# Business Case template

Guidance for forming a single stage, indicative or detailed business case

WAKA KOTAHI NZ TRANSPORT AGENCY

DECEMBER 2020

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## Document Control

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## Before you start: Single Stage/Indicative/Detailed Business Case Overview

*This template is for a single stage business case, indicative business case and detailed business case (SSBC/IBC/DBC). The proposed investment should have been directed to the SSBC/IBC/DBC from a Point of Entry (PoE) document. This may have required a programme business case (PBC) or activity management plan (AMP) to have been completed prior to the SSBC/IBC/DBC. It is recommended that* *The PoE template be revisited before starting each new phase of a business case and revised or updated as necessary.*

*A business case documents the evidence and analysis around an investment proposal. It must be developed with the involvement of those who can make change and those who can provide meaningful contributions. We strongly recommend a workshop based approach to developing the business case, to ensure that key stakeholders are engaged early and have an opportunity to challenge and shape the direction of the investment proposal.*

*In addition to these guidelines Waka Kotahi have specific requirements around improvement activities. These can be found* [*here*](https://www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/2018-21-nltp-investment-assessment-framework-iaf/requirements-for-improvement-activities-packages-and-programmes/)*.*

*This document provides a template for completing an SSBC/IBC/DBC. This template does not contain all guidance and will reference other guidance where relevant. It sets out good practice for a SSBC/IBC/DBC, but business case developers will need to test the relevance at each step. Some sections will not be relevant for some investments, and in other instances, topics should be addressed which are not included in this document.* ***The primary driver must be whether the information is required to inform the investment decision****.*

*For an IBC, this covers:*

* *agreement in principle to the preferred way forward, including next steps.*

*For an SSBC/DBC, this covers:*

* *agreement in principle to progress with the recommended option to the pre-implementation and/or implementation phase.*

***Purpose of the IBC***

*The IBC provides decision makers with an early indication of the preferred way forward for investment proposals with high uncertainties and high complexity. The IBC also:*

* *outlines how the proposed investment fits with strategic context*
* *confirms the need for investment and the case for change*
* *recommends an indicative or preferred way forward for further development of the investment proposal, by considering the feasibility of a broad range of alternatives and options, using the intervention hierarchy and putting forward a smaller number of shortlisted options for further analysis*
* *demonstrates the benefits that can be achieved by the proposed investment, and its risks and constraints*
* *identifies the preferred way forward and any gaps in evidence.*

*The information presented is indicative only. The IBC provides the decision-makers with enough information to consider the case for change and confirm the options being considered are likely to deliver the benefits identified, and an early opportunity to make a decision before too much work is done.*

*More detailed guidance is provided in the* [*IBC section*](https://invest.nzta.govt.nz/course/view.php?id=39) *on InvestHub.*

***Purpose of the DBC***

*The DBC recommends a preferred option that optimises value for money.*

*The decision to develop the DBC typically follows from approval of an indicative business case recommendation to proceed with the preferred way forward. The DBC also:*

* *revisits and confirms the strategic case developed in the IBC*
* *further develops the economic case, by identifying the preferred option which optimises value for money, by undertaking a more detailed analysis of the costs, benefits and risks of the shortlisted options*
* *prepares the commercial case, particularly the proposal for procurement*
* *plans the necessary financial and management arrangements for the successful delivery of the the proposed investment*
* *informs decisions-makers on the benefits, costs and risks of the activity.*

*More detailed guidance is provided in the* [*DBC section*](https://invest.nzta.govt.nz/course/view.php?id=37) *on InvestHub. Note: the level of detail required in the DBC should be scaled appropriately to the investment under consideration.*

***Purpose of the SSBC***

*The SSBC combines the IBC and DBC cases into one process document allowing a single decision-making point. It recommends a preferred option that optimises value for money. The SSBC is suitable for smaller, lower risk and/or less complex projects. The SSBC also:*

* *confirms the strategic context and how the proposed investment fits within that strategic context*
* *demonstrates the need to invest and the case for change*
* *identifies a wide range of potential options (using the intervention hierarchy)*
* *determines the preferred option which optimises value for money, by undertaking a detailed analysis of the costs, benefits and risks of the shortlisted options*
* *prepares the commercial case, particularly the proposal for procurement*
* *plans the necessary financial and management arrangements for the successful delivery of the proposed investment*
* *informs decisions-makers on the benefits, costs and risks of the activity and seeks endorsement/approval for the next steps.*

