delivery-readiness matters remain dependent on further design, approvals, third-party agreement or other information, reviewers should identify these clearly. A Targeted Investment Review may be recommended where additional assurance is warranted before the investment approaches the market.

Connection with governance and capability

Delivery planning may identify organisational, operational and capability requirements. Assess here whether these requirements and dependencies have been identified and integrated into implementation planning. Whether the organisation and investment team have, or can credibly secure, the capability required to progress the investment is assessed under **governance and capability.**

Concepts we are reviewing at this Point

Interdependencies and interfaces

About this concept

Many investments rely on activities, approvals, infrastructure, services, organisations, or decisions outside the direct control of the project team. Successful delivery depends on these interdependencies and interfaces being understood, coordinated, and actively managed. At Point 3, the focus is on whether the critical interfaces, dependencies, enabling works, statutory approvals, land requirements, and third-party requirements have been incorporated into implementation planning and whether appropriate arrangements are in place to support coordinated delivery.



Warning

Failure to effectively manage these relationships can result in delivery delays, cost escalation, operational disruption, and reduced benefits realisation.

What we are looking for

The proposal should demonstrate that all critical interdependencies, interfaces, enabling works, and third-party requirements have been identified and incorporated into implementation planning. This should include statutory approvals, land and property requirements, utility interfaces, enabling activities, and any reliance on organisations or decisions outside the direct control of the project team.

Critical dependencies required to realise the intended benefits should also be identified and reflected in implementation planning, including external enablers, partner actions, service changes or related investments that sit outside the project scope.

Responsibilities for managing significant interfaces should be clearly defined, supported by appropriate governance, coordination, decision-making, and escalation arrangements. Where successful delivery depends on other organisations or delivery partners, there should be evidence that the parties are aligned on the project's objectives, scope, responsibilities, timing, and intended outcomes, with formal agreements in place or sufficiently progressed where appropriate.

The implementation programme should reflect the timing and sequencing of key dependencies, approvals, interfaces, and enabling works. Associated risks should be actively monitored and managed, providing confidence that these relationships and dependencies can be effectively coordinated throughout delivery and implementation.

Risk management

About this concept

Effective risk management provides confidence that the key uncertainties affecting successful procurement, delivery, implementation, and operation of the preferred option have been identified, assessed, and are being actively managed. At Point 3, the focus is on whether risk management has matured sufficiently to support investment commitment, procurement, delivery planning, cost estimation, and implementation. Effective risk management supports informed decision-making, realistic delivery planning, appropriate commercial and procurement strategies, and successful long-term project outcomes.

What we are looking for

The proposal should demonstrate that the full range of strategic, commercial, financial, delivery, statutory, environmental, operational, and implementation risks has been identified, assessed, and is being actively managed. Risk information should inform project planning, the preferred delivery and commercial approaches, governance arrangements, cost estimation, contingency, programme development, and the investment decision.

Risk ownership and allocation should be clearly defined, including which risks will be retained by the organisation, transferred to suppliers, shared with delivery partners, or managed by the future asset owner or operator. Appropriate risk-management plans, mitigation measures, monitoring, reporting, and escalation arrangements should be in place for significant risks.

Risk assessments should be reflected in project cost estimates, contingency allowances, delivery assumptions, and programme planning. Contingency should appropriately reflect the project's current risk profile and level of scope and design maturity. Overall, risk-management arrangements should be proportionate to the scale, complexity, and risk of the investment and provide confidence that remaining risks can be effectively managed through delivery and implementation.

Stakeholder engagement

About this concept

Successful delivery depends on understanding and appropriately engaging the individuals, groups, communities, organisations, and users affected by an investment. At Point 3, the focus is on whether stakeholder engagement has informed development of the preferred option, implementation impacts have been appropriately considered, and significant stakeholder issues are being actively managed.



Key insight

Effective stakeholder engagement supports informed decision-making, reduces implementation risks, builds trust, and improves the likelihood of successful procurement, delivery, and benefits realisation.

What we are looking for

The proposal should demonstrate that key stakeholders, mana whenua, affected communities, users, delivery partners, and other relevant organisations have been appropriately engaged throughout development of the preferred option.

The nature and extent of engagement should be proportionate and specific to the project, taking account of its scale, complexity, impacts and risks, the types of stakeholders involved and their relationship with the project, and the legislative and social context within which the project sits. For a relatively contained project, engagement may primarily focus on managing construction disruption and maintaining access. For a project involving significant community impacts, property acquisition, cultural interests, or major changes to services, engagement may be a substantial and ongoing workstream requiring dedicated governance, resources, commitments management, and tailored engagement approaches.

