NEW ZEALAND INFRASTRUCTURE COMMISSION Te Waihanga

INVESTMENT DECISION ASSURANCE Whakataurangitanga

Investment Decision Assurance

# Point 1 Workbook: Strategic assessment

**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

## How to cite this document

New Zealand Infrastructure Commission. (2026). Investment Decision Assurance Point 1 Workbook. Wellington: New Zealand Infrastructure Commission / Te Waihanga.

**Publication series November 2026**
ISBN-978-1-0671325-2-1

## Disclaimer

This document is provided subject to Te Waihanga Terms of Use (tewaihanga.govt.nz/terms-of-use – noting that "our websites" includes this document).

It is recommended that you seek independent advice on any matter related to the use of this document.

Any view, opinion, finding, conclusion or recommendation of an external party (including experts, researchers, parties providing feedback or surveyed respondents) are strictly those of the party expressing them. Their views do not necessarily reflect the views of Te Waihanga.

Te Waihanga takes reasonable care to ensure information in the document is accurate and complete and that any opinions given are fair and reasonable. However, we disclaim any express or implied warranties in relation to such information and opinions to the maximum extent permitted by law.

# Table of contents

1. Introduction to IDA reviews ..... 4
2. What we assess at this Point ..... 15
3. Strategic alignment ..... 18
4. Value for money ..... 24
5. Financial ..... 31
6. Commercial ..... 34
7. Governance and capability ..... 37
8. Deliverability ..... 44
9. Glossary ..... 50

Appendix A: Recommended guidance and resources ..... 53

Appendix B: Point 1 Review Questions ..... 54

# 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 (TIRs) 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 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

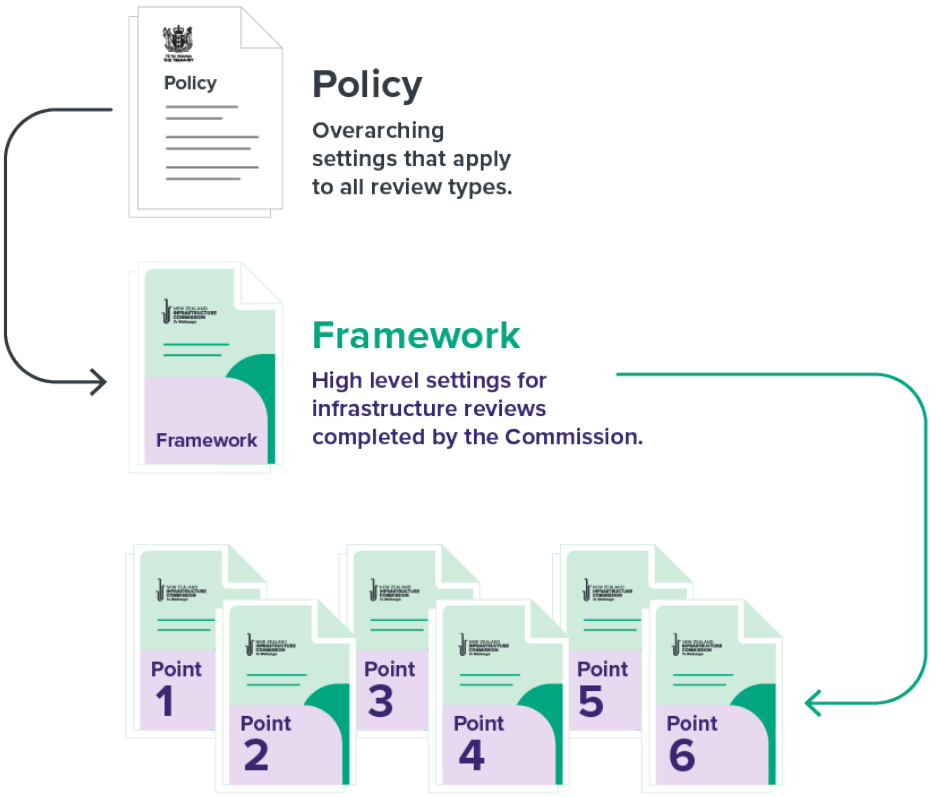
IDA reviews are conducted under the Treasury's IDA Policy, which sets the overarching purpose, principles, and compliance requirements for investment assurance. The IDA Policy identifies seven principles underpinning the assurance process:

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 Assurance Unit (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 (TIRs) 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 have 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 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.<br><br>**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.<br><br>**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.<br><br>**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.<br><br>**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.

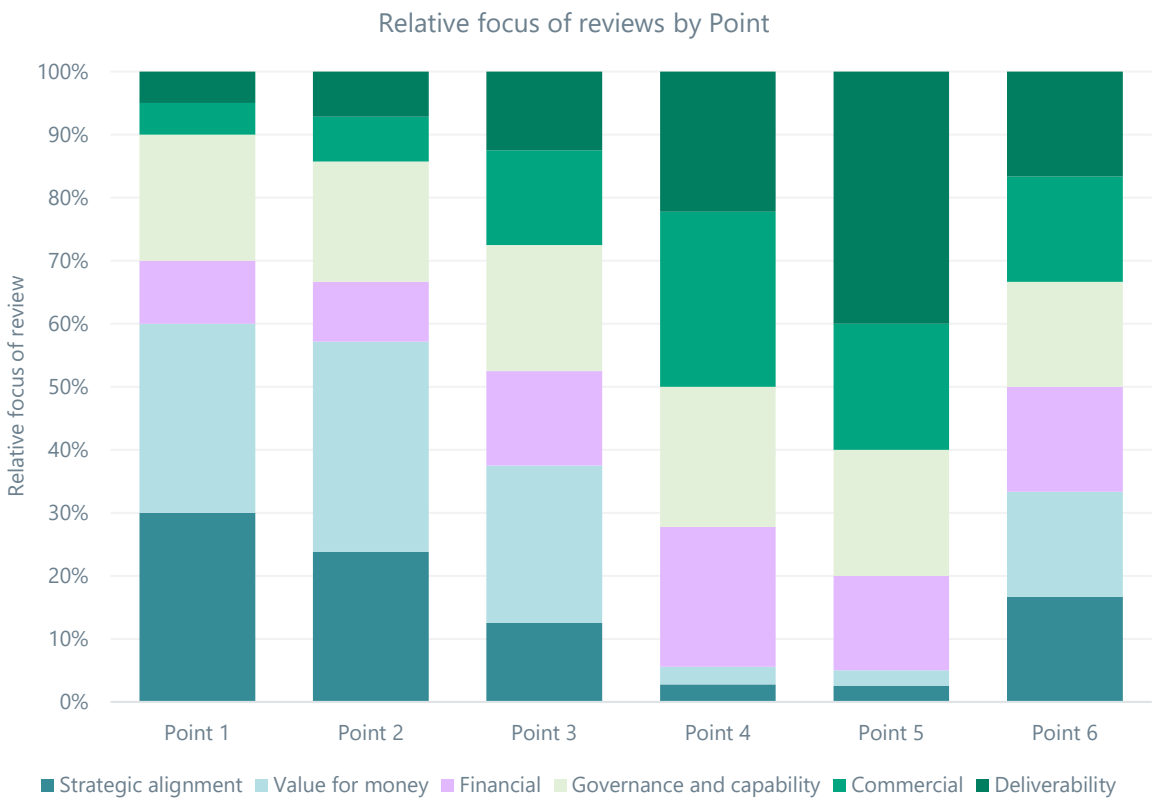
There are six key focus areas explored in every review: strategic alignment, value for money, financial, commercial, deliverability, and governance and capability.

### 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**

- Defining and sizing the problem
- Alignment to national and sector strategies
- Confirming the strategic need
- Confirming alignment to national and sector strategies
- Confirming the investment can address the strategic need
- Extent to which the problem was addressed



**Value for money**

- Scope
- Identifying options
- Evaluation approach
- Shortlisting options
- Develop shortlisted options
- Assess shortlisted options
- Testing for uncertainty
- Selecting a preferred option
- Enabling future review of costs and benefits
- Managing benefits following service commencement



**Financial**

- Affordability
- Available funding
- Funding approaches



**Commercial**

- Market conditions
- Commercial approach
- Procurement
- Validating commercial approach
- Confirming supplier capability in current market conditions
- Commercial readiness for contract award
- Commercial arrangements



**Governance and capability**

- Organisational trackrecord and ability to deliver
- Team capacity and capability
- Project planning maturity
- Delivery planning and controls
- Project assurance
- Appropriateness of governance arrangements