*More detailed guidance is provided in the* [*SSBC section*](https://invest.nzta.govt.nz/course/view.php?id=47) *on InvestHub. Note: the level of detail required in the SSBC should be scaled appropriately to the investment under consideration.*

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## Executive Summary

*Write this last and keep it short! The executive summary is the key output for decision-makers around whether to invest (approval in principle to proceed) and in what options. It should meet the needs of decision-makers by setting out the key aspects of the business case in a concise and accessible form. Structure the summary to follow the five-case model, to allow better comparison between business cases.*

Introduction

*If there is no executive summary, retain the Introduction in the strategic case section.*

Describe the investment proposal in one or two sentences. State what decision-makers are being asked to consider or decide in terms of what are they purchasing, in broad terms, and what will be delivered.

Proposed investment

*Outline the proposed investment.*

Background

The purpose of this business case is to:

* confirm the strategic context and fit of the proposed investment
* confirm the case for change and the need for investment
* recommend a preferred way forward for further development of the investment proposal.

## 

## Strategic Case

Summarise the need for investment. The *strategic case only needs to be reviewed, confirmed and, if any, briefly outline any significant changes that may have occurred since any earlier business case.*

*The previous strategic case and supporting information should be attached as an appendix.*

If a strategic case is being developed as part of this IBC/DBC/SSBC, Waka Kotahi recommends an ILM process be used to help summarise the rationale for your investment within the strategic case. This section will need to:

* agree the problem/opportunity statements developed during the ILM workshops along with an understanding of the status of the evidence base which supports (or otherwise) the case for change
* explain how the scope of the proposed investment fits within the existing strategies, in terms of the existing and future operational needs of the organisation
* benefits of successfully responding to the problem (or opportunity) agreed during the ILM workshops.

This section presents the agreed investment story which was developed in the strategic case.

More information on the ILM can be found [*here*](https://www.nzta.govt.nz/planning-and-investment/learning-and-resources/business-case-approach-guidance/strategic-case/investment-logic-mapping/)

*Guidance on the strategic case can be found* [*here*](https://invest.nzta.govt.nz/course/view.php?id=46)

Defining the problem/opportunity

Defining the problems or opportunities to be addressed by the proposed investment should involve inputs from key stakeholders, usually in one or more workshops. Briefly summarise the process for defining problem/opportunity and what these are. Include a copy of any investment logic map as appendix one.

Key stakeholders gathered together on [dd/mm/yyyy] to gain a better understanding of current issues and business needs. The stakeholder panel identified and agreed the following key problems:

* Problem/opportunity one
* Problem/opportunity two
* Problem/opportunity three

The investment logic map is attached as appendix one.

The strategic context

The strategic context provides an overview of the environment the investment will take place in, both in terms of the physical and organisational environment. This should mention any factor that will impact and how it will impact the problem/opportunity, the benefits/outcomes or the investment objectives.

Summarise how the proposal aligns to relevant national, regional, sector and organisational strategies, programmes and plans. Where the proposal is part of a larger portfolio of related programmes or projects, these inter-dependencies should also be outlined.

*Outline why the proposal has come forward at this time. Consider the urgency and how this proposal works within the wider strategic context.*

Organisational Overview

The scope of the organisational focus will determine the scope of the investment proposal, whether it encompasses multiple organisations or a single approved organisation. An outcome from the strategic case might be a number of programmes/activities which would be progressed through multi-party funding arrangements. It needs to be clear who the contributing parties are and where benefits are expected to accrue as this will ultimately guide investment. This is therefore an important consideration.

Current planning documents should be referenced wherever possible. There is no need to repeat detailed content of existing, readily available documents. However, the reader should be provided with a brief snapshot of the organisation, of what it is seeking to achieve, current activities, available resources and the environment in which it operates.

The summary of the operating environment should consider what external factors are driving the need to invest. These could be political, environmental, societal, technological, legislative or economic factors, threats or opportunities.