Stakeholder views should have informed project development, implementation planning, and decision-making. Significant concerns, implementation impacts, commitments, and stakeholder-related risks should be clearly identified and actively managed. Commitments made through engagement should be recorded, assigned to responsible owners, and incorporated into project planning where appropriate.

Ongoing engagement arrangements should support delivery, implementation, and the long-term operation of the investment. The evidence should provide confidence that stakeholder relationships and stakeholder-related risks are sufficiently understood and can be effectively managed as the project progresses.

Change management

About this concept

Effective change management provides confidence that the organisation is prepared to successfully transition the preferred option into operation and realise its intended benefits. At Point 3, the focus is on whether operational requirements, organisational impacts, workforce capability, transition arrangements, and benefits ownership have been sufficiently developed to support procurement, implementation, and operational readiness. Strong organisational alignment and effective change management reduce implementation risks, support service continuity, and improve the likelihood that intended benefits will be realised.

What we are looking for

The proposal should demonstrate that the future asset owner, service owner, and operator have been actively involved in developing the preferred option and implementation arrangements. Operational requirements, maintenance needs, and broader network or system impacts, including potential disruption during implementation, should be incorporated into the preferred option and project planning.

Organisational impacts, workforce requirements, capability needs, business-process changes, and operational-readiness requirements should be identified and appropriately planned. Transition arrangements should provide confidence that the completed asset or service can be successfully received, operated, maintained, and supported. This should include consideration of commissioning, operational acceptance, training, documentation, asset information, and the transfer of responsibilities into business-as-usual operations.



Key insight

Project planning at Point 3 should enable future reviews of costs and benefits as the project moves into delivery and, ultimately, operational and benefits realisation at Point 6. Team resourcing will change as the project shifts from planning to delivery, so it is important that project teams develop realistic plans to capture data and monitor costs and key benefits. This will allow the agency to compare actual performance during delivery and operations with the forecasts made at Point 3.

Benefits owners should be identified and accountability arrangements clearly established. Senior leadership, the future operator, and the teams responsible for delivery, operations, maintenance, and benefits realisation should understand and support their respective roles. The evidence should demonstrate broad organisational alignment and provide confidence that the organisation will be ready to transition the preferred option into operation and realise its intended benefits.



Reviewer tips

At Point 3, assess whether operational-readiness requirements and transition arrangements have been sufficiently identified and planned. The assessment is not whether the completed asset or service is ready to enter operation; that is considered at Point 5.

Table 13: Confirming the preferred option is enabled for successful delivery

Strong example	Weak example
Coopertown Council is seeking approval of the preferred option and to progress the investment towards procurement and delivery of a 20-kilometre river trail intended to support recreation, tourism and improved river access. The Detailed Business Case identifies widening an existing bridge as a critical component of the preferred option. The bridge crosses a stream of historical and cultural significance to mana whenua and carries a major fuel pipeline and several telecommunications services. The Council's implementation planning recognises that the bridge works cannot proceed independently of these interests and infrastructure interfaces. The Council has worked with mana whenua, the pipeline owner, telecommunications providers, the future trail operator, and the road-controlling authority to develop an integrated delivery approach. The proposed construction sequence aligns the bridge works with the pipeline owner's planned replacement programme and provides for shared access, enabling works, temporary service relocation, and traffic management. The parties' roles, responsibilities, decision-making arrangements, and programme commitments are documented, with remaining agreements sufficiently advanced to support procurement. The interface risks have been incorporated into the project risk register, implementation programme, cost estimate, and contingency allowance. The procurement planning and preliminary risk allocation arrangements clearly identify the risks retained by the Council, those expected to be allocated to the construction contractor, and those to be managed jointly with the utility owners. Alternative sequencing has also been retained should the pipeline replacement be delayed. Engagement with mana whenua has informed the bridge design, construction methodology, and environmental-management requirements. Commitments made through engagement are recorded and assigned to responsible owners. Operational and maintenance requirements have been agreed with the future trail and bridge asset owners, including inspection access, asset information, maintenance responsibilities, and arrangements for receiving the completed infrastructure.	Coopertown Council is seeking approval of the preferred option and to progress the investment towards procurement and delivery of a 20-kilometre river trail intended to support recreation, tourism and improved river access. The Detailed Business Case treats the bridge widening largely as a standalone construction activity. The proposal notes that the bridge carries a fuel pipeline and telecommunications services, but the scope, timing, and responsibilities associated with relocating or protecting these services have not been agreed with the infrastructure owners. The implementation programme assumes the bridge will be available for construction at the beginning of the works, despite the pipeline owner planning separate replacement works at the same site. Engagement with mana whenua has been limited to presenting the developed design, and there is little evidence that the cultural significance of the stream has influenced the design, consenting approach, or construction methodology. Stakeholder commitments and interface responsibilities have not been formally recorded or assigned. The cost estimate contains a general contingency allowance but does not separately recognise utility, consenting, access, or programme risks. It is unclear how risks will be allocated between the Council, the contractor, and third parties. No credible alternative sequencing has been developed if the utility works do not proceed as assumed.