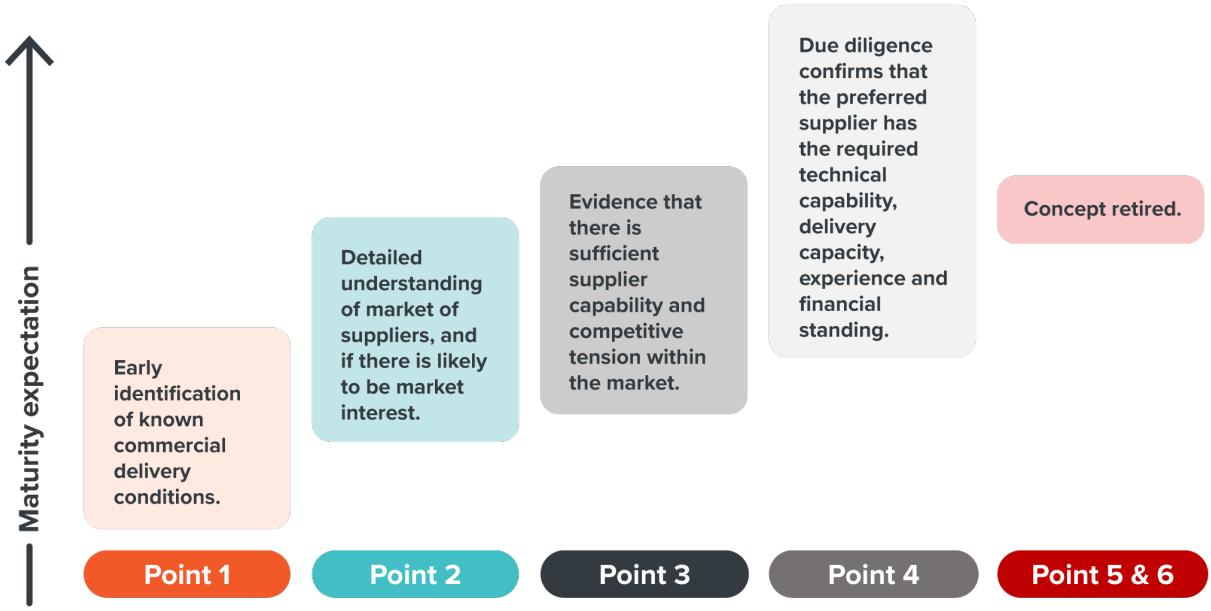


**Deliverability**

- Interdependencies and interfaces
- Risk management
- Stakeholder engagement
- Change management
- Operational
- Readiness and Transition

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 Points 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 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**<br>*Consider* | The investment would benefit from the uptake of this recommendation. |
| **Essential**<br>*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**<br>*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, or
- 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**<br>For risks or reservations to be noted | **Proceed with action**<br>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**<br>For issues that can be addressed at current stage | **Stop or revert**<br>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 1 provides early assurance on whether an infrastructure proposal is sufficiently credible and important to justify investing further resources in its planning and development. The review considers whether there is a clearly defined and material infrastructure problem, supported by early evidence of its scale and consequences, and whether the proposal aligns with recognised government, sector, agency, or asset-management priorities. It also tests whether the emerging scope is open to a broad range of responses, including lower-cost, non-built, staged, and minimum viable options, and whether the likely scale of investment appears broadly proportionate and affordable.

The review does not expect a fully developed business case, detailed cost estimate, or settled delivery solution. Instead, it seeks confidence that there is a realistic pathway to the next stage: funding and a credible work programme are in place or can be secured; key market, delivery, stakeholder, risk, ownership, and dependency issues have been recognised; and the organisation has appropriate governance, leadership, capacity, and access to the expertise required to progress the proposal. Overall, the Point asks whether the early case is strong enough, and the proposed development pathway sufficiently credible, for investors to devote further resources to developing an Indicative or Programme Business Case.

## 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 a decision on whether investors should devote further resources to developing the proposal.
- **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 have been considered sufficiently to demonstrate a credible pathway forward, but which are not expected to be fully developed or finalised at this Point.

## Documents/evidence

### Evidence expected at this Point

**Overall**

- Risk Profile Assessment and Strategic Case
- Evidence of the mandate to initiate and develop the proposal
- Preliminary development roadmap or next-stage plan

**Strategic alignment**

- Evidence of a clearly defined problem or service need
- Early evidence of the scale and consequences of the problem
- Evidence that the proposal is aligned with relevant strategic priorities

**Value for money**

- Description of the type and scale of interventions that will be considered in and out of scope for the next stage of business case development
- Evidence that a broad and proportionate range of responses remains open for consideration
- Early options thinking including lower-cost, non-built, staged or minimum viable responses where relevant
- Early identification of intended benefits, dis-benefits and material cost categories to be assessed at later stages

**Financial**

- Early order-of-magnitude cost estimate or indicative investment range
- Evidence that affordability has been considered within the relevant funding context
- Initial view of likely funding sources or funding pathway
- Evidence that funding is available, or there is a credible plan to secure funding, for the next stage of business case development

**Commercial**

- Evidence that material market, supplier or delivery model considerations have been identified
- Evidence that obvious commercial constraints or supply chain issues have been considered
- Evidence that specialist commercial, legal, procurement or technical support needs for the next stage have been identified where relevant

**Deliverability**

- Evidence that key risks, dependencies, interfaces and external constraints have been identified
- Evidence that key stakeholders and delivery partners have been identified
- Evidence that likely ownership, operational or organisational implications have been recognised where known
- Evidence of alignment between delivery partners, including intended roles and responsibilities, where the investment depends on other organisations
- Evidence of organisational support for the need and emerging scope, including support from relevant leadership and likely operational owners where applicable

## Documents/evidence

**Governance and capability**

- Evidence of governance and accountability arrangements appropriate to the current stage
- Evidence of relevant organisational delivery experience, or a credible plan to access the expertise and capability required to deliver the investment
- Evidence that the capability and capacity required for the next stage have been identified
- A credible plan for the activities, resources and approvals required to complete the next stage
- Evidence of proportionate assurance or review arrangements where relevant

### Additional evidence where relevant

- Early market engagement or market-sounding information
- Early technical investigations or specialist advice
- More detailed problem sizing or economic evidence where readily available
- Early property, consenting, planning or regulatory analysis where these could materially affect viability
- More detailed stakeholder or dependency analysis for complex investments
- More detailed assurance or governance arrangements for particularly large or complex investments

### Emerging evidence expected to be developed further at later Points

- Detailed longlist and shortlist assessment
- Detailed economic analysis and cost-benefit analysis
- Comparable whole-of-life cost estimates for shortlisted options
- Developed commercial and procurement strategy
- Detailed risk, dependency and stakeholder management plans
- Detailed governance, resourcing and assurance plans for subsequent stages

# 3. Strategic alignment

**Is there a clear, evidenced need aligned with current priorities?**

## Focus of assessment

At Point 1, the strategic alignment assessment focuses on whether there is a credible early case for further investigation. The assessment should show that the proposal has identified a clear and material infrastructure problem, has an early understanding of its likely scale, and is framed around the likely root cause rather than a preferred solution. A strong strategic case at this stage means the agency can show that the relative importance of problem statements is understood, and that the consequences of no further investment are clear enough to justify progressing to business case development. The problem should be quantified or monetised where possible, using the best available evidence. The proposal should also demonstrate alignment to national or sector priorities for infrastructure.

### Reviewer tip

### Connection with value for money

The scale of the problem helps inform the appropriate scale of the response, but the two assessments are distinct. Assess here whether the scale, significance and consequences of the problem are sufficiently understood. Whether the emerging scope is proportionate to that problem and remains open to an appropriate range of responses is assessed under **value for money – scope.**

### Relevant guidance and resources

**Core New Zealand guidance:** New Zealand Treasury, *Better Business Cases* guidance, including Strategic Assessment and Strategic Case requirements; New Zealand Treasury, *Risk Profile Assessment and Strategic Assessment* guidance.

**Additional useful resource:** Infrastructure Australia, *Assessment Framework – Stage 1: Defining Problems and Opportunities*.

These resources provide further guidance on defining the underlying problem, establishing its causes, scale and consequences, and avoiding premature definition of a preferred solution.

## 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.

Defining and sizing the problem is important for understanding whether a proposal is worth further investigation. At Point 1, this means showing that there is a clear problem, that the problem is likely to be material, and that further business case development is justified. Problem sizing helps agencies right-size potential responses, so that solutions are proportionate to the problems they seek to address. This is particularly important in a tight fiscal environment, where New Zealand needs to balance investment in new infrastructure with the need to renew and maintain existing assets.

## What we are looking for

### Problem statements

A good problem statement identifies the likely root cause of the problem, rather than only describing the visible symptoms of the problem, and avoids selecting or implying a preferred solution. At Point 1, the problem definition may still be developing, but it should be clear enough to show why further investigation is justified and to enable a wide range of potential options to be considered.

An example of a visible symptom and root cause of a problem is outlined in Table 1. While the visible symptom of the problem is not incorrect, it does not explain why the problem is happening and appears to lead toward one potential solution. In contrast, the root cause problem definition provides insight into what caused the problem to eventuate and points to multiple potential ways to respond.

**Table 1: Examples of root cause and visible symptom problem definitions**

| Example of a root cause problem definition | Example of a visible symptom problem definition |
|---|---|
| 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. | The stormwater pipes in Hobson Town regularly overflow during large rainfall events because the pipes are not large enough. |

Problem statements should have allocated weightings to show which problems matter most. This helps options assessment by showing whether potential solutions are likely to address the most important problems. For example, where a transport proposal has three problem statements weighted at 60% safety, 20% travel time, and 20% resilience, options can be developed and assessed with a clear understanding that safety is the primary issue, while still recognising other benefits.

### Problem sizing

Problem statements should be supported by evidence that demonstrates the likely size and scale of the problem. There are a variety of tools and approaches that can be used to help identify and measure problems. The Treasury's Better Business Cases guidance provides further information on what makes a compelling problem definition and case for change. Infrastructure Australia's Guide to Defining Problems and Opportunities is also a useful resource.

Examples of strong and weak problem sizing are shown in

Table 2. The weak example describes a perceived solution gap rather than the underlying problem. It provides limited evidence of the existence, scale, or consequence of the problem, and points directly to a preferred solution. In contrast, the strong example identifies the underlying issue, provides evidence of its likely scale and consequence, and leaves open a range of potential responses for further investigation.