Partners and key stakeholders

*This section outlines the key partners to the business case who will have a responsibility for delivering on the investment and explains the approach adopted for identifying key stakeholders who have an interest in the expected outcomes or can influence the investment proposal.*

*Stakeholders should include Waka Kotahi, their investment partners, local iwi and community groups, and any other relevant organisation/individual that could impact this investment.*

**Waka Kotahi –** Waka Kotahi is a partner to this business case and is fundamentally concerned with [explain]. Investment in the transport network may be needed to help solve the problems identified in the strategic case and fully realise the benefits of investing. Waka Kotahi is also an RCA and will be concerned with any impact that this investment proposal will have on the state highway network

**Partner organisation 2 –** The ………… City Council is responsible for fully managing the local road network that forms, with the state highway, the land transport network connecting area A to area B, and is responsible for public transport infrastructure that services the area. Investment by the ………… City Council is required to improve the local road network and/or public transport infrastructure to fully realise the benefits for solving problems A and B as identified in the strategic case.

**Partner organisation 3 –** The company ………… Ports Limited is responsible for the operation of port A that relies primarily on the land transport network for transporting containers and commodities. Investment by ………… Ports Limited is required within the boundaries of its site to fully realise the benefits for solving problem C as identified in the strategic case.

**Local iwi –** ………… is the local iwi, they have a ………… connection to the land/area. The local iwi, …………, own some of the surrounding and/or required land and the project team will have to work with them to deliver a fit for purpose solution.

*The table outlines the key stakeholders and customers of the participating organisations relevant to this investment. The area of focus helps identify their commonalities and differences.*

|  |  |
| --- | --- |
| **Stakeholders** | **Focus areas** |
| Stakeholder 1 | Focus areas |
| Stakeholder 2 | Focus areas |

Benefits and opportunities

The stakeholder panel identified and agreed the following potential benefits and measures for the proposal:

|  |  |  |
| --- | --- | --- |
| Benefit | Measure | Baseline |
| *eg 1.1 Impact on social cost of deaths and serious injuries* | eg 1.1.1 Collective risk crash density | The baseline is the reported result of the selected measure at the start of the investment. |
| *Benefit and non-monetised measure 2 etc.* |  |  |

*It is expected that benefits and measures from any previous business case phases (including PBCs or activity management plans) will be reviewed before benefits and measures are selected for this business case. Please refer to TIO for benefits and measures information from previous business case phases.*

*It is expected that the benefits and non-monetised benefit measures are taken from the* [*Waka Kotahi benefits framework*](https://www.nzta.govt.nz/resources/land-transport-benefits-framework-and-management-approach-guidelines)*. Selected benefits and benefits measures must link back to the problem or opportunity statemen and investment objectives. By exception, alternative benefits and measures can be identified and must be discussed with your Waka Kotahi investment advisor. Explain how any alternative benefits or measures specified are materially different to those in the framework and will provide reasonable evidence that the benefits have been delivered in the section below.*

*It is expected that the number and nature of benefits and non-monetised measures will be appropriate for the type of business case being developed. Please note that measures are required for all selected benefits, particularly those that have been monetised. The only exception to this requirement is the wider economic benefits (6.1-6.4), which can be included without an associated non-monetised benefit measure.*

*Further benefits information is required in the economic case and the management case, with all detail summarised in the benefits management plan in appendix XXX*

*For guidance refer to the* [*Benefits framework and management approach: guidelines*](https://www.nzta.govt.nz/resources/land-transport-benefits-framework-and-management-approach-guidelines/)*. For further information and guidance on the use of non-monetised benefit measures refer to:* [*Non-monetised benefits manual*](https://www.nzta.govt.nz/resources/non-monetised-benefits-manual/)*.*

Investment objectives

***Key deliverables***

*The investment objectives specify the desired outcomes for the proposed investment. Three to five objective statements are typical, although some proposals may require either fewer or more. A large number of investment objectives, or single objective statements that encompass multiple outcomes, can undermine the clarity and focus of the proposal. The objectives should be SMART (specific, measurable, achievable, relevant, and time-bound) to help facilitate the generation of potential options and to provide the basis for determining the investment’s success (or not).*

***Key requirements***

*Investment objectives should be:*

* *customer-focused and distinguishable from the means of provision*
* *focus on what needs to be achieved rather than the potential solution*
* *not so narrowly defined that they preclude important options*
* *not too broadly defined that they cause unnecessary work at the options analysis stage.*

*In practice, well-defined investment objectives typically address one or more of the following five generic investment rationales:*

* *To improve effectiveness.*
* *To improve efficiency.*
* *To reduce costs.*
* *To meet statutory, regulatory or organisational requirements.*
* *To re-procure services or avert service failure.*

***Tools***

*Investment objectives can/should be easily derived from information gathered during conversations in the development of the strategic assessment, around the identified problem/opportunity and the benefits associated with solving the problem. This information can be represented as a ‘formula’ as follows:*

*[the effect of the problem] + [the description of the benefit] + [the baseline/estimated outcome from investment of the measure] = SMART investment objective.*

***Note****: The benefit must be attributable to the investment made.*

Investment logic mapping (ILM) workshops were held with key stakeholders in Mmm and Mmm yyyy to identify the existing business problems, likely benefits expected from the investment and the programme investment objectives.