In the strong example, the Detailed Business Case demonstrates that the project's principal dependencies, risks, stakeholder commitments, and operational requirements have been integrated into implementation planning. As a result, the preferred option has a credible basis for successful procurement, delivery and transition into operation.

In the weak example, the future asset owner has had limited involvement, and maintenance access, asset-information requirements, operational acceptance, and ongoing responsibilities remain unresolved. As a result, the unresolved matters materially weaken the basis for successful procurement, delivery and transition into operation within the proposed cost and programme.

At Point 3, it is expected that critical delivery dependencies are integrated into the implementation approach rather than simply identified. A strong Detailed Business Case demonstrates that critical third-party interfaces, statutory requirements, stakeholder commitments, risks, and operational needs have influenced the scope, programme, cost estimate, procurement approach, and proposed risk allocation. Formal agreements do not necessarily need to be fully executed in every case, but they should be sufficiently advanced to provide confidence that the assumptions underpinning the investment decision are realistic and achievable.

A common weakness at the Detailed Business Case stage is relying on untested assumptions about land, approvals, utilities, stakeholders, or future operations. General recognition of these matters is no longer sufficient. Where critical dependencies are not reflected in scope, programme, cost, contingency, procurement planning, and ownership arrangements, the investment decision may be based on an option that cannot be delivered as proposed. Significant unresolved interfaces should normally be resolved or supported by credible mitigations and clearly defined decision pathways before progression. Where additional assurance is warranted before the investment approaches the market, a Targeted Investment Review may be appropriate.

Point 3: Deliverability review questions

Question	What good looks like
Concept: Interdependencies and interfaces	
D13: Have the project's critical interdependencies and interfaces been identified, integrated into implementation planning, and are appropriate arrangements in place to manage them during delivery?	• Critical interdependencies, interfaces, enabling works and third-party requirements have been identified and incorporated into implementation planning • Dependencies material to benefits realisation, including external enablers outside the project scope, have been identified and appropriately reflected in implementation planning • Required statutory approvals, land requirements, property acquisition, utility interfaces and other enabling activities have been identified, appropriately progressed, incorporated into implementation planning and are being actively managed • Interface responsibilities, governance arrangements and coordination mechanisms are clearly defined • Delivery planning reflects the timing and sequencing of key dependencies • Interface risks and dependencies are actively monitored and managed • There is confidence that interfaces can be effectively managed throughout procurement and delivery

Question	What good looks like
D14: Are delivery dependencies with other organisations and delivery partners clearly managed, with appropriate agreements and decision-making arrangements in place?	• There is evidence that participating organisations and key delivery partners are aligned on the project's objectives, scope, responsibilities, timing and intended outcomes • Appropriate agreements setting out respective roles, responsibilities and accountabilities are in place or sufficiently progressed for this stage of the investment • Governance, decision-making and escalation arrangements are clearly understood and operating effectively between participating organisations
Concept: Risk management	
D15: Are project risks sufficiently understood, assessed, allocated and actively managed to support procurement and successful delivery of the preferred option?	• Strategic, commercial, financial, delivery, statutory, environmental, geotechnical, operational and implementation risks have been identified and appropriately assessed, costed and accounted for in contingency where appropriate • Risk ownership and responsibility for managing material risks should be clearly defined, including responsibilities across the organisation, delivery partners and future asset owner or operator • Significant risks have informed the preferred delivery, procurement and commercial strategies • Risk assessments have informed project cost estimates, contingency allowances, programme development, procurement planning and investment decision-making, with contingency allowances reflecting the current project risk profile and design maturity (note the relationship to value for money V17) • Appropriate risk-management plans, mitigation measures, monitoring and reporting arrangements are in place • There is confidence that risks can be effectively managed throughout procurement and delivery
Concept: Stakeholder engagement	
D16: Has stakeholder engagement appropriately informed development of the preferred option and preparation for procurement and implementation?	• Key stakeholders have been appropriately engaged throughout development of the preferred option • Evidence demonstrates that stakeholder views have informed project development, implementation planning and decision-making • Significant stakeholder issues, concerns, commitments and implementation impacts have been identified, recorded where appropriate and are being actively managed • Ongoing engagement arrangements are proportionate to the investment and support the effective management of stakeholder relationships, commitments and impacts through procurement, delivery and long-term operation • There is confidence that stakeholder-related risks are understood and appropriately managed