Table 2: Examples of strong and weak problem sizing

| Strong example | Weak example |
|---|---|
| The connection between Riverford City and Greenvale Town has low resilience and unreliable travel times. Over the past five years, the corridor has experienced an average of three closures per year, resulting in approximately $42 million in additional travel time costs annually. Average travel times between the two centres are also substantially higher than on comparable inter-urban corridors. This suggests that there may be a material resilience and reliability problem requiring further investigation, including consideration of network management, targeted resilience improvements, alternative routes, demand management, or other options. | The connection between Riverford City and Greenvale Town is poor quality because there is not a motorway between them. Travel times are too slow, the road is unreliable, and the corridor does not meet the standard expected for a connection between two growing centres. A motorway is needed to improve the quality of the connection and reduce travel delays. |

The cost of the problem should be sized in quantitative terms where possible, and in monetary terms for sectors where economic evaluation guidance exists and there is sufficient evidence to do so. For example, NZTA's *Monetised benefits and costs manual* includes monetary values for a range of transport costs and benefits. Monetising the problem helps test whether potential solutions are likely to be proportionate to the problem. For example, if the cost of the problem is monetised at $50 million per year, or approximately $858 million in present value terms using a 5% real discount rate over 40 years, solutions costing $2 billion would not be suitable. **Figure 1** summarises the different approaches to problem sizing.

Figure 1: Problem sizing



## Problem sizing

Three main methods are available to size the magnitude of the problem.

**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, for example NZTA's *Monetised benefits and costs manual*. Importantly, it shows the scale of different problems and opportunities, which can be used to consider what scale or type of solutions may be appropriate. It is also a step towards developing the base case in a cost-benefit analysis. Where the problem has been monetised, the methodology and assumptions should be clearly explained.

**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 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.

### Issues with problem sizing

All projects should provide a compelling description and, where possible, quantification of the problem, regardless of 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, as compared to a capital upgrade project.

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 problem might be demonstrated by the value that customers receive from the current infrastructure, or by quantifying the consequences that would occur if the infrastructure did not exist or could no longer provide the required service.

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 problem might be demonstrated by estimating both the likelihood of a disruption occurring and the impact of that disruption if it occurred. Multiplying the likelihood of the disruption by its impact provides an estimate of the expected value of the problem addressed by a resilience proposal.

In most cases, it is not appropriate to infer the size of the problem from the benefits of proposed solutions. This is because this approach is likely to lead to an inaccurate sizing of the problem and may lead to a flawed selection of appropriately sized solutions. In cost-benefit analysis, the problem should be defined and quantified before options are assessed. The benefits of a particular option represent the incremental reduction in that problem achieved by that option, not necessarily the full scale of the underlying problem. Inferring problem size from option benefits risks circular reasoning and may underestimate the problem if the option is only partial, or overstate the case if the assumed benefits are optimistic.

Inferring the size of the problem from monetised benefits is only appropriate in limited circumstances, such as where a low-cost or minimum viable option is compared directly with the do-nothing option. In that case, the option's benefits may provide evidence of the minimum addressable value of the problem. However, this should not be treated as the full problem size unless the option is expected to resolve the problem in full. For larger or more complex options, monetised benefits reflect the incremental impact of that option, not the scale of the underlying problem.

### Developing a counterfactual

In order to understand the need for investment, the consequences of no further investment should be clearly understood and presented. This should extend beyond general qualitative statements, for example, statements about declining resilience, capacity, or asset condition. At Point 1, the counterfactual should explain what is expected to happen without further investment, who would be affected, when impacts may arise, and the likely scale or severity of those impacts. This should be supported by evidence where available, such as asset condition assessments, demand forecasts, capacity modelling, maintenance cost trends, and risk assessments. Without a clear do-nothing or do-minimum scenario, it is difficult to assess the marginal benefits of options and whether the scale and timing of proposed investment is proportionate to the problem.

## 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 a proposal is addressing a recognised infrastructure priority. At Point 1, this means showing that the proposal has early alignment with current government, sector, agency, or system priorities, and that the problem is strategically important enough to justify further investigation. This helps ensure that business case development is focused on proposals that are consistent with long-term infrastructure priorities and investment direction.

### What we are looking for

The proposal should show how the project fits within the wider context of its infrastructure network, system, or sector, and why the problem is strategically important. The proposal should demonstrate alignment to relevant priorities set out in current strategic documents. For central government projects, these may include legislation, government policy statements where relevant, Cabinet agreements, agency long-term strategies, long-term investment plans, sector strategies, network plans, asset management planning, or other recognised central government planning documents. For local government projects, these may include relevant legislation, national policy statements, asset management plans, council long-term plans, and other adopted council planning documents.

The proposal should explain the nature of the alignment, rather than only listing documents. It should identify the specific priority, outcome, objective, problem, or service need that the proposal contributes to. Referenced documents should be current, relevant, and of sufficient quality to support an early strategic case. Where relevant, the proposal should identify any known changes to government priorities, sector plans, agency strategies, funding settings, asset management information that may need to be tested further at later Points.

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, investment, 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. Table 3 shows examples of strong and weak strategic alignment.

**Table 3: Examples of strong and weak alignment to national and sector strategies**

| Strong example | Weak example |
|---|---|
| The proposal responds to a recognised need to improve the resilience and capacity of drinking water infrastructure in a high-growth district. The Strategic Case identifies alignment with current drinking water legislation and regulatory requirements, the relevant water services strategy, the asset owner's long-term infrastructure strategy, and asset management planning. It explains that ageing treatment assets and increasing demand are creating risks to service reliability, regulatory compliance, and future growth. | The proposal is aligned with water infrastructure priorities because safe drinking water is important and the district is growing. The project has local support and would help modernise ageing infrastructure. The proposal does not identify the specific strategy, policy, regulatory requirement, investment priority, or asset management need that the project responds to. |

The strong example identifies the specific legislation, strategies and asset-management information that establish the need as a recognised infrastructure priority. It explains how the proposal contributes to those priorities rather than simply listing relevant documents, providing confidence that the investment has a credible strategic basis.

The weak example relies on general statements about the importance of the infrastructure and local support without identifying the specific strategic, regulatory or asset-management priorities the proposal responds to. This provides limited evidence that the problem is sufficiently aligned with current priorities to justify further investment in business case development.

## Point 1: 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<br>• 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<br>• The problem is sized in monetary terms for sectors where economic evaluation guidance exists<br>• Inferring from benefits monetisation only appropriate where a low cost/MVP option is compared to the do-nothing option<br>• 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 contribution or alignment to at least one priority detailed in: legislation, government policy statements (required where relevant), Cabinet agreements, agency long-term strategies or local council long-term plans<br>• Consistent with priorities signalled in agency or council asset management planning<br>• Strategic planning documents referenced are current<br>• 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 proposal demonstrates a clearly defined and credible problem, supported by appropriate early evidence of its scale and consequences, including quantitative or monetary estimates where available, and strong alignment with current strategic priorities. |
| **Amber** | The proposal identifies a credible problem and demonstrates alignment with current strategic priorities, but the definition, evidence, sizing, or consequences require further development. |
| **Red** | The proposal does not define the problem, **and/or** does not size the problem in any meaningful way, **and/or** is not aligned to current strategic priorities. |

# 4. Value for money

## Is the proposal open to a broad and proportionate range of options?

## Focus of assessment

At Point 1, the value for money assessment focuses on whether the proposal has a clear early scope, has considered a broad range of possible responses, and is likely to progress options that could provide benefits proportionate to costs. Good value for money at this stage means the agency understands what is likely to be in and out of scope, how the scope aligns with the problem, and any key interdependencies or delivery mandates. We would expect evidence that the agency is not prematurely focusing on capital-intensive solutions, is open to non-built or low-cost options, and will be considering the benefits, dis-benefits, and whole-of-life costs that will need to be assessed later.

### Reviewer tips

#### Connection with strategic alignment

Problem size and scope are closely connected. Assess here whether the emerging scope is proportionate to the problem and remains broad enough to allow an appropriate range of responses to be considered. Whether the scale, significance and consequences of the underlying problem are sufficiently understood is assessed under **strategic alignment – sizing the problem.**

#### Connection with financial

Scope and affordability are closely connected. Assess here whether the emerging scope is proportionate to the problem and remains open to an appropriate range of responses. The financial implications of the emerging scope, including whether the likely investment scale is affordable, are assessed under **financial – affordability.**

#### Connection with deliverability

When defining scope, agencies are likely to identify important interfaces, dependencies or matters outside the investment boundary. Assess here whether the scope and investment boundary are appropriately defined. Whether identified dependencies and interfaces are understood and manageable is assessed under **deliverability – interdependencies and interfaces.**



## Relevant guidance and resources

**Core New Zealand guidance:**

New Zealand Treasury, *Better Business Cases* guidance on options development and appraisal; New Zealand Treasury, *Guide to Social Cost Benefit Analysis*; New Zealand Treasury, *CBAx Tool and User Guidance;* relevant sector-specific economic evaluation guidance where applicable.

**Additional useful resource:**

Infrastructure Australia, *Assessment Framework: Stage 2, Identifying and Analysing Options*.

These resources provide further guidance on maintaining a broad range of potential responses, including non-investment and lower-cost options, and on applying proportionate economic analysis to understand the scale of the problem and the potential value of intervention.
For land transport investments, relevant sector-specific guidance includes NZTA's *Monetised benefits and costs manual*. The *Land Transport Benefits Framework* measures manual may also be useful where the focus is on identifying and measuring benefits.

# Concepts we are reviewing at this Point

## Scope

### About this concept

In infrastructure investment, scope is the defined boundary of what the investment will and will not deliver. This includes defining the assets, services, locations, users, interfaces and outcomes that an infrastructure investment seeks to deliver. Having a clear scope is important for having a transparent and shared view of the boundaries of an investment.

