NEW ZEALAND
INFRASTRUCTURE
COMMISSION
Te Waihanga

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Guide to Strategic Alignment Assessments

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Infrastructure Priorities Programme

New Zealand Infrastructure Commission / Te Waihanga

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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.

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1. Introduction

1.1 Context

The Infrastructure Priorities Programme (IPP) is designed to assess and prioritise infrastructure projects from proponents across the country. The process for inclusion on the IPP is guided by our Assessment Framework.

The Assessment Framework is designed to help us identify projects that meet three key assessment criteria:

- They are **strategically aligned** with the Commission's *Rautaki Hanganga o Aotearoa: The New Zealand Infrastructure Strategy 2022–2052* (Infrastructure Strategy) and other government strategies and agency plans.
- They offer **value for money** to ensure that we are getting the most for our infrastructure dollars.
- They are **deliverable** by the project's proponents and the construction industry.

The IPP assesses projects during three stages of their planning process. At all three of these stages, all three assessment criteria will be considered. At different stages, the relative importance of each criterion will shift, as projects further in their planning will need to have a greater emphasis on their deliverability than strategic alignment.

This document provides further information on how we will review **strategic alignment at all stages in the assessment process.**

1.2 Who should use this document?

This document is designed to assist proponents making submissions and can also assist users of the IPP.

1.3 What this document contains

This document contains information for applicants and users about how our assessment teams will review a project's strategic alignment. This document's primary goal is to give information to applicants about the process we will use to assess whether a proposal supports future infrastructure priorities.

2. Defining Strategic Alignment

2.1 What do we mean by Strategic Alignment?

Strategic alignment tests the extent to which a proposal supports future infrastructure priorities and/or improves existing infrastructure systems and networks that New Zealanders need.

This guide provides an outline of the key elements of strategic alignment that we look at in our assessment process and how they can be demonstrated in a proposal. Strategic alignment broadly maps to the Strategic case under the Better Business Case model.

Strategic alignment is demonstrated through a combination of the following elements:

1. a well-defined problem or opportunity
2. contribution to wider strategic objectives or sector-level strategies
3. size of the problem or opportunity.

The subsequent sections provide further detail on each of these elements and how they can be demonstrated in proposals. As outlined in the Assessment Framework, strategic alignment is assessed in a holistic manner, meaning that different elements are considered together to create an overall assessment.

2.2 How does Strategic Alignment fit in the overall Assessment Framework?

Strategic alignment is one of the three Assessment Criteria used in our Assessment Framework:

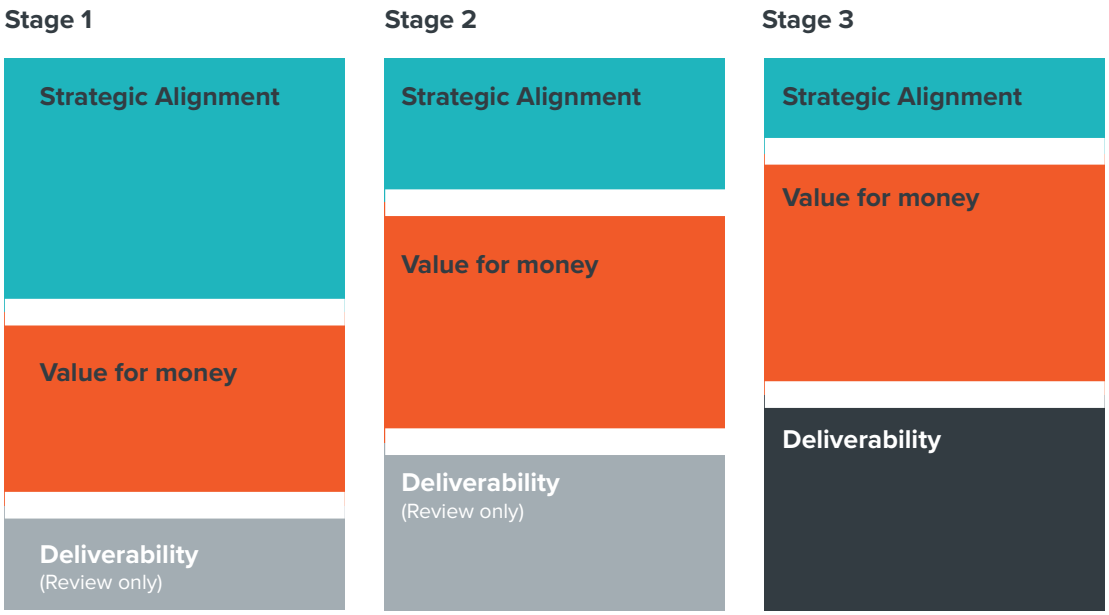
- **Strategic alignment:** Does a proposal support future infrastructure priorities and/or improve existing infrastructure systems and networks that New Zealanders need?
- **Value for money:** Does a proposal provide value to society above the costs required to deliver, operate, and maintain it?
- **Deliverability:** Can a proposal be successfully implemented and operated over its life?