Refer to appendix one for the outputs from the ILM workshops. The agreed problem statements have been used to inform the development of the programme investment objectives.

The key stakeholders identified and agreed the following key investment objectives:

* **Critical success factor one:**

…

* **Investment objective one**:

….

* **Investment objective two**:

….

Key constraints, dependencies and assumptions

*Constraints are limitations imposed on the investment proposal from the outset. These can include constraints on available resources.*

*Dependencies are external influences on the success of the programme, where success is contingent on the future actions of others. Other activities, programmes or packages may also depend on the actions of this programme.*

*Assumptions are made to simplify decision making. The values of assumptions are not certain and will create risks. To mitigate this risk the assumptions should be backed up by agreed approaches and strong rationale.*

The proposal is subject to the following constraints, dependencies and assumptions.

Management strategies and registers have been developed to record management of these and they will be carefully monitored and managed during the programme.

Key constraints, dependencies and assumptions:

*The notes and management strategies should explain how the constraint/dependencies/assumptions impact the programme and how they will be managed.*

|  |  |  |
| --- | --- | --- |
|  | Constraints | Notes |
| C1 |  |  |
| C2 |  |  |
| … |  |  |
|  | Dependencies | Notes and management strategies |
| D1 |  |  |
| D2 |  |  |
| … |  |  |
|  | Assumptions | **Notes and management strategies** |
| A1 |  |  |
| A2 |  |  |
| … |  |  |

The case for change

Demonstrate how the proposal aligns to relevant national, regional, sector and organisational strategies. Where the proposal is part of a larger portfolio of related programmes or projects, these inter-dependencies should also be outlined.

Outline why the proposal has come forward at this time. Consider the value of benefits, the urgency and how this proposal works within the wider strategic context.

Outline how the proposal will help to achieve the business goals, strategic aims and plans of the organisation. The proposed investment should contribute to and be consistent with strategic business planning.

## Economic Case

***Indicative business cases only***

*Indicative business cases are not required to complete the following sections of the guideline’s economic case:*

*Shortlist options*

*Recommended option*

*Analysis of recommended option*

*Sensitivity analysis*

*Reconfirm investment profile*

***Detailed business cases only***

*Detailed business cases are not required to complete the following sections of the guideline’s economic case:*

*Long list options assessment*

*The preferred way forward*

*Investment profile for preferred way forward*

***Single stage business cases only***

*Single stage business cases are likely to complete all sections of economic case below, except for the preferred way forward and Investment prioritisation method profile for preferred way forward.*

*The purpose of the economic case is to, in combination with the other cases, identify a preferred option that best solves the problem/takes advantage of the opportunity.*

* *Identifying a broad range of alternatives and options using the intervention hierarchy.*
* *Identifying the do minimum and a shortlist of options that have the potential to address the problem or opportunity and will deliver against the identified investment objectives.*
* *Assessing the shortlist options and presenting the results using the appraisal summary table (AST).*
* *Recommending a preferred option and demonstrating that it is the most efficient and effective response to the problems/opportunities outlined in the strategic case. The rationale should be clearly documented.*

*Economic analysis should be carried out in accordance with Waka Kotahi procedures as detailed in the* [*Monetised benefits and costs manual*](https://nzta.govt.nz/resources/monetised-benefits-and-costs-manual) *and* [*Non-monetised benefits manual*](https://nzta.govt.nz/resources/non-monetised-benefits-manual/)*. Simplified procedures* *can be found* [*here*](https://nzta.govt.nz/resources/monetised-benefits-and-costs-manual)

*Please refer to the*[*InvestHub optioneering page*](https://invest.nzta.govt.nz/course/view.php?id=41) *which has more information on the tools and guidance available to facilitate with options identification and analysis. These tools include:*