At Point 1, agencies should have an emerging view of the types of interventions that are in and out of scope of their investment proposal. As such, scope at this Point is at an early stage of development. Agencies need to ensure their scope is clearly defined by the time an investment decision is made at Point 3. Proceeding to delivery phases where scope isn't clearly defined, or agreed by key investment partners, risks scope creep which is costly (in terms of money and time) if this occurs when a project is in active delivery.

### What we are looking for

The proposal should present a clear view of the types of interventions that are in scope, as well as those that are expected to be out of scope. At this Point, the agency should also demonstrate awareness of key linkages to other projects (dependencies, interdependencies and interfaces) that are expected to have material impact and influence on a proposal's scope.

Table 4: Examples of strong and weak scope at Point 1

| Strong | Weak |
|---|---|
| Coopertown City Council and Ōtari Regional Council are working together to improve the transport connections between Harton and the Coopertown city centre. The two councils have signed an agreement to co-fund the redevelopment of the Harton bus interchange, with a maximum funding envelope of $50 million and a 50:50 funding split between the two organisations. The two organisations have agreed on two objectives for the project: to improve transport accessibility and modal choice. Interventions that are in scope include: improvements to the passenger waiting area and platform shelters, bus bay capacity increases, and accessibility improvements for passengers. | Coopertown City Council and Ōtari Regional Council are working together to redevelop the Harton bus interchange. The mayor of Coopertown has been championing the project, arguing that it is a once-in-a-generation opportunity to revitalise Harton town centre. A recent engagement exercise led by Coopertown highlighted the potential to pedestrianise the plaza outside the station, improving connectivity and providing urban greening, but it is unclear whether these elements are in scope of the interchange project. Ōtari Regional Council has confirmed its funding contribution, with a maximum funding envelope of $25 million. Ōtari is willing to fund bus improvements only, including waiting area improvements and bus bay capacity increases. Coopertown city's contribution to the interchange project has yet to be confirmed. |

The strong example establishes an appropriate early boundary without prematurely selecting a preferred solution. It identifies the broad types of intervention that may be considered and matters that are currently in scope. A signed agreement on project objectives demonstrates that there is a shared understanding of both the problem and the types of solutions they can deliver to address the problems.

In the weak example, there doesn't appear to be a shared view of problems and project objectives. There also does not appear to be agreement on the type of solutions that should be considered. If this misalignment continues, both agencies will move closer to project delivery with a problem and a scope that are not clearly defined or agreed, risking costly scope creep at later stages.



## Further notes on scope

### Mandates to deliver

Proposals need to focus on activities they have been given a mandate to deliver on. Activities can require contributions from more than one agency, such as a road transport project involving a national transport authority and local council. In these instances, the proposal must be clear that these agencies are working in partnership, including clarity about each agency's particular role and contribution.

### Consideration of dependencies and interfaces

Realising project benefits can be dependent on availability or delivery of another project or asset. Proposals need to identify these and clarify if these are in or out of scope of the proposal. This can also include interfaces with adjacent infrastructure where this requires work (and partnership with owners) to connect assets. Further, agencies should be transparent about out-of-scope projects or assets that are unfunded and are needed to fully realise a proposal's identified benefits. These issues are covered in greater detail in the deliverability focus area.

## Identifying options

### About this concept

Identifying a longlist of options means developing a broad set of plausible ways to address the identified problem. Considering a wide range of ways to solve the problem provides confidence to decision-makers that effective solutions are being explored to solve the problem in the most cost-efficient way. This also provides decision-makers with confidence that all solutions with merit have been investigated.

Developing a longlist involves identifying key dimensions and choices that are in scope to address identified problems, and packaging them into discrete options or complete solutions.

### What we are looking for

At Point 1, we do not expect agencies to identify and develop specific options to solve the problem. However, we would like to see that agencies are aware of the potential types of options available and have a broad understanding of the costs, compared to the size of the problem. Evidence of this could include acknowledgement of previous work on the problem, an order of magnitude cost estimate based on previous projects, and a consideration of how the problem has evolved since then. At this stage, a proposal should demonstrate an awareness of a range of potential ways to address the problem or opportunity that it has identified, without settling prematurely on a single solution.

We do not expect to see significant development of options at Point 1 as this level of detail is developed at later stages. We do expect to see an awareness of the types of options that will be explored at later stages, from non-built options (such as pricing/user charges and policy reform) through to more capital-intensive options. This includes some initial analysis suggesting that there are solutions that are likely to offer benefits that exceed their costs.

**Table 5: Examples of strong and weak options identification at Point 1**

| Strong | Weak |
|---|---|
| Unity Water is investigating a new servicing solution to manage its volume of biosolids, a nutrient-rich by-product of wastewater treatment. A wide range of options will be considered at later stages, including a Unity Water-owned landfill, a third-party commercial landfill, incineration, and land application. The key pros and cons of each disposal approach have been documented. These include a brief discussion of their use in other locations, whether Unity Water has experience with the approach, and order of magnitude cost estimates. | Unity Water is investigating a new servicing solution to manage its volume of biosolids, a nutrient-rich by-product of wastewater treatment. A single preferred solution will be investigated at the next stage: incineration at a Unity Water-owned waste-to-energy plant. The advantages of this disposal approach have been documented. It is popular with key stakeholder groups and is well aligned with the organisation's emissions reduction goals. Unity Water has not indicated if it has experience with this type of solution, whether this type of solution is used in similar locations, or provided an indication of potential costs. |

In the strong example above, the entity demonstrated they are aware of the potential types of options available and have a broad understanding of the strengths and weaknesses of different options, including consideration of costs and potential deliverability of different options.

In the weak example, the entity seems to focus on a capital-intensive solution without evidence that non-built and lower-cost options are being considered. Prematurely focusing on high-cost options risks lower value for money solutions being chosen.

## Evaluation approach

### About this concept

Economic analysis of shortlisted options is a critical step to ensure a high value for money option can be selected. A robust assessment of monetised costs and benefits, through CBA, is the most objective and rigorous way of demonstrating value for money. Cost-effectiveness analysis can be used in situations where benefits cannot be monetised and there is one primary project output. Relying on less robust methods of economic analysis increases the chances for low value for money options.

At Point 1, the focus is on demonstrating awareness of the costs and benefits that will be explored in an investment case. Point 2 will require agencies to assess shortlisted options. Assessment of shortlisted options involves a structured analysis and comparison of the costs and benefits associated with each option.

### What we are looking for

At Point 1, we do not need to see a longlist or shortlist of options nor an economic analysis of these options. Rather, it is important for agencies to demonstrate an understanding of the costs and benefits (monetary and non-monetary) that they intend to evaluate in their economic analysis at Points 2 and 3. This includes acknowledging known dis-benefits of potential solutions that will need to be accounted for in future economic analysis.



### Further resources on benefits

New Zealand Treasury's *CBAx Tool* and *Guide to Social Cost Benefit Analysis* provide guidance on identifying, measuring and, where appropriate, monetising costs and benefits.

Sector-specific guidance, such as NZTA's *Monetised benefits and costs manual* and *Land Transport Benefits Framework*, may also be relevant.

Agencies should use recognised methods and reliable evidence where available. Any external methods or values should be transparent, relevant to the proposal and supported by a clear rationale.



### Note on the importance of alignment of problems and benefits

Early identification of benefits provides an opportunity to test alignment across identified problems and the potential of solutions to resolve these. Misalignment of problem statements and benefits at later stages draws into question the potential value of solutions considered (as the agency is exploring solutions that do not address their identified problems). This misalignment should prompt agencies to take a deeper look at the problem statements in their strategic case.

## Point 1: Value for money review questions

| Question | What good looks like |
|---|---|
| **Concept: Scope** | |
| **V1: Is there a clear understanding of the activities and asset types that will be in and out of scope of this investment?** | • There is a clear understanding of the scope of options that can be considered (what is likely to be in scope and out of scope)<br>• Early scope of investment is clearly aligned with identified problems<br>• There is awareness of key interdependencies with other investments or assets, within the agency's portfolio or beyond, relevant to the planning and delivery of this investment. This includes awareness of out-of-scope projects with unfunded components that are needed to achieve identified benefits for this proposal (if any)<br>• Demonstrates awareness of who has the mandate to deliver project |
| **Concept: Identifying options** | |
| **V2: Has the agency considered a range of potential options for investigation at later stages?** | • Evidence that the agency is not prematurely focusing on capital-intensive solutions<br>• Evidence the agency is open to a range of options including non-built and low-cost options (such as changes in policy, regulatory or governance settings, better use of existing assets including user pricing) through to more capital-intensive options |
| **V3: Has the agency identified approaches to address the problem that could provide value for money?** | • Ideally evidenced by comparing the value of the problem while considering solutions that are likely to be proportionate to this value<br>• Agency demonstrates understanding of amount of problem that is solvable by different potential solutions – noting that not all problems are fully solvable (proportionality of benefits to costs)<br>• No concerns that high-cost solutions are being explored to address problems of likely modest value |
| **Concept: Evaluation approach** | |
| **V4: Has the agency identified benefits (monetary and non-monetary) and costs that they intend to assess in their economic analysis of shortlisted options?** | • Relevant benefits (monetary and non-monetary) identified. Awareness of relevant economic evaluation frameworks<br>• Intention to quantify dis-benefits alongside benefits<br>• Awareness of key inputs for estimating whole-of-life costs: capital and operational expenditure, including maintenance and renewal costs over project timeline |

## 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 proposal has a clear emerging scope, a good understanding of the range of potential options, and demonstrates potential for options that could deliver value for money. |
| **Amber** | The proposal demonstrates some understanding of the scope and some understanding of the range of potential options, **or** unclear if options considered could offer value for money. |
| **Red** | The proposal demonstrates a poor understanding of the scope, **or** no understanding of the range of potential options, **or** no possibility that potential options could offer value for money. |

# 5. Financial

## Is the likely investment scale understood and is next-stage funding credible?

## Focus of assessment

At Point 1, the financial assessment focuses on whether the agency has an early understanding of the likely scale and affordability of investment required for the project or programme, and whether funding is in place to progress to the next stage. Good financial planning at this stage means the likely order of magnitude of investment is realistic relative to the early scope identified under the value for money criterion and has been considered within the agency's relevant funding context.

