

Green Cities, Infrastructure and Energy Programme

Gate 3 Review: Investment Decision

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Gate 3 Review: About this Gate Review Workbook

Gate 3 Review: Overview

Review Workbook explains how to conduct the **Gate 3 Review: Investment Decision** and should be read together with the **Guidance to Conducting Gateway Reviews**. Gate 3 is undertaken when the project has completed its procurement or equivalent selection activity and is preparing to make a final investment decision based on a preferred delivery solution.

Up until now the Business Case has been developed using the sponsor's own best estimates of costs etc. At this stage however these estimated costs are replaced in the business case by the actual costs bid by the preferred bidder.

Gate 3 examines the Full Business Case (FBC) and the governance arrangements supporting the investment decision. The review tests whether the project is still required, affordable, deliverable, and ready to commit to a contract or equivalent agreement. It should take place before the organisation places a work order, issues a notice of award, or signs a contract with a supplier or delivery partner.

Set out below are a number of criteria or "Lines of Enquiry" which should be used to explore issues in any assurance interview or Business Case review. It is not necessary to explore all of these Lines of Enquiry at interview, especially if the matter appears to have been dealt with in the relevant Business Case; the Review Team should use its discretion to decide what issues to concentrate on, bearing in mind (a) that Interviews should last no more than 45 minutes and (b) the Report Criteria it should use in writing the Report as listed at Schedule F to the Report Template.

Purpose of the Gate 3 Review

Gate 3 checks that:

- the Full Business Case is complete, up-to-date and the project is still justified;
- the recommended supplier solution has been selected through a fair, well-managed process and offers value for money;
- the project remains aligned with organisational and programme objectives;
- commercial and contract arrangements are sound, compliant and ready for award;
- both client and supplier have credible, achievable plans for delivery, transition and early operation;
- the organisation is prepared for the required business change;
- risks, issues and dependencies are understood and managed;
- management controls are in place to oversee delivery through to completion;
- relevant compliance, assurance and technical requirements have been met; and
- lessons learned from similar projects have been incorporated.

The Review concludes with an assessment of whether the proposed investment decision is sound, justified and ready to proceed, based on the project's likelihood of delivering the required results to time, cost and quality, and whether any further actions are needed before contract award.

2. How to conduct the Gate 3 review

37. Draft procurement documents and evaluation criteria

38. Run procurement process and undertake bid evaluation

39. Update Strategic Case, if necessary

1. Strategic

1.1 Strategic – Has the Strategic Case been reviewed and updated since the Intermediate Business Case (IBC) to reconfirm the strategic need, and to reflect any changes to objectives, assumptions, dependencies or strategic level risks?

Evidence:

- Confirmation that the project continues to address the agreed strategic needs and organisational or programme priorities.
- Confirmation that the project's objectives and intended outputs remain valid and aligned.
- Where applicable, updates to key assumptions and dependencies that influence the strategic need or delivery.
- Confirmation that strategic level risks identified at IBC have been reviewed and updated, including those relating to social, climate and environmental requirements.
- Identification of any new strategic risks emerging from further analysis or external developments.
- Confirmation that the project remains aligned with climate, environmental and social policies and strategic objectives.

2. Economic

40. Reconsider Economic case options based on cost data received from bidders

2.1 Economic – Has bidder cost information been used to reassess shortlisted options, and does the preferred option still rank highest?

Evidence:

- Updated options analysis using bidder cost data.
- Confirmation that option rankings remain valid, or explanation of any changes.

2.2 Economic – Do updated benefits, risks and whole-life costs confirm that the preferred option remains viable and acceptable?

Evidence:

- Adjusted benefit and risk estimates reflecting any new supplier information.
- Confirmation that no environmental, climate or social impacts exceed acceptable stakeholder thresholds, and that climate adaptation and mitigation costs are included in the economic case.
- Identification of any operational cost changes affecting the preferred option.

2.3 Economic – Does the recommended bid offer best public value compared with alternatives, based on the completed evaluation?