To be assessed positively as a whole, a project must not fail any of the three criteria. Strategic alignment is assessed alongside the other criteria and is considered equally important. Strong strategic alignment does not offset weak scores in the other criteria.

2.3 How is strategic alignment assessed at different stages?

Strategic alignment assessments are completed for proposals at all three stages of assessment. While strategic alignment is important for all three stages of assessment, the primary focus of assessments shifts towards other factors at later stages of assessment (Figure 1).

Figure 1: Assessment focus evolves as proposals proceed through stages



Stage 1

A Stage 1 proposal identifies a problem or opportunity that may require an infrastructure solution. At Stage 1, Strategic Alignment is the core focus of the assessment.

Stage 2

A Stage 2 proposal identifies and assesses a set of options for addressing the problem or opportunity. At Stage 2, Strategic Alignment and Value for Money are the core focus of the assessment.

Stage 3

A Stage 3 proposal identifies a preferred option for addressing the problem or opportunity. At Stage 3, Value for Money and Deliverability are the core focus of the assessment.

Less emphasis is placed on Strategic Alignment at Stage 3, as it should have been thoroughly addressed during the previous two stages. At Stage 3, the previous Strategic Alignment assessment is reviewed to ensure that it is still valid. However, if a Stage 3 proposal has not been previously accepted as a Stage 1 or Stage 2 proposal, Strategic Alignment will be thoroughly reviewed and assessed.

3. How to assess strategic alignment

3.1 The size of the problem or opportunity

Proposals should have a robust and compelling description of the problem (or opportunity) that the proposal seeks to address and should provide compelling evidence regarding the magnitude of this problem (or opportunity).

When problems and opportunities are well described, it is clear what the proposal is seeking to address and why it is important. A good problem statement speaks to the root cause of the problem, rather than the visible symptoms of the problem, and avoids selection or preference of a specific solution.

An example of a visible symptom and root cause of a problem are outlined in Table 1. While the visible symptom of the problem is not incorrect, it does not provide an understanding of why this problem is happening, and seemingly only leads to one potential solution to address it. In contrast, the root cause problem definition provides insight into what caused the problem to eventuate and provides leads into multiple potential options to address it.

Table 1: Examples of proximate cause and root cause problem definitions

Example of a **proximate cause** problem definition	Example of a **root cause** problem definition
The stormwater pipes in Hobson Town regularly overflow during large rainfall events because the pipes are not large enough.	The population of Hobson Town has grown by 25% in the last decade, leading to an increase in built area and imperviable surface. However, in the first half of this period, development contributions did not include the cost of required stormwater upgrades. This has resulted in increased stormwater volumes, which exceed the capacity of the existing stormwater network, resulting in overflow events.

We expect that problem statements will be supported by empirical evidence that demonstrates the size and scale of the problem. When the magnitude of the problem (or opportunity) is well quantified and monetised, this provides a useful indication of both the potential value of the proposal, and the appropriate size of any potential solution. See the Guide to Value for Money for guidance on what methods are considered appropriate to quantifying problems and benefits in proposals.

Methods to size the magnitude of the problem

Three main methods are available to size the magnitude of the problem, as outlined below.

Monetise the problem (preferred): The size of the problem is expressed in standardised monetary values in dollar terms. If possible, monetisation of problems should employ parameters published in official New Zealand guidance documents, such as the Treasury CBAx Manual. Importantly, it shows the scale of different problems and opportunities, which can be used to consider what scale/type of solutions may be appropriate. It is also a step towards developing the base case in a cost-benefit analysis.

Quantify the problem: In some cases, it may be possible to measure the size of a problem, but there will not be a clear method to translate these measurements into monetary units, for example, declining numbers of a native species. In these cases, the problem should be clearly quantified, with a clear description of the unit of measurement that is being used.