We do not expect detailed cost estimates or certainty over delivery funding at this stage. However, we would expect the proposal to identify the likely upper investment range, the main cost drivers, and whether the project may be difficult to accommodate within existing or anticipated funding settings. We would also expect a clear plan to secure funding for the Indicative Business Case and supporting technical investigations.

### Reviewer tip

### Connection with value for money

Affordability depends partly on the emerging scope of the investment. Assess here whether the likely investment scale can be accommodated within the relevant funding context. Whether the scope itself is proportionate to the problem, and appropriately defined at this stage, is assessed under **value for money – scope.**

## 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 understanding whether the proposal is financially realistic, both in terms of potential capital costs and longer-term operating, maintenance, and renewal costs. At Point 1, affordability is about forming an early view of whether the likely scale of investment appears realistic within the agency's relevant funding context. This may include benchmarking against comparable projects, considering the agency's existing and anticipated funding settings, capital and operating budgets, asset management and long-term investment plans where relevant, and identifying the main cost drivers that will need to be tested in later business case stages.

#### What we are looking for

At Point 1, the proposal should demonstrate an early understanding of the likely upper limit of investment required for the project or programme. This does not need to be a detailed cost estimate, but it should provide a credible order-of-magnitude view of the potential capital and whole-of-life costs. Examples of strong and weak practice are shown in **Table 6**.

Table 6: Developing an early view of investment affordability

| Strong practice | Weak practice |
|---|---|
| A Strategic Case for a regional water resilience project identifies that the likely investment could range from $150 million to $250 million, based on comparable projects, early asset information, and known capacity constraints. The agency explains that the range is preliminary and identifies the main cost drivers, including land requirements, treatment capacity, consenting, and network upgrades. It also considers the likely investment scale within the agency's funding context, including comparison with forecast resilience infrastructure expenditure in the long-term plan and an indicative assessment of the additional funding that could be required. It also notes that the investment could create material pressure on existing and anticipated funding settings and that affordability will need to be tested further at the Indicative Business Case stage. | A Strategic Case for a regional water resilience project describes the project as "likely to be affordable" but provides no indication of the possible investment scale. It does not identify the likely order-of-magnitude cost, the main cost drivers, or whether the project could realistically be accommodated within the agency's existing or anticipated funding settings. |

In the strong example, the agency has developed an early view of likely cost and tested this against the available funding context. This helps identify potential affordability pressures before the business case is developed further. In the weak example, the agency states that the investment is likely to be affordable without providing evidence on likely cost or funding capacity. This limits confidence that the agency has a credible early understanding of whether the investment is likely to be affordable.

The proposed investment scale should be realistic relative to the agency's current understanding of scope, as demonstrated under the value for money criterion, and the size of the problem demonstrated under the strategic alignment criterion. Where the scope is still uncertain, the proposal should identify the main cost drivers and explain how these may affect the likely investment range.

The proposal should also show that the likely investment requirement has been considered within the agency's existing and anticipated funding settings. It should identify whether the investment could create material affordability pressures or is likely to require significant reprioritisation, additional funding decisions, or further testing at the next stage. The agency may also compare the likely investment with previous capital programmes or relevant long-term investment and asset management plans to demonstrate its scale within the agency's wider investment context.

## Available funding

### About this concept

Available funding is the extent to which funding is available, approved, or on a clear funding pathway for the next stage of the investment. Funding is needed to progress a project or programme from one investment phase to the next. At Point 1, this does not mean that funding must already be confirmed. It means the agency should show that there is a clear and realistic plan to secure the funding needed for the next stage of business case development.

### What we are looking for

At Point 1, the proposal should demonstrate whether there is a clear plan to secure funding to progress the project or programme to the next stage of investment planning. This should include identifying the activities needed to develop the Indicative Business Case and how these are expected to be funded. This may include technical investigations, specialist advice, option development, cost estimation, risk assessment, engagement, and other work needed to support the next investment decision. The proposal should also identify the expected source of that funding and any material approvals or decisions required before it can be committed or accessed. Where funding is not yet confirmed, the proposal should identify the funding gap, how and when it is expected to be addressed, and whether this creates a risk to progressing the project to the next stage.

## Point 1: Financial review questions

| Question | What good looks like |
|---|---|
| **Concept: Affordability** | |
| **F1: Does the agency understand the upper limit of investment for this project/programme?** | This should include:<br>• a credible order-of-magnitude view of the likely investment range, consistent with the emerging scope<br>• identification of the main cost drivers and material whole-of-life cost implications that will need to be developed further<br>• evidence that the likely investment scale has been considered within the agency's existing and anticipated funding settings, including relevant capital and operating budgets, long-term investment plans or asset management plans where applicable<br>• identification of any material affordability pressures that will require further investigation at the next stage |
| **Concept: Available funding** | |
| **F2: Is funding in place to progress the project/programme to the next stage?** | This should include:<br>• evidence that the activities needed to develop the Indicative Business Case, including required technical investigations and specialist advice, are funded or there is a credible plan to secure funding<br>• the expected source of funding and the status of any material approvals or decisions required to commit or access that funding<br>• where funding is not yet confirmed, a clear understanding of the funding gap and whether this creates a material risk to progressing the investment |

## 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 the likely investment scale and affordability have been appropriately considered within the agency's funding context, **and** funding is in place to progress the project or programme to the next stage or there is a credible plan to secure it. |
| **Amber** | The likely investment scale and affordability have been considered, but some cost, affordability or funding assumptions require further development. Funding for the next stage is available or supported by a credible plan to secure it, and the remaining uncertainties are capable of being resolved without materially undermining progression. |
| **Red** | The likely investment scale or affordability has not been meaningfully considered, **or** there are material affordability concerns that undermine confidence in further development, **or** there is no credible evidence that funding will be available to progress the project or programme to the next stage. |

# 6. Commercial

## Are credible early procurement and market considerations identified?

## Focus of assessment

At Point 1, the commercial assessment focuses on whether the agency has a baseline understanding of the market conditions that may affect business case development, procurement and delivery. Good commercial planning at this stage means the agency can identify relevant market capacity constraints, labour and supply-chain pressures, and competing programmes of work. The focus is on identifying material commercial conditions and understanding their potential implications for feasibility, cost, timing and deliverability. Detailed market analysis, procurement strategy and commercial arrangements are not expected at this Point but should be developed progressively through subsequent business case stages.

### Reviewer tips

#### Connection with deliverability

Market conditions may create or amplify delivery risks. Assess here the underlying supplier capability, capacity, market interest, supply-chain constraints and other relevant market conditions. Whether material risks arising from these conditions have been recognised and incorporated into the wider project risk-management approach is assessed under **deliverability – risk management.**

#### Connection with governance and capability

Commercial assessment may identify specialist procurement, legal, commercial or technical capability required as the investment develops. Assess here the nature of specialist capability that may be required from a commercial perspective. Whether the investment team has, or can secure, the people, skills and resources required to progress the investment through the next stage is assessed under **governance and capability – team capacity and capability**. Broader organisational delivery capability and experience are assessed under **governance and capability – organisational track record and ability to deliver.**

## Concepts we are reviewing at this Point

### Market conditions

#### About this concept

Market conditions are a key factor in an agency's ability to successfully procure and deliver infrastructure. Relevant conditions include supplier capability, capacity and interest, supply-chain constraints and competing demand for resources. These issues can be particularly important in New Zealand given the relatively small market and for investments that are novel, highly complex or large in scale. Early consideration of market conditions can identify material constraints while there is still opportunity to respond to them. At Point 1, the focus is on establishing an early understanding of the commercial conditions that could materially affect development and delivery of the investment.

### What we are looking for

At Point 1, we expect agencies to demonstrate a baseline understanding of the market capability and capacity likely to be required to deliver the types of solutions being considered. This should include awareness of material supply and demand conditions, including competing programmes of work that could constrain market capacity during likely delivery timeframes. Where material constraints are apparent, the proposal should demonstrate an early understanding of their potential implications for feasibility, cost, timing or deliverability and identify matters requiring further investigation during subsequent business case development.

**Table 7: Examples of strong and weak assessments of market conditions at Point 1**

| Strong | Weak |
|---|---|
| The South Haven National Roading Authority is exploring ways of connecting two cities separated by a deep-water channel: Muttonborough and Possum Creek. Their options analysis includes a pontoon/floating bridge as the crossing faces site constraints of unstable ground conditions and a large distance over water. This type of bridge has unique technical requirements and has never been built in South Haven.<br><br>The Authority has met with domestic bridge builders and has confirmed no firm in South Haven has capability to design and deliver this type of solution.<br><br>Early discussions with three overseas firms who specialise in these bridges suggest they all have interest in partnering with firms in South Haven. | The South Haven National Roading Authority is exploring ways of connecting two cities separated by a deep-water channel: Muttonborough and Possum Creek.<br><br>Their options analysis includes a pontoon/floating bridge as the crossing faces site constraints of unstable ground conditions and a large distance over water. This type of bridge has unique technical requirements and has never been built in South Haven.<br><br>The Authority intends to assess suppliers' capacity and interest (domestic and international) at the DBC stage as this is their standard practice. |

In the strong example above, the Roading Authority has engaged with prospective suppliers at an early stage to understand domestic market interest and capacity. This early engagement has identified potential capability constraints for suitable suppliers in South Haven, prompting the agency to assess market conditions globally. Addressing barriers to accessing suitable suppliers early reduces the likelihood of these barriers disrupting the project at later Points.