* [*The intervention hierarchy*](https://invest.nzta.govt.nz/mod/page/view.php?id=329)
* [*The early assessment sifting tool*](https://invest.nzta.govt.nz/pluginfile.php/757/mod_resource/content/4/EAST%20User%20Guidance%20August%202020-FINAL.pdf)
* [*Multi-criteria analysis*](https://invest.nzta.govt.nz/pluginfile.php/756/mod_resource/content/5/MCA%20User%20Guidance%20August%202020-FINAL.pdf)
* [*The appraisal summary table*](https://invest.nzta.govt.nz/pluginfile.php/758/mod_resource/content/4/AST%20User%20Guidance%20August%202020-FINAL.pdf)

Do minimum option

*Describe the rationale and process for establishing this as the do minimum.*

*In developing the business case, the do minimum should represent the minimum level of expenditure required to maintain a minimum level of service, not the minimum level of investment required to achieve the programme objectives.*

*It is important not to overstate the scope of the do minimum option, ie it should only include activities which are absolutely essential to preserve a minimum level of service.*

*This definition is consistent with that described in the Waka Kotahi* [*Monetised benefits and costs manual*](https://nzta.govt.nz/resources/monetised-benefits-and-costs-manual)*.*

Long list options identification

*The purpose of this section is to identify and assess as wide a range as possible of alternatives and options that, achieve the investment objectives and service requirements, reflect key trade-offs for value for money and lie within the boundaries of the scope parameters and investment objectives.*

*The* [*intervention hierarchy*](https://invest.nzta.govt.nz/mod/page/view.php?id=329) *can be used at this stage to generate a long list.*

A wide range of options was generated by stakeholders at an options workshop held on [dd mmm yyyy].

Stakeholders have identified a comprehensive long list of in-scope options as follows.

Table xx: Possible options:

|  |  |
| --- | --- |
| **Programme stream description** | **Options considered** |
|  |  |
|  |  |
|  |  |
|  |  |

*The* [*early assessment sifting tool (EAST)*](https://invest.nzta.govt.nz/pluginfile.php/757/mod_resource/content/4/EAST%20User%20Guidance%20August%202020-FINAL.pdf) *supports an initial ‘coarse screening’ of alternatives and options. The EAST is designed to quickly and robustly rule out alternatives and options, allowing for a more manageable subsequent multi-criteria analysis (MCA) exercise. The EAST also assists in documenting why decisions have been made.*

Long list options assessment

*The assessment of the longlist should identify and compare the economic, environmental, social and cultural impacts of each option. In assessing value for money, all of these are consolidated to determine the extent to which a proposal’s benefits outweigh its costs. Further guidance on MCA, including the involvement of key stakeholders, iwi and others, can be found* [*here*](https://invest.nzta.govt.nz/pluginfile.php/756/mod_resource/content/5/MCA%20User%20Guidance%20August%202020-FINAL.pdf)*.*

*The indicative efficiency rating tool can be used at this stage as an indicator of value for money.*

*If the long list is extensive, it may be sensible to undertake an initial ‘coarse screening’ of alternatives and options using the EAST. The EAST is designed to quickly and robustly rule out alternatives and options, allowing for a more manageable subsequent MCA exercise to reduce from a long list to shortlist of options. The EAST also assists in documenting why decisions have been made.*

*Investment proposals requiring approvals under the Resource Management Act (RMA), and/or requiring compulsory acquisition of land under the Public Works Act (PWA), may be required to meet certain tests associated with optioneering and decision-making processes. This influences business case development processes and decisions across the entire business case development process.*

*Further guidance on MCA and optioneering can be found* [*here*](https://invest.nzta.govt.nz/pluginfile.php/756/mod_resource/content/5/MCA%20User%20Guidance%20August%202020-FINAL.pdf)*.*

*A more detailed analysis of the long list can be included as an appendix.*

The preferred way forward (IBCs only)

*The purpose of this section is to recommend a preferred way forward for the activity. This includes outlining the shortlisted options which will be carried forward. An indicative efficiency rating or BCR needs to be provided for each of the shortlisted options.*

The long list options were analysed using multicriteria analysis to determine a shortlist of options for further assessment. The shortlist consists of the following (three to five) programme options, including the do minimum:

Options 1: do minimum option (retained as a baseline comparator)

Options 2: …

Option 3: …

Generally, three to five options are considered as part of the options shortlist. A do minimum option needs to be provided to enable a comparison to non-investment.