Evidence:

- Justification that the preferred option still delivers best value relative to all relevant alternatives.

- Transparent record of the evaluation methodology, scores and rationale used to reach the value-for-money conclusion.

41. Select preferred bidder

2.4 Economic – Has the authority formally agreed the preferred bidder and documented the decision for inclusion in the Full Business Case?

Evidence:

- Confirmation that the appropriate governance body has formally endorsed the preferred bidder.
- Clear documentation of the decision-making process, including bidder scoring and evaluation outcomes.
- Completion of the required Economic Case tables and summary sections in the Full Business Case.

3. Commercial

42. Document the procurement process and the contract outcomes

3.1 Commercial – Has the procurement process been fully documented, including evaluation, governance, and any changes to the original plan?

Evidence:

- Summary of the procurement process undertaken, including any changes to the procurement plan and reasons for them.
- Clear explanation of how bids were evaluated and key outcomes, ensuring that procurement has been conducted and evaluated in accordance with applicable law and regulation.
- Record of any significant issues encountered during procurement and how they were resolved.
- Record of challenges made to the procurement decision (if any).

3.2 Commercial – Are the contractual arrangements with the preferred bidder clearly defined and ready for approval?

Evidence:

- Summary of the final contract terms agreed in principle with the preferred bidder.
- Identification of changes from the draft contract in the Intermediate Business Case, including reasons and financial implications.
- Completed Commercial Case section and summary table, providing sufficient information for the Project Board to approve contract signature.

4. Financial

43. Confirm affordability of the prospective preferred bidder's final offer

4.1 Financial – Has the final offer from the prospective preferred bidder been confirmed as affordable?

Evidence:

- Review of the financial model built earlier in the process (or, for PPPs, the preferred bidder's model), confirming that sources, assumptions and outputs remain correct.
- Confirmation that an independent assurer has tested and validated the affordability conclusions.
- For PPPs, evidence of committed financing from an acceptable lender / financier sufficient to cover the cost of the project.

4.2 Financial – Has the Financial Case been completed and does it clearly set out affordability, changes since the Intermediate Business Case, and required approvals?

Evidence:

- Completed Financial Case section using the required template, including the summary table.
- Clear statement confirming the deal is affordable, with any material differences from the Intermediate Business Case set out.
- Summary of risks, issues or financial exposures that the project board or executive/programme board should be aware of.
- Where required, evidence that external approval (e.g., from the Ministry of Finance or equivalent) has been obtained or is in process.

5. Management

44. Review and update all sections of the IBC Management Case

5.1 Management – Have all Management Case plans from the Intermediate Business Case been reviewed, updated and made ready for use once the contract is signed?

Evidence:

- Summary of changes to all plans since the Intermediate Business Case (e.g., project plan, governance, schedule, resourcing).
- Confirmation that updates reflect latest stakeholder engagement, risk register changes, and any new information from the procurement process.
- Evidence that plans have been adjusted to become live management and reporting tools during delivery.
- Evidence that the assurance framework is operating effectively and that recommendations have been acted upon
- Assurance that all environmental and social safeguards requirements are in place, compliant with applicable standards, and fully integrated into the updated management plans, delivery arrangements, and contractual requirements.
- Updated project evaluation plan reflecting the agreed contract and with clearly allocated responsibilities.
- Updated Results Framework confirming that inputs, outputs and KPIs match the contracted scope.
- Confirmation of final project costs and the authority's own resource costs for delivery.

5.2 Management – Has the Management Case been completed, and are all plans assured and ready for approval?

Evidence:

- Completed Management Case section using the required template, including the summary table of changes and key issues.
- Confirmation that the Management Case provides confidence that the authority has the capacity and capability to work with the contractor and monitor delivery.
- Evidence that relevant stakeholders have been updated or engaged where needed (e.g., communication of tender results, agreement on next steps).
- Confirmation that the Full Business Case has been completed and is ready for assurance review and subsequent approval prior to contract signature.
- Where project costs have materially changed since