In the weak example, while the Roading Authority is aware of the novel nature of options they are considering and potential capability constraints domestically, they propose waiting to engage with these suppliers at the DBC stage. As this stage is adjacent to formal procurement activities at Point 3, this presents timeline and project cost risks in the event they are unable to find a suitable supplier. Understanding the nature of these constraints at an earlier stage gives the agency more time to overcome these constraints. Approaching the market for novel solutions late in the process risks costlier solutions, or the inability to find a suitable provider.



## 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.

## Point 1: Commercial review questions

| Question | What good looks like |
|---|---|
| **Concept: Market conditions** | |
| **C1: Has the agency demonstrated a baseline understanding of the market conditions that could materially affect development and delivery of the investment?** | • Material market conditions that could affect the investment have been identified, including relevant supplier capability or capacity constraints, labour and supply-chain pressures and competing programmes of work<br>• There is an early understanding of how any material market constraints could affect feasibility, cost, timing or deliverability<br>• For novel, complex or otherwise market-constrained proposals, there is evidence that material constraints have been recognised early enough to inform further investigation and potential responses during subsequent business case development |

## 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 proposal demonstrates a credible baseline understanding of the market conditions that could materially affect development and delivery of the investment, including the implications of any significant constraints. There is confidence that identified commercial issues can be appropriately investigated and addressed through subsequent business case development. |
| **Amber** | The proposal demonstrates some understanding of relevant market conditions, but there are gaps in the identification of material constraints or their potential implications. These gaps are considered manageable and unlikely to prevent progression, provided they are addressed during the next stage of business case development. |
| **Red** | The proposal does not demonstrate sufficient understanding of material market conditions or constraints and their potential implications. Significant commercial issues have not been identified or understood to a level that provides confidence the investment should progress to the next stage of business case development. |

# 7. Governance and capability

**Are governance, capability, planning and assurance arrangements sufficient to support progression of the investment?**

## Focus of assessment

At Point 1, consideration is given to whether the organisation has the governance, leadership, capability, planning, and assurance arrangements necessary to successfully develop the investment through the next stage of the business case process. The focus is on whether organisational capability, governance arrangements, project planning, and assurance are proportionate to the scale, complexity, and risk of the investment.

### Reviewer tips

Reviewers should have confidence that accountability and governance are sufficiently clear and that the organisation and investment team have, or can credibly access, the organisational and team capability, planning and assurance required to progress through the next stage of business case development.

### Connection with commercial

Commercial assessment may identify specialist procurement, legal, commercial or technical capability required as the investment develops. Whether that capability is likely to be required from a commercial perspective is considered under **commercial – market conditions**. Whether the agency has, or can credibly secure, the people, skills and resources required to progress the investment is assessed here.

### Connection with deliverability

Organisational ownership, operational responsibility and multi-agency participation may influence both governance and deliverability. Assess here whether accountability, governance oversight and decision-making responsibilities are sufficiently clear for this stage. Broader organisational delivery experience and capability, and whether the organisation has a credible approach to accessing additional capability where required, are also assessed here under organisational track record and ability to deliver. Whether the investment team has, or can credibly secure, the people, skills and resources required to progress the investment through the next stage is assessed here under team capacity and capability. Organisational ownership, alignment, operational responsibilities and wider delivery dependencies are assessed under deliverability.

## 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 business case exists, investments can experience delays, cost escalation, procurement challenges, or benefits shortfalls if the organisation lacks the capability, capacity, leadership, or experience required to deliver them. Early assessment of organisational track record and delivery capability helps identify delivery risks, informs governance and

resourcing decisions, and provides confidence that the organisation is appropriately positioned to progress the investment.

### What we are looking for

The proposal should provide evidence that the organisation has relevant experience delivering investments of a similar scale, complexity, and risk, or has a credible plan to access the expertise and capability required. The assessment should recognise the organisation's existing strengths and experience, while also identifying any limitations or areas where additional capability will be needed.

Capability gaps do not need to have been fully resolved at the Strategic Case stage, but they should be understood and supported by a credible approach for addressing them as the investment develops. The evidence should provide confidence that the organisation is appropriately positioned to progress the investment to the next stage.

## Team capacity and capability

### About this concept

Achieving successful delivery of an investment requires the right mix of skills and expertise that is available at key points of project delivery. Identifying the capabilities required early in project planning ensures agencies have sufficient time to identify gaps and secure the right resource to fill these gaps. This includes access to specialist expertise proportionate to the scale and complexity of the investment.



**Warning**

Failure to effectively manage capability and capacity requirements can contribute to project delays, cost escalation, delivery challenges, and reduced benefits realisation.

### What we are looking for

At Point 1, the agency should demonstrate that the people, skills and resources required to progress the investment through the next stage have been considered and that sufficient capability is available, or can credibly be secured.

Material specialist capability requirements should be recognised, including where external expertise or additional organisational capacity may be required. Detailed resourcing for procurement and delivery is not expected at this Point but should be progressively developed as the investment matures.

## Project planning maturity

### About this concept

Mature project planning provides confidence that scope, schedule, resources, risks, dependencies, approvals, procurement activities, and implementation requirements have been sufficiently considered to support progression to the next stage of the investment lifecycle. Research shows that inadequate early planning and incomplete business case development are associated with increased delivery risk, cost escalation, and schedule overruns.

### What we are looking for

Project planning should be proportionate to the Strategic Case stage and provide a credible basis for progressing the investment. The proposal should identify the principal activities, investigations, approvals, resources, and deliverables required during the next stage, supported by an early programme showing major milestones, dependencies, decision points, and approval requirements.

Scope boundaries and key planning assumptions should be sufficiently clear to support further development. Important risks and dependencies should be reflected in the proposed next steps, and planning should align with the Strategic Assessment, Risk Profile Assessment, and other work completed to date. The approach to developing more detailed cost estimates should also have been considered and should be appropriate to the scale and complexity of the investment.

## Project assurance

### About this concept

Project assurance provides independent challenge, verification, and confidence that investments are progressing appropriately through the lifecycle. Effective assurance supports better decision-making, improves the quality of project information, and helps identify emerging risks and issues early. Establishing an assurance approach that is proportionate to the scale, complexity, and risk of the investment provides confidence that appropriate oversight and challenge will be applied as the investment progresses. Project assurance also helps organisations learn from experience and reduces the likelihood of avoidable delivery failures, cost escalation, and unrealised benefits.

### What we are looking for

The proposal should demonstrate that assurance requirements have been considered at a level proportionate to the scale, complexity, and risk of the investment. This should include early consideration of the types of review, challenge, and oversight that may be required during the next stage, such as internal quality assurance, independent or specialist review, peer review, governance oversight, or formal assurance activities.

Detailed project assurance planning may not yet be complete, but the need for appropriate challenge should be recognised and reflected in the next-stage plan. The proposed approach should provide confidence that assurance will support the quality of project information, identify emerging risks and issues, and enable informed decision-making as the investment develops.

## Appropriateness of governance arrangements

### About this concept

Effective governance provides clear accountability, oversight and decision-making throughout the investment lifecycle. Governance arrangements should evolve as an investment develops and should be proportionate to its scale, complexity, risk and stage.

At Point 1, the emphasis is on whether sufficient governance is in place to oversee development of the investment and support the decisions required to progress it. More detailed governance arrangements for subsequent development, procurement and delivery should be progressively established as the investment matures.



**Warning**

Poor governance can contribute to delays, cost escalation, ineffective risk management, unclear responsibilities, and failure to achieve intended outcomes.

### What we are looking for

At Point 1, we expect overall accountability for the investment to be clear, including an appropriately authorised SRO or equivalent. Governance and decision-making arrangements should be sufficiently defined and proportionate to the scale, complexity, risk and current stage of the investment, and support effective oversight and progression through the next stage of business case development. There should be clear accountability for progressing the investment through the next stage of business case development, whether this is through business-as-usual arrangements or through a bespoke governance structure for the proposal.

Where multiple organisations are involved, there should be sufficient clarity about their respective governance roles, responsibilities and decision-making interfaces for this stage. Any material governance gaps or requirements for the next stage should be recognised and capable of being addressed as the investment progresses.

At the Strategic Case stage, reviewers are looking for confidence that the organisation understands what will be required to successfully develop the investment, recognising that not all governance structures and resources will be in place. A strong proposal recognises the leadership, capability, planning and assurance likely to be required during

the next stage and demonstrates that the organisation has thought about how these needs will be addressed. This provides confidence that the investment can progress to the next stage in a structured and well-informed manner.

A common weakness at the Strategic Case stage is treating governance, organisational capability and team capability as issues to be considered later. While detailed governance arrangements, project teams and assurance plans are not expected at this Point, reviewers expect the proposal to demonstrate an awareness of the leadership, capability, planning and oversight that will be required to successfully develop the investment. Without this understanding, there is limited confidence that the organisation is ready to progress to the next stage of business case development.