Question	What good looks like
Concept: Change management	
D17: Have operational readiness and organisational change requirements been sufficiently addressed to support implementation of the preferred option?	• The future asset owner and operator has been actively involved in development of the preferred option • Operational requirements and broader network or system impacts, including disruption during implementation, have been considered and incorporated into project planning • Organisational impacts, workforce capability and operational readiness have been appropriately planned • Transition arrangements demonstrate that the asset owner/operator will be able to successfully receive, operate and maintain the completed asset or service • Benefits owners have been identified and accountability arrangements established
D18: Is there sufficient organisational commitment and alignment to progress the preferred option through procurement and implementation?	• Senior leadership demonstrates commitment to progressing and delivering the preferred option • Relevant organisational functions and business units understand and support the implementation approach and their respective responsibilities • Teams responsible for procurement, delivery, operations, maintenance and benefits realisation understand and support their respective roles • There is broad organisational alignment on the project's objectives, scope, implementation approach and intended outcomes • Arrangements are in place to transfer relevant benefits knowledge, assumptions, measures and responsibilities from the business case team to those responsible for procurement, delivery and benefits realisation

Rating scale

We use a traffic-light system to provide an overall rating for the deliverability key focus area. The rating reflects the evaluators' holistic judgement of the evidence against the review questions and the description of what good looks like, using the rating scale below.

Status	Description
Green	The proposal demonstrates that key delivery and benefits-realisation dependencies, risks, stakeholder requirements and organisational change impacts have been identified, integrated into implementation planning and are being actively managed. There is confidence that the preferred option has a credible and achievable pathway to procurement, successful delivery and transition into operation.
Amber	The proposal demonstrates that key delivery and benefits-realisation dependencies, other dependencies, risks, stakeholder requirements and organisational change impacts have generally been identified and incorporated into planning to a level appropriate for this stage. Some material gaps or weaknesses remain, but there is a credible pathway to resolve them and they do not prevent progression at this stage. A Targeted Investment Review may be appropriate where further assurance is warranted before the investment approaches the market.
Red	The proposal does not demonstrate sufficient understanding or management of key delivery and benefits-realisation dependencies, other dependencies, risks, stakeholder requirements or organisational change impacts to support the investment decision or demonstrate a credible pathway to procurement, delivery and transition into operation. Significant gaps, unresolved dependencies or delivery risks require resolution before progression can be supported.

9. Glossary

Term	Definition
Affordability	The extent to which the capital, operating, maintenance, and renewal costs of an investment are realistic and manageable within the relevant funding context
Asset owner	The organisation accountable for the ownership, stewardship, condition, renewal, and long-term management of an infrastructure asset
Assurance Unit (AU)	The organisation responsible for coordinating assurance activities for a particular type of investment; Te Waihanga performs this role for infrastructure investments
Assurance of Action Plan review	A follow-up review that may occur when a Point Review results in a 'Pause and revise' or 'Stop and revert' IDA review outcome
Benefits	The measurable improvements expected from an investment, such as better service quality, safety, resilience, capacity, access, productivity, or environmental performance
Benefits realisation	The process of monitoring, managing, and confirming whether the intended benefits and outcomes of an investment are being achieved and sustained
Business case	The evidence and analysis used to support an investment decision, including strategic alignment, options, value for money, affordability, commercial arrangements, and deliverability
Commercial approach	The proposed arrangements for delivering and managing an investment, including delivery and contract models, risk allocation, packaging, market engagement, and supplier management
Concept	A specific topic assessed within a key focus area that supports the reviewer's evaluation and commentary
Contingency	An allowance included in cost estimates to account for identified risks and uncertainty that may affect the final cost
Counterfactual	The do-nothing or do-minimum scenario describing what is expected to occur without further investment and used as the baseline for assessing options
Delivery	The implementation of an investment following the relevant investment decision, including procurement, construction, commissioning and transition into operation; references at earlier Points to future delivery are forward-looking and do not imply that detailed delivery planning is expected at that stage
Dependency	An activity, approval, organisation, asset, service, or decision outside the direct control of the project team that may affect successful development, delivery, operation, or benefits realisation
Detailed Business Case (DBC)	The business case that develops and assesses the preferred option in sufficient detail to support progression to detailed design and procurement planning
Disbenefit	A negative impact caused by an investment, including adverse effects on users, communities, the environment, other services, or the wider infrastructure system