Qualitatively describe the problem: In some cases, it may be appropriate to qualitatively describe a problem where benefits cannot be easily monetised or quantified, for example, losses to cultural heritage. In these cases, the problem should be thoroughly described, with supporting evidence presented, for example, interviews with experts or those impacted.

There are a variety of different tools and approaches that can be used to help identify and measure problems and opportunities, such as investment logic mapping. See the Treasury's Better Business Case guidance for further information on what makes a compelling problem definition and case for change. Infrastructure Australia's Guide to Defining problems and opportunities may also be a useful resource.

Examples of strong and weak problem definitions are shown in Table 2 below. The weak problem definition does not provide any evidence to demonstrate the existence or magnitude of the problem, and clearly indicates a preference for a specific solution. In contrast, the strong problem definition provides evidence regarding the cost and scale of the problem, and avoids selection of a specific solution, leaving many potential options available.

Table 2: Examples of strong and weak problem definitions

Example of a **strong** problem definition	Example of a **weak** problem definition
The connection between Mount Pleasant City and Hobson Town has low resilience, with three average closures per year resulting in $42 million in additional travel time costs per year. Average travel times between the two cities are substantially higher than comparable sections of the state highway network. If travel speeds increased to levels seen elsewhere on the network, there is the potential to save $82 million in travel time per year.	The connection between Mount Pleasant City and Hobson Town is poor quality because there is not a motorway between them.

All projects should provide a compelling description and quantification of the problem, regardless of the project type. Some types of projects, such as renewal or resilience projects, may require different approaches to defining and quantifying the size of the problem.

Problems may be more difficult to define and quantify for renewal projects, which involve the replacement of existing infrastructure rather than providing a new or improved service. For renewal projects, the size of the opportunity might be demonstrated by the value that customers receive from the current infrastructure, or by the quantification of consequences that would occur if the infrastructure did not exist.

Problems may also be difficult to define and quantify for resilience projects, which seek to prepare for and reduce the impact of disruption to current services, rather than providing a new or improved service. For resilience projects, the size of the opportunity might be demonstrated by calculating both the odds of a disruption occurring and the impact of a disruption, in the case that it did occur. Multiplying the odds of the disruption by its impact yields the total size of the opportunity provided by a resilience proposal.

3.2 Contribution to wider strategic objectives or sector-level strategies

For proposals to demonstrate strategic alignment, they should make a substantial contribution to either the national-level infrastructure strategy or sector-level strategies.

Demonstrating alignment with the Infrastructure Strategy

Alignment with the national-level strategy is assessed based on a proposal's contribution to addressing one or more of the strategic objectives outlined in the **Infrastructure Strategy. These five strategic objectives are:**

1. Enabling a net-zero carbon emissions New Zealand through rapid development of clean energy and reducing the carbon emissions from infrastructure.
2. Supporting towns and regions to flourish through better physical and digital connectivity and freight and supply chains.
3. Building attractive and inclusive cities that respond to population growth, unaffordable housing and traffic congestion through better long-term planning, pricing and good public transport.
4. Strengthening resilience to shocks and stresses by taking a coordinated and planned approach to risks based on good-quality information.
5. Moving to a circular economy by setting a national direction for waste, managing pressure on landfills and waste-recovery infrastructure, and developing a framework for the operation of waste-to-energy infrastructure.

Many proposals will have multiple investment objectives and problems that they seek to address. In some cases, this may include objectives that are not included in the Infrastructure Strategy. In cases where there are multiple investment objectives that a proposal seeks to address, the proposal will need to show that the objectives that align with the Infrastructure Strategy are not secondary drivers for the project, and that they make more than a minor contribution to the overall proposal. For example, if the proposal has 'reduce carbon emissions' as an objective and is demonstrating alignment through this objective, the proposal should demonstrate that a reduction in carbon emissions is a primary aim of the proposal.

Some proposals may contribute to one objective, while having a neutral effect on or even actively detracting from other objectives. In these cases, the overall scoring will be assessed based on the overall net contribution across each of the five objectives. For example, a proposal that contributes to two objectives, but detracts from another, could receive a positive overall strategic alignment score, provided that the overall contribution to strategic objectives is a positive one. Assessing infrastructure investments may be a useful resource in providing further detail on how alignment with strategic objectives can be demonstrated.