*The preferred way forward should outline a general scope of the shortlisted option and outline what will happen in the DBC. There should be a focus on how external triggers will impact the choice of preferred option, for example if traffic growth is higher/lower than expected will this impact the preferred option?*

Reconfirm investment profile for preferred way forward (IBC only)

|  |  |
| --- | --- |
| **Factor** | **Rating** |
| GPS alignment | *eg medium* |
| Efficiency | *eg very high* |
| Scheduling | *eg high* |
| Priority order |  |
| **Explain any variances from the existing NLTP priority order**  *eg no variance from the NLTP priority order.* | |

*To complete the table please refer to the* [*Investment prioritisation method*](https://www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/201821-nltp/2018-21-nltp-investment-assessment-framework-iaf/prioritisation-of-activities/) *for the current NLTP period.*

Shortlisted options

*It is recommended that multi-criteria analysis and incremental cost benefit analysis is used to analyse the shortlisted options. This will require completing a cost benefits analysis (CBA) on the shortlisted options and analysing the identified non-monetised measures. Refer to the Monetised benefits and cost manual and Non-monetised benefits manual for guidance.*

The long list options were analysed to determine a shortlist of options for further assessment. The shortlist consists of the following (three to five) programme options, including the do minimum:

Options 1: do minimum option (retained as a baseline comparator)

Options 2: …

Option 3: …

*Generally, three to five options are considered as part of the options shortlist. A do minimum option needs to be provided to enable a comparison. Selection of the preferred option should include stakeholder input.*

*For each shortlisted option and their identified non-financial performance measures you will need to provide:*

* *Baseline*
* *Forecast range (do-minimum)*
* *Forecast range (option)*
* *Forecast year*
* *Confidence rating*

An appraisal summary table (AST) and benefits management plan has been completed for each of the shortlisted options. Refer to Appendix two: Appraisal summary table and Appendix \*\*: Benefits management plan for the completed tables. The AST and benefits management plan summarise information from the wider economic case, which has been conducted in accordance with the MBCM and NMBCM.

The ASTs provides a summary of the monetised and non-monetised benefits and whole of life costs.

*Guidance on the AST can be found* [*here*](https://invest.nzta.govt.nz/pluginfile.php/758/mod_resource/content/4/AST%20User%20Guidance%20August%202020-FINAL.pdf)*.*

## Preferred Option

Selection of preferred option

*Provide rationale for the choice of this option as the preferred option, compare the preferred option to the other shortlisted options and the do minimum option. Refer to the investment objectives, CBA, the drivers of benefits and costs in the CBA, the risks of/to the proposed investment and the ability for it to be implemented.*

*This should include reference to any preliminary technical or planning assessments that have been done, which may include an ESR screen or geotechnical assessment.*

Preferred option

The scope of the preferred option includes:

*Define the scope of the preferred option. This involves identifying and describing the work that is needed to produce the project (or next phase) in sufficient detail to ensure that:*

* *the project team understands what it must deliver*
* *all of the reasonably knowable project work has been identified*
* *appropriate management controls can be applied.*

*It is also useful to state what is excluded from the preferred option – this is important because by identifying clearly what is outside of scope it will help everyone keep things contained.*

**In scope**

* Core activities expected from the preferred option – these reflect the essential elements that must be successfully delivered.
* Desirable requirements to be met – these are the requirements that would add value and bring about additional benefits but are not essential to successful delivery.

**Out of scope**

Excluded from scope – state those things that are excluded from the preferred option. This is a powerful tool to prevent scope creep.

### Economic analysis of the preferred option

*A detailed economic analysis is required for the preferred option. Explain the findings of this economic analysis, any deviations from the guidance in the MBCM and the key assumptions used in the analysis.*

*The benefit cost ratio (BCR) and the first year rate of return (FYRR) are mentioned in this section. A summary of the economic analysis should be attached as an appendix.*

Sensitivity analysis

*Guidance on sensitivity analysis is found in the* [*Monetised benefits and costs manual*](https://nzta.govt.nz/resources/monetised-benefits-and-costs-manual/)*. Future editions of the* [*Non-monetised benefits manual*](https://nzta.govt.nz/resources/non-monetised-benefits-manual/) *will include guidance on sensitivity analysis by setting confidence intervals.*

*Sensitivity scenario testing is relevant to the preferred option Please complete the testing and provide the results in the table below. It is recommended that sensitivity tests be conducted on all the critical factors of the preferred option, eg the traffic growth rate or public transport patronage.*

*Sensitivity analysis should consider, and test risks associated with the project and the driver of those risk.*

Sensitivity analysis has been carried out to test how sensitive the assessed benefits and costs are to change.