**Table 8: Confirming the organisation has the governance and capability to progress the investment**

| Strong example | Weak example |
|---|---|
| The Strategic Case for the Valley Flood Protection Programme demonstrates that the lead agency has considered the governance, organisational and team capability, and planning needed to progress the investment through the next stage of business case development.<br><br>The lead agency has relevant experience progressing and delivering comparable infrastructure investments and has identified where additional organisational delivery capability may need to be accessed as the investment develops.<br><br>The proposal identifies the organisation that will lead the next stage of business case development and recognises the need for clear project leadership, governance oversight and future decision-making arrangements.<br><br>The proposal identifies the capability and resources likely to be required for the next stage of business case development, including specialist engineering, planning, environmental, commercial and stakeholder engagement expertise. While not all resources are currently in place, there is a credible approach to accessing the additional expertise required.<br><br>The proposal also outlines the principal investigations, approvals and activities expected during the Programme Business Case and recognises that assurance and governance arrangements will need to evolve as the investment progresses. | The Strategic Case for the Valley Flood Protection Programme recommends progressing the investment but gives little consideration to how the next stage of business case development will be organised or governed.<br><br>There is also limited evidence that the organisation has considered whether it has relevant delivery experience and capability for an investment of this scale and complexity, or how material organisational capability gaps would be addressed.<br><br>The proposal does not identify who will lead the investment, what governance arrangements may be required, or whether the people, skills and resources required to progress the investment through the next stage are available or can credibly be secured.<br><br>Little consideration has been given to the investigations, specialist expertise, approvals or assurance activities likely to be required during the next stage. The proposal assumes these matters can be addressed later without recognising that they may influence the successful development of the investment. |

In the strong example above, the proposal demonstrates a credible understanding of the governance, organisational and team capability, and planning required to progress the investment to the next stage of business case development.

In the weak example, the governance, organisational and team capability, and planning required to progress the investment through the next stage have not been sufficiently considered.

## Point 1: Governance and capability review questions

| Question | What good looks like |
|---|---|
| **Concept: Organisational track record and ability to deliver** | |
| **G1: Does the organisation have relevant delivery experience and capability, or a credible approach to accessing the capability required as the investment develops?** | • Relevant organisational experience and delivery capability have been considered in relation to the likely scale, complexity and risk of the investment<br>• Material organisational capability gaps or limitations have been recognised<br>• Where capability is not currently available, there is a credible approach to accessing or developing it as the investment progresses<br>• There are no material organisational capability constraints that undermine confidence in progressing the investment to the next stage |
| **Concept: Team capacity and capability** | |
| **G2: Does the agency have the appropriate capability and capacity to progress the proposal to the next stage?** | • The key capability and capacity requirements for the next stage of investment development have been identified<br>• The agency has sufficient internal capability and capacity, or a credible approach to securing additional resources where required<br>• Material specialist capability requirements have been recognised and can be accessed when needed<br>• There are no significant capability or capacity gaps that would undermine confidence in progression to the next stage |
| **Concept: Project planning maturity** | |
| **G3: Is the project planning at a level of maturity that is appropriate and sufficient for this project stage?** | • Project planning is proportionate to the Strategic Case stage and provides a credible basis for progressing to the next phase of investment development<br>• Key activities, investigations, approvals and resource requirements to progress to the next stage have been identified<br>• A high-level programme identifies the key stages, major milestones, dependencies, and approval points required to progress the investment |
| **Concept: Project assurance** | |
| **G4: Has a proportionate assurance approach been identified to support progression through the next stage of investment development?** | • The assurance approach is appropriate to the scale, complexity, and risk of the investment. This can include internal quality assurance, peer review, specialist assurance and governance oversight<br>• Appropriate review and challenge mechanisms have been identified to support the next stage of investment development |

| Question | What good looks like |
|---|---|
| **Concept: Appropriateness of governance arrangements** | |
| **G5: Is overall accountability for the investment sufficiently clear for this stage?** | • Overall accountability for the investment is clear, including an appropriately authorised SRO or equivalent<br>• The SRO has sufficient authority, engagement and capacity appropriate to the scale, complexity, risk and current stage of the investment<br>• There is clear accountability for progressing the investment through the next stage of business case development |
| **G6: Are accountability, governance and decision-making arrangements sufficiently clear, proportionate and operating effectively to support progression through the next stage?** | • Governance and decision-making arrangements are sufficiently defined for this stage, with clear roles, responsibilities, delegations and decision-making authorities<br>• Reporting and escalation arrangements are sufficiently clear to support timely oversight and decision-making<br>• Governance forums have appropriate expertise, representation and authority for this stage of the investment<br>• Where multiple organisations are involved, their respective governance roles and decision-making interfaces are sufficiently clear<br>• There is evidence that governance arrangements are operating effectively, and any material governance requirements for the next stage have been recognised and can be addressed as the investment progresses |

## Rating scale

We use a traffic-light system to provide an overall rating for the governance and capability 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 clear senior accountability, governance and decision-making arrangements proportionate to the current stage of the investment, together with sufficient organisational and team capability, planning and assurance to support progression. There is confidence that outstanding governance and capability requirements can be appropriately developed as the investment progresses. |
| **Amber** | The proposal demonstrates generally adequate accountability, governance, organisational and team capability, planning and assurance for this stage, but there are gaps or uncertainties that require further development. These are considered manageable and unlikely to prevent progression, provided they are addressed during the next stage of business case development. |
| **Red** | The proposal does not demonstrate sufficiently clear accountability or governance, or sufficient organisational or team capability, planning or assurance to support progression. Material gaps create significant uncertainty about the ability to effectively progress the investment through the next stage of business case development. |

# 8. Deliverability

**Are the key conditions for successful development and future delivery of the investment sufficiently understood?**

## Focus of assessment

At Point 1, consideration is given to whether the principal conditions, dependencies and risks that could affect successful development and future delivery of the investment have been recognised. The focus is on significant delivery dependencies and interfaces, strategic risks, stakeholder interests, organisational ownership and alignment, and future operational considerations at a level appropriate to the Strategic Case stage. Detailed delivery planning or resolution of these matters is not expected, but there should be confidence that material issues have been identified and can be investigated and managed as the investment progresses.

### Reviewer tips

Reviewers should have confidence that the principal delivery challenges are recognised and sufficiently understood for this stage, there are no obvious barriers to progressing the investment, and there is a credible pathway to investigate and develop the necessary delivery arrangements through subsequent business case stages.

### Connection with value for money

Dependencies and interfaces may be influenced by where the investment boundary has been drawn. Assess here whether material dependencies and interfaces arising from the proposed scope and investment boundary have been identified and sufficiently understood for this stage. Whether the scope and investment boundary themselves are appropriate is assessed under **value for money – scope.**

### Connection with commercial

Some delivery risks may arise from market capacity, supply-chain conditions or supplier capability. Assess here whether material delivery risks arising from these conditions have been identified and reflected in the overall project risk profile. The underlying market conditions and constraints are assessed under **commercial – market conditions.**

### Connection with governance and capability

Organisational capability, ownership and alignment may influence both governance and deliverability. Assess here whether organisational ownership, operational responsibilities and alignment are sufficient for this stage. Whether the organisation has relevant delivery experience and capability, or a credible pathway to access it, is assessed under **governance and capability – organisational track record and ability to deliver.** Formal accountability, governance oversight and decision-making arrangements are also assessed under **governance and capability.** The capability and capacity of the investment team to progress the investment through the next stage is assessed under **governance and capability – team capacity 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. Failure to identify these dependencies and interfaces early can result in delays, cost escalation, implementation challenges and unrealised benefits. Early identification helps ensure material dependencies can be investigated and incorporated into subsequent planning as the investment develops.

## What we are looking for

The proposal should demonstrate an early but credible understanding of the factors outside the direct control of the project team that could affect successful development and delivery of the investment. Significant dependencies and interfaces should be identified and reflected in planning at a level appropriate to the Strategic Case stage, including relationships with participating organisations and any reliance on external decisions, infrastructure, services, or enabling activities. Obvious statutory approvals, land and property requirements, utility interfaces, and other constraints that could materially affect feasibility should be recognised. While these matters are not expected to be fully resolved at this stage, the proposal should provide confidence that they are recognised and can be progressively investigated and addressed as the investment develops.

## Risk management

### About this concept

Effective risk management supports realistic planning, informed decision-making and successful delivery. At an early stage, identifying the principal risks and uncertainties helps determine whether there are material threats to feasibility or progression and identifies matters requiring further investigation as the investment develops. Understanding risk also helps inform investment decisions and manage uncertainty throughout the investment lifecycle.

### What we are looking for

The proposal should demonstrate a proportionate high-level approach to identifying and managing risk. The principal risks, uncertainties and delivery challenges that could affect development of the investment should be recognised, including significant sources of uncertainty likely to influence feasibility, cost, programme or delivery.

Detailed risk analysis is not expected at this stage, but material risks should inform early planning and decision-making, with a credible approach to further developing and managing the risk profile as the investment progresses.

## Stakeholder engagement

### About this concept

Successful delivery depends on understanding and appropriately engaging the individuals, groups, communities, organisations, and users affected by an investment. Early stakeholder engagement helps identify risks, improve decision-making, understand potential impacts, and inform investment development. Identifying key stakeholders and establishing an appropriate approach to engagement improves delivery confidence, supports better investment decisions, and reduces the risk of delays, opposition, reputational impacts, and implementation challenges later in the investment lifecycle.

### What we are looking for

The proposal should demonstrate that the key stakeholders, mana whenua, affected parties, users, communities, organisations, and delivery partners associated with the investment have been identified. It should show an early understanding of how these groups may influence the investment, be affected by it, or contribute to its successful development and delivery.

A proportionate approach to engagement should have been identified, or there should be a credible plan to develop one as the investment progresses. Stakeholder perspectives should have been considered where engagement has already occurred, and there should be confidence that significant concerns, opportunities, impacts, and stakeholder-related risks can be identified and managed during the next stage of development.