Term	Definition
Governance	The structures, roles, authorities, reporting arrangements, and decision-making processes used to direct and oversee an investment
High-risk investment	An investment identified through the Treasury's Risk Profile Assessment as requiring Investment Decision Assurance
Indicative Business Case (IBC)	The business case that develops and compares a credible shortlist of options and identifies a preferred direction for detailed investigation
Infrastructure	Fixed, long-lived structures and associated systems that support economic performance, public services, and wellbeing
Infrastructure Assurance Framework (IAF)	The framework describing how the requirements of the IDA Policy are applied in practice to infrastructure investments
Investment	A project or programme involving resources committed to creating, renewing, improving, or maintaining infrastructure, services, or related capability
Investment Decision Assurance (IDA)	The independent, risk-based assurance process established under the Treasury's IDA Policy to support investor decisions on high-risk investments
IDA Policy	The Treasury policy that sets the purpose, principles, roles, and requirements for investment assurance
Investor	The person or body responsible for deciding whether an investment should proceed, receive further resources, or be subject to conditions
Key focus area	One of the six broad areas rated during a review: strategic alignment, value for money, financial, commercial, deliverability, and governance and capability
Lifecycle costs	The total costs of developing, delivering, operating, maintaining, renewing, and disposing of an asset or service over its expected life
Operational readiness	The extent to which the owner, operator, people, systems, procedures, funding, documentation, and support arrangements are ready for service commencement
Option	A complete and plausible response to an identified problem, including its scope, delivery approach, timing, costs, benefits, and risks
Overall investor advice	The review's high-level recommendation to the investor on whether and under what conditions the investment should progress
Point	A milestone or decision point in an investment's lifecycle at which an IDA review may be undertaken
Point Review	An independent, risk-based assessment of whether an infrastructure investment is strategically justified, provides value for money, and can be successfully delivered
Programme	A coordinated group of related projects and activities managed together to deliver shared strategic outcomes
Programme Business Case (PBC)	A business case for a coordinated programme of related investments intended to deliver shared strategic outcomes

Term	Definition
Project	A temporary undertaking established to deliver a defined infrastructure asset, service, or outcome
Project assurance	Independent or objective review and challenge that provides confidence in project information, planning, governance, risk management, and readiness
Residual risk	A risk that remains after mitigation measures have been applied and must continue to be monitored, managed, transferred, or formally accepted
Risk allocation	The assignment of responsibility for managing particular risks between the agency, suppliers, delivery partners, owner, operator, or other parties
Risk Profile Assessment (RPA)	The Treasury assessment used to determine the level of risk associated with an investment and the assurance requirements that apply
Scope	The defined boundary of what an investment will and will not deliver, including assets, services, locations, users, interfaces, outputs, and outcomes
Senior Responsible Owner (SRO)	The individual designated by the agency Chief Executive who is ultimately accountable for ensuring an investment meets its objectives, remains within budget, and delivers its projected outcomes
Service commencement	The point at which an asset or service begins operating and responsibility transfers into operational or business-as-usual arrangements
Strategic alignment	The infrastructure problem or service need that provides the justification for considering investment, and the extent to which an investment contributes to recognised and current government, sector, agency, network, regulatory, or asset-management priorities
Targeted Investment Review	An additional review that may be undertaken at any time to provide deeper analysis of specific concerns
Transition	The planned transfer from project delivery into operation, including handover, commissioning, training, acceptance, ownership, and governance
Uncertainty testing	Analysis of how changes in assumptions, costs, benefits, timing, risks, or external conditions affect value for money or deliverability
Value for money	The extent to which an investment is expected to maximise public value by delivering benefits that justify its whole-of-life costs, risks, and impacts