The outputs for each sensitivity test are documented below:

|  |  |  |
| --- | --- | --- |
| **Sensitivity scenario** | **Sensitivity test** | **BCR** |
| Base case |  |  |
| Test 1 |  |  |
|  |  |
| Test 2 |  |  |
|  |  |

Risk analysis of economic evaluation

*Guidance on risk analysis is found in the* [*Monetised benefits and costs manual*](https://nzta.govt.nz/resources/monetised-benefits-and-costs-manual/)*.*

*Risk analysis is in addition to, and complements, sensitivity testing and is relevant to the preferred option. Please complete the testing and provide the results. It is recommended that risk tests be conducted on all the critical factors of the preferred option, eg the traffic growth rate or public transport patronage.*

Reconfirm investment prioritisation method profile

|  |  |
| --- | --- |
| **Factor** | **Rating** |
| GPS alignment | *eg medium* |
| Efficiency | *eg very high* |
| Scheduling | *eg high* |
| Priority order |  |
| **Explain any variances from the existing NLTP priority order**  *eg no variance from the NLTP priority order.* | |

*To complete the table please refer to the* [*Investment prioritisation method*](https://www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/201821-nltp/2018-21-nltp-investment-assessment-framework-iaf/prioritisation-of-activities/) *for the current NLTP period.*

## Financial Case

***Indicative business cases only***

*The level of detail required at this stage is high level – sufficient to provide decision-makers with an early view of key factors that may affect the financial viability of the activity.*

Outlining the financial case

The financial case outlines the costs and funding requirements for the preferred option/preferred way forward. The financial case provides assurance that the preferred option is affordable to the organisation, taking into account all potential funding sources.

*The purpose of this section is to set out the financial implications of the preferred way forward (IBC) or preferred option (DBC/SSBC).*

Option cost

The financial costing needs to be updated throughout the programme as the impacts on the organisation are known with greater accuracy.

*It is recommended that the* [*SM014 Cost evaluation manual*](https://www.nzta.govt.nz/assets/resources/cost-estimation-manual/docs/Cost-Estimation-Manual-v1SM014-NOV2015.pdf) *be used when estimating the costs.*

Based on current estimates, the anticipated cash flows for the investment proposal over its intended life span are set out in the table below.

*Make sure the local and NLTF share are clearly separated.*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **$millions** |  | | | | | |
| **2020/21** | **2021/22** | **2022/23** | **2023/24** | ***……..*** | **Total** |
| **Preferred way forward / preferred option:** | | | | | | |
| **Capital** |  |  |  |  |  |  |
| **Operating** |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |
| **Funded by** | | | | | | |
| **Existing revenue** |  |  |  |  |  |  |
| **Existing capital** |  |  |  |  |  |  |
| **Extra revenue** |  |  |  |  |  |  |
| **Extra capital** |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |

The following assumptions have been made in determining these initial estimates:

* Assumption 1
* Assumption 2

A detailed estimate of the whole of life costs for the preferred option can be found in Appendix three: Whole of life cost estimate for the preferred option.

Funding risks

Outline the main risks and uncertainties associated with the cost estimation.

This should include reference to both risks that could cause costs to increase and any risks of not being able to fund the project.

Funding sources

It is proposed that the funding required of $xxm is sought/provided from the following sources:

Overall affordability

The proposed whole of life cost of the programme is $xxxm over the X years of the expected lifetime of the programme.

## Commercial case

***Indicative business case only***

*The level of detail required at this stage is high level – sufficient to provide decision-makers with an early view of key factors that may affect the commercial viability of the proposal and to show that the organisation is starting the required thinking for the procurement.*

Outlining the commercial case

The commercial case outlines the proposed procurement arrangements for the preferred option.

Procurement plan

*Outline what the procurement plan is for the next and subsequent phases. Link the procurement plan to the organisations procurement strategy and highlight when the procurement strategy was last approved by the Waka Kotahi Procurement Team.*

*Outline why the procurement plan has been chosen. How will it deliver value for money and ensure the activity is delivered on time?*

*If the proposed procurement departs from the currently approved procurement strategy, please explain why.*

Consenting plan

*Outline the consents required and the plan to obtain them, including any difficulties associated with them.*

Property plan

*Outline any property required and the plan to obtain it. This section should highlight any property risks.*

Required services

The required goods and/or services in relation to the preferred option are:

*List here the key procurements that are likely to be required as part of the programme; the detailed consideration of the commercial case takes place at the detailed or single stage business case for the individual activities within the programme.*

The specific goods and services required will be defined in each activity’s business case.