Examples of strong and weak contributions to wider strategic objectives are shown in Table 2 below.

Table 2: Examples of strong and weak contributions to wider strategic objectives

Example of a **strong** contribution to wider strategic objectives	Example of a **weak** contribution to wider strategic objectives
The connection between Mount Pleasant City and Hobson Town will provide carbon reduction benefits of $25 million per year, amounting to 55% of overall benefits from the project.	The connection between Mount Pleasant City and Hobson Town will provide carbon reduction benefits of $0.2 million per year, amounting to 5% of overall benefits from the project.

Alignment to other sector strategies

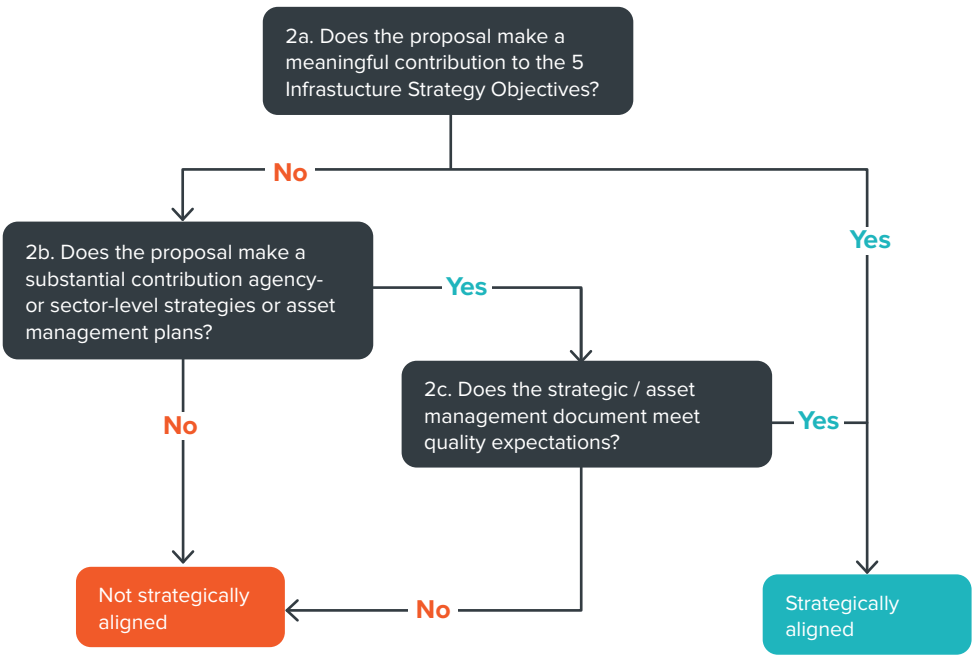
Some proposals may not make a direct contribution to the objectives outlined in the **Infrastructure Strategy but may contribute strongly to other national strategic objectives. In these cases, a proposal will need to demonstrate how the current proposal** fits into the wider picture of its infrastructure network or system, and why the current proposal is important strategically within its sector.

If strategic alignment is being demonstrated this way, the proposal should play a strong role in contributing to the sector's strategic objectives. This might be demonstrated in several ways, such as demonstrating a meaningful contribution to:

- the sector's asset management plan
- key objectives for the sector
- the sector's strategic plan.

In these cases, it is expected that the agency's strategic planning documents will include essential components and be of a high standard. Some essential components of strategic planning documents include clearly defined objectives, an analysis of key strategic issues and challenges, robust organisational policies, measurable performance targets, and efficient resource allocation strategies. This process is outlined in **Figure 2** below. **The Āpōpō Guide** provides further information on what makes a strong strategic planning document.

Figure 2: Objective alignment flow chart



The way in which the project contributes to a network's strategic objectives should be clearly described, and ideally should be quantified. The mere presence of a project's name in a strategic planning document would be insufficient to demonstrate a significant contribution. Instead, the proposal should explain how this investment fits into the wider picture for the sector and the contribution that it makes to the outcomes that are desired.

3.3 Size of the problem

In general, national infrastructure priorities will be proposals that are substantial enough that they are perceivable at a national level. This third test relates to the size of the whole-of-life costs of the problem or the benefits of the solution – is the problem big enough to be a national priority?

In general, proposals with large problems or opportunities will receive a higher strategic alignment score as compared to proposals with small problems. While the IPP does not have a strict cut-off, problems and opportunities that are valued at $50 million or more may be considered of a significant size to be considered to be strategically aligned. This cut-off relates to the size of the problem, rather than the size of the solution to solve the problem.