## Change management

### About this concept

Change management is critical to successful investment delivery and benefits realisation. Early consideration of organisational ownership, asset owner needs, operational responsibilities, stakeholder alignment, and future operating arrangements helps establish a clear mandate for investment and reduces the risk of implementation challenges later in the lifecycle. Strong organisational alignment and early engagement with future asset owners and operators improve delivery confidence and support successful transition into operation.

### What we are looking for

The proposal should demonstrate that organisational ownership of the investment has been considered and that the problem sits within the mandate and responsibilities of the lead organisation. Early consideration should also have been given to likely future asset or service ownership, operational responsibilities and the organisational functions that may need to support subsequent development, delivery and operation.

Detailed change or transition planning is not expected at this stage. However, material organisational and operational implications should be recognised, with confidence that ownership, alignment and transition requirements can be progressively developed as the investment progresses.

**Table 9: Examples of strong and weak deliverability at Point 1**

| Strong example | Weak example |
|---|---|
| The Strategic Case for the Valley Flood Protection Programme recognises that successful delivery of any future flood protection investment will depend on factors outside the direct control of the lead agency.<br><br>The proposal identifies, at a high level, the need for future environmental approvals, potential land acquisition, utility relocations, coordination with local authorities, infrastructure owners and service providers, engagement with mana whenua and affected communities.<br><br>While these matters have not yet been investigated in detail, the proposal acknowledges that they could influence the scope, timing, cost and delivery of the investment and identifies them as key areas for further investigation during the next business case phase. The proposal also recognises that future operational ownership and maintenance responsibilities will need to be confirmed as the investment develops. | The Strategic Case for the Valley Flood Protection Programme focuses almost entirely on identifying the preferred engineering solution, with little consideration of how the investment might ultimately be delivered.<br><br>The proposal does not recognise that future delivery may depend on environmental approvals, land requirements, utility relocations, coordination with other organisations, or engagement with affected stakeholders.<br><br>The proposal also provides little consideration of future operational ownership or the organisational arrangements that may be required to support delivery. As a result, several obvious delivery constraints and uncertainties have not been identified or acknowledged. |

In the strong example above, there is confidence that the principal delivery dependencies and implementation challenges have been recognised at a level appropriate for the Strategic Case stage. In the weak example, there is limited confidence that the organisation has sufficiently considered the factors that could influence successful development of the investment during subsequent business case stages.

At the Strategic Case stage, reviewers are looking for evidence that the organisation understands the principal factors that could influence successful delivery of the investment. The proposal does not need to resolve these matters, but it should recognise the key dependencies, constraints and stakeholders that are likely to require further investigation during the next stage. This gives confidence that there are no obvious barriers to progressing the investment to the next stage of business case development.

A common weakness at the Strategic Case stage is focusing exclusively on the preferred solution without considering the practical realities of delivering it. While detailed investigations are not expected at this point, the proposal should recognise the major dependencies, approvals, stakeholders and organisational considerations that could influence future delivery. Without this early understanding, there is limited confidence that the investment is sufficiently developed to justify progression to the next stage of business case development.

## Point 1: Deliverability review questions

| Question | What good looks like |
|---|---|
| **Concept: Interdependencies and interfaces** | |
| **D1: Have the key delivery dependencies, interfaces and constraints that could materially affect development and future delivery of the investment been identified?** | • Material delivery dependencies, interfaces and constraints have been identified at a level appropriate to the Strategic Case stage<br>• There is an early understanding of their potential implications for development and future delivery of the investment<br>• There are no obvious dependency or interface issues that would prevent progression, or there is a credible pathway to investigate and address them during subsequent business case development |
| **D2: Where successful development or delivery depends on other organisations, is there sufficient alignment and a credible approach to managing those relationships?** | • Relevant organisations are sufficiently aligned on the problem, intended outcomes and scope for this stage of development<br>• Key roles, contributions and dependencies are understood, with a credible approach to formalising responsibilities where required as the investment develops |
| **Concept: Risk management** | |
| **D3: Has the agency demonstrated an understanding of the key risks and appropriate risk management approaches for this investment?** | • A proportionate high-level approach to risk management has been established<br>• The principal risks, uncertainties and delivery challenges have been identified at a level appropriate to this stage<br>• Material risks are reflected in early planning and there is a credible approach to further developing and managing the risk profile as the investment progresses |

| Question | What good looks like |
|---|---|
| **Concept: Stakeholder engagement** | |
| **D4: Have key stakeholders been identified and appropriately engaged for this stage of the investment?** | • Key stakeholders, affected parties, users, communities, organisations and delivery partners have been identified<br>• There is an understanding of how they may influence, be affected by, or contribute to the investment<br>• Relevant stakeholder perspectives are reflected where engagement has already been necessary to understand the problem, need or potential impacts<br>• There is a proportionate approach to future engagement, with material stakeholders expected to be engaged early enough to inform subsequent development and decision-making |
| **Concept: Change management** | |
| **D5: Does the agency have the mandate and organisational ownership required to address this problem?** | • The problem sits within the mandate and responsibilities of the lead organisation, and organisational ownership of the investment is clear<br>• Future operational or asset ownership has been considered and likely owners identified where known<br>• Any material uncertainty about future ownership or operational responsibility has been recognised and can be progressively resolved as the investment develops |
| **D6: Is there sufficient organisational alignment and support for the need for and scope of the investment?** | • There is sufficient leadership and organisational support for the investment to progress to the next stage<br>• Relevant operational functions and other parts of the organisation that will need to support subsequent development and delivery are appropriately engaged for this stage<br>• Material organisational or operational implications have been recognised, with a credible approach to addressing them as the investment develops |

## 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 the principal delivery dependencies, interfaces, risks, stakeholder requirements and future organisational and operational considerations have been identified and sufficiently understood for the Strategic Case stage. There are no material delivery issues that prevent progression, and there is confidence that outstanding matters can be appropriately investigated and managed through subsequent business case development. |
| **Amber** | The proposal demonstrates a generally credible understanding of the principal delivery dependencies, interfaces, risks, stakeholder requirements and future operational considerations, but some gaps remain. These gaps are considered manageable and unlikely to prevent progression, provided they are addressed during the next stage of business case development. |
| **Red** | The proposal does not demonstrate sufficient understanding of material delivery dependencies, interfaces, risks, stakeholder requirements or future organisational and operational considerations. Significant delivery issues or uncertainties have not been identified or understood to a level that provides confidence the investment should progress to the next stage of business case development. |

# 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 delivering 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 or 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 (TIR)** | 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

The resources below provide further information on approaches and good practice relevant to this Point. References to guidance do not create additional Point requirements unless the workbook, Investment Decision Assurance Policy, Framework or another applicable requirement expressly states otherwise. Agencies should also apply relevant sector-specific, organisational and statutory requirements.

**Core New Zealand guidance**

New Zealand Treasury, *Better Business Cases*

New Zealand Treasury, *Project Business Cases – Guidance*

New Zealand Treasury, *Risk Profile Assessment and Strategic Assessment*

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

New Zealand Treasury, *CBAx Tool and User Guidance*

Relevant sector-specific investment and economic evaluation guidance, where applicable

**Examples of sector-specific guidance**

NZ Transport Agency Waka Kotahi, *Monetised benefits and costs manual*, for land transport investments

NZ Transport Agency Waka Kotahi, *Land Transport Benefits Framework measures manual*, where relevant to identifying and measuring land transport benefits

**Additional useful resources**

Infrastructure Australia, *Assessment Framework: Stage 1 – Defining Problems and Opportunities*

Infrastructure Australia, *Assessment Framework: Stage 2 – Identifying and Analysing Options*

# Appendix B: Point 1 review questions

**Review questions at Point 1**

## Information only questions

**I1:** What are the Investment Objectives for this project?

**I2:** What are the governance arrangements for this project?

## 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

**V1:** Is there a clear understanding of the activities and asset types that will be in and out of scope of this investment?

**V2:** Has the agency considered a range of potential options for investigation at later stages?

**V3:** Has the agency identified approaches to address the problem that could provide value for money?

**V4:** Has the agency identified benefits (monetary and non-monetary) and costs that they intend to assess in their economic analysis of shortlisted options?

## Financial

**F1:** Does the agency understand the upper limit of investment for this project/programme?

**F2:** Is funding in place to progress the project/programme to the next stage?

## Commercial

**C1:** Has the agency demonstrated a baseline understanding of the market conditions that could materially affect development and delivery of the investment?

**Review questions at Point 1**

## Governance and capability

**G1:** Does the organisation have relevant delivery experience and capability, or a credible approach to accessing the capability required as the investment develops?

**G2:** Does the agency have the appropriate capability and capacity to progress the proposal to the next stage?

**G3:** Is the project planning at a level of maturity that is appropriate and sufficient for this project stage?

**G4:** Has a proportionate assurance approach been identified to support progression through the next stage of investment development?

**G5:** Is overall accountability for the investment sufficiently clear for this stage?

**G6:** Are accountability, governance and decision-making arrangements sufficiently clear, proportionate and operating effectively to support progression through the next stage?

## Deliverability

**D1:** Have the key delivery dependencies, interfaces and constraints that could materially affect development and future delivery of the investment been identified?

**D2:** Where successful development or delivery depends on other organisations, is there sufficient alignment and a credible approach to managing those relationships?

**D3:** Has the agency demonstrated an understanding of the key risks and appropriate risk management approaches for this investment?

**D4:** Have key stakeholders been identified and appropriately engaged for this stage of the investment?

**D5:** Does the agency have the mandate and organisational ownership required to address this problem?

**D6:** Is there sufficient organisational alignment and support for the need for and scope of the investment?