Contract provisions

The contract procurements and key procurement milestones will be determined for each procurement required. The overarching programme approach is:

* Key contractual clauses
* …

The indicative procurement timeline is aligned with the preferred programme approach as described above. The key procurement milestones include:

* List
* …

Potential for risk sharing

*Outline how the option’s service risks in the design, build, funding and operational phases or delivery could be shared between the public and private sectors.*

*Detail for this is not required for the indicative business case – but it is useful to start to think about where the risks might be shared.*

Management Case

***Indicative business case only***

*The level of detail required at this stage is high level – sufficient to provide decision-makers with an early view of the organisation’s capability to deliver the preferred option.*

### Outlining the management case

*Summarise the key project management arrangements and key milestones. Identify the overall methodology and the approach that will be taken to manage the activity on an ongoing basis.*

The purpose of the management case is to describe the arrangements that will be put in place for the successful delivery of the preferred option, both to ensure successful delivery and to manage programme risks.

### Management strategy and framework

*If the organisation already uses a project management methodology, name or briefly describe it here. If it does not, describe plans to implement a methodology.*

### Governance arrangements

*Provide a diagram or a description of the project governance structure.*

### Management structure

*Include the organisational chart.*

### Reporting arrangements

*Outline reporting lines and planned reporting (internal and external).*

### Key roles and responsibilities

A summary of key activity roles and description of responsibilities is attached as appendix four.

### Stakeholder engagement plan

*Outline how stakeholder engagement will be done in future phases. This may have been completed in previous business cases and can be attached as an appendix.*

*Outline what stakeholder engagement will be done in the next phase. This should highlight what stakeholders will be engaged with and what you are seeking from the engagement. This is important for investment proposals that have large stakeholder risks or require a large amount of stakeholder engagement.*

### Outline activity plan

*Summarise the key dates in the table below and attach the most up-to-date version of the project plan an appendix.*

Key programme milestones

|  |  |
| --- | --- |
| **Proposed key milestones** | **Estimated timing** |
|  |  |
|  |  |
|  |  |
|  |  |

If the proposed investment is part of a programme or package of works, then the programme plan should be attached as appendix 5.

### Benefits realisation management plan

*Briefly describe the responsibilities for managing future benefits realisation reporting. Monitoring of non-monetised benefits measures will be triggered by the ‘forecast year’ (ie the year that it is expected that the impact of the investment will be discernible on the measure) and will continue for the monitoring period specified. All benefits identified in the benefits section of this business case should be accounted for in the benefits management plan.*

*A detailed benefits management plan should be attached as an appendix.*

|  |  |  |
| --- | --- | --- |
| Benefit | Non-monetised benefit measure | Responsibilities |
| Benefit 1 | Name of measure and description of measure details (baseline and forecasting information – from strategic case). | Describe monitoring (post ‘forecast year’) responsibilities. For example, whether the data is centrally available or will be provided from a local source. |

### Risk management

*Identify the 4-7 (use your judgement) highest impact and highest likelihood risks. It may be useful to reference the* [*Minimum standard Z/44- Risk management guide*](https://www.nzta.govt.nz/resources/minimum-standard-z-44-risk-management/)*.*

|  |  |  |
| --- | --- | --- |
| **Main risks** | **Mitigation strategy** | **Residual risk level** |
| *IF (xxx happens) THEN (impact)* | *For the key strategic level risks, outline key mitigations* |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

*The senior responsible owner is responsible for ensuring that arrangements for the management of risk are in place, together with the appointment of a risk manager at the appropriate time. The risks must be regularly and frequently reviewed and the register updated throughout the course of the proposed investment.*

A risk management strategy and framework and a risk register have been developed, refer to appendix six, and will be progressively updated as more detailed analysis is undertaken.

### Programme assurance arrangements

*Briefly describe what assurance tools are in place to ensure delivery of the preferred option and that investment objectives are met. Examples include:*

* *Peer review of the business.*
* *Parallel cost estimates.*
* *Safety audits.*
* *Peer review of pavement choice.*

Next Steps

*Outline what the next steps are for this activity including what is the decision this business case is seeking, what is still unknown and what additional analysis needs to be done in subsequent business cases. If only endorsement of the business case is being sought, outline why this business case needs to be endorsed.*