Appendix A: Recommended guidance and resources

Core New Zealand guidance

New Zealand Treasury, *Project Business Cases - Guidance*

New Zealand Treasury, *Guide to Social Cost Benefit Analysis*

New Zealand Treasury, *CBAx Tool User Guidance*

New Zealand Treasury, *Approaches to sensitivity analysis*

New Zealand Treasury, *Techniques to quantify risk and uncertainty*

New Zealand Treasury, *Managing Benefits from Projects and Programmes - Better Business Cases*

New Zealand Treasury, *Funding and Financing Framework*

New Zealand Government Procurement, *Government Procurement Rules, 5th edition*

New Zealand Government Procurement, *Plan your procurement*

New Zealand Government Procurement, *Construction Procurement Guidelines: Developing your construction procurement strategy*, where relevant

Relevant sector-specific economic evaluation guidance, where applicable

Examples of sector-specific guidance

NZ Transport Agency Waka Kotahi, *Monetised benefits and costs manual*

NZ Transport Agency Waka Kotahi, *Land Transport Benefits Framework measures manual*

Additional useful resource

Infrastructure Australia, *Guide to risk and uncertainty analysis*

Appendix B: Point 3 review questions

Review questions at Point 3

Information only questions

I1: What are the Investment Objectives for this project?

I2: What are the governance arrangements for this project?

I3: What is the capital expenditure (CAPEX) for the preferred option?

I4: What is the whole-of-life cost (WOLC) for the preferred option?

I5: What are the funding sources for the preferred option?

I6: What is the preferred commercial approach?

Strategic alignment

S1: Is there a clearly defined problem?

S2: Has the problem been sized in monetary or quantitative terms?

S3: Does the proposal make a meaningful contribution to priorities signalled in sector or agency long-term strategies?

Value for money

V12: Is there a clearly defined scope to enable a robust investment decision to be made?

V13: Has the agency provided evidence that they investigated a wide range of options at the longlisting step?

V14: Has the agency provided evidence (in a prior IBC/PBC) that a robust methodology was used to filter from a longlist to a shortlist, ideally 3–5 options?

V8: Has the agency developed the design and cost estimation for each shortlisted option to an appropriate level of maturity?

V15: Has the agency provided evidence that shortlisted options (evidence in the IBC/PBC) were previously assessed using a robust economic analysis methodology?

V16: Does updated uncertainty testing for the preferred option suggest the solution is highly likely to achieve value for money?

V17: Has the agency provided comprehensive whole-of-life costs for their preferred option, with a sufficiently mature level of cost estimation, including an appropriate contingency?

V18: Has the agency selected a preferred option that optimises value for money?

Financial

F5: Is the preferred option affordable over its life?

F6: Is funding in place to progress the project to the next stage?

F7: Is there a credible and implementable funding source and approach for the preferred option?

Review questions at Point 3

Commercial

C5: Has the preferred commercial approach been sufficiently developed and tested to support the investment decision and provide a credible pathway to procurement and delivery?

C6: Has the agency provided evidence that the market has the capability, capacity and interest to deliver the preferred option within current market conditions?

C7: Has the agency undertaken a sufficient level of procurement planning to support commitment to the preferred option?

Governance and capability

G12: Does the organisation have a track record and organisational experience that provide confidence it can successfully deliver the preferred option?

G13: Does the project have the leadership, capability and capacity required to progress the preferred option through procurement and delivery?

G14: Is project planning sufficiently mature and integrated to support the investment decision and provide a credible pathway to procurement and delivery?

G15: Has appropriate project assurance been undertaken, and has it provided sufficient confidence to support the investment decision and planned pathway to procurement and delivery?

G16: Are governance arrangements clearly defined, proportionate and operating effectively to support the investment decision and progression towards procurement and delivery?

Deliverability

D13: Have the project's critical interdependencies and interfaces been identified, integrated into implementation planning, and are appropriate arrangements in place to manage them during delivery?

D14: Are delivery dependencies with other organisations and delivery partners clearly managed, with appropriate agreements and decision-making arrangements in place?

D15: Are project risks sufficiently understood, assessed, allocated, and actively managed to support procurement and successful delivery of the preferred option?

D16: Has stakeholder engagement appropriately informed development of the preferred option and preparation for procurement and implementation?

D17: Have operational readiness and organisational change requirements been sufficiently addressed to support implementation of the preferred option?

D18: Is there sufficient organisational commitment and alignment to progress the preferred option through procurement and implementation?