However, there may be situations where the costs of the problem or the benefits of the solution are not easily monetisable. In these cases, a national infrastructure priority may be demonstrated in several different ways, such as:

- the number of people who would benefit, or
- the distribution of benefits across territories and regions.

As there is not a strict cut-off for testing the size of the problem, an assessment will be made based on a holistic view of the size of the problem, the number of people who benefit, and the distribution of benefits between people and regions.

Examples of strong and weak contributions to wider strategic objectives are shown in **Table 3 below.**

Table 3: Examples of strong and weak contributions to national infrastructure priorities

Example of a **strong** contribution to national infrastructure priorities	Example of a **weak** contribution to national infrastructure priorities
The connection between Mount Pleasant City and Hobson Town could provide substantial benefits of around $124 million per year. These benefits will be roughly evenly split between three groups: Region A, Region B, and international visitors.	The connection between Mount Pleasant City and its new suburb, Newville, will provide benefits of around $1.5 million per year. The vast majority of these benefits will accrue to Mount Pleasant City residents.

In general, proposals which have large monetary benefits, impact many people, or are distributed across a wide area will have a higher strategic alignment score as compared to proposals that have small monetary benefits, impact a small number of people, or are concentrated in a small area.

Appendix A Resources

Āpōpō – Infrastructure Asset Management Professionals Inc. (2023). The Āpōpō Guide. https://kete.apopo.co.nz/apopo-guide/about-the-apopo-guide/

> Āpōpō – Infrastructure Asset Management Professionals Incorporated is the lead professional association for Aotearoa New Zealand's infrastructure asset management community. The Āpōpō Guide is a comprehensive asset management guide outlining best practices, expert insights, and te ao Māori principles.

Infrastructure Australia (2021). *Defining problems and opportunities: Stage 1 of the Assessment Framework*. https://www.infrastructureaustralia.gov.au/sites/default/files/2024-02/Assessment%20Framework%202021%20Stage%201.pdf

> Infrastructure Australia is an independent statutory body that is the key source of research and advice for governments, industry and the community on nationally significant infrastructure needs. This document is part of a wider set of guidance documents for the Australian Infrastructure Priority List. While this guidance does not need to be followed in New Zealand, it may be useful in helping applicants identify problems and opportunities and analyse their impact against achieving wider objectives.

New Zealand Infrastructure Commission (2022). *Rautaki Hanganga o Aotearoa New Zealand Infrastructure Strategy.* https://media.umbraco.io/te-waihanga-30-year-strategy/mmahiykn/rautaki-hanganga-o-aotearoa-new-zealand-infrastructure-strategy.pdf

> Rautaki Hanganga o Aotearoa is New Zealand's Infrastructure Strategy. It sets a pathway to transform New Zealand's infrastructure over the next 30 years. The Infrastructure Strategy provides a detailed explanation of the strategic objectives for infrastructure and may be useful in helping applicants understand these objectives in greater detail.

New Zealand Treasury (2023). *Better Business Case Template and Guidance.* https://www.treasury.govt.nz/information-and-services/state-sector-leadership/investment-management/better-business-cases/indicative-and-programme-business-cases

> Better Business Cases (BBC) is a methodology that provides objective analysis in a consistent format to decision-makers. Separate guidance is available for different types of business cases, such as indicative and detailed business cases. Cabinet circular CO (23) 9 stipulates that the Better Business Case guidance must be applied in the development of all investment proposals led by public sector agencies.

New Zealand Treasury (2023). Investment *Logic Mapping.* https://www.treasury.govt.nz/information-and-services/state-sector-leadership/investment-management/better-business-cases/additional-better-business-case-guidance/investment-logic-mapping

> Initially developed in Australia, Investment Logic Mapping (ILM) was formally introduced to New Zealand in 2008 and is included in the New Zealand Treasury's guidelines for Public Sector business cases. ILM helps you understand a problem, its impacts, and desired benefits – before looking at solutions.

Sense Partners (2023). *Assessing infrastructure investments: Developing an Assessment Framework for New Zealand's Infrastructure Priority List.*

> Consultancy report prepared for the New Zealand Infrastructure Commission as part of the development of the Infrastructure Priorities Projects and Programmes. This report informed the development of the Assessment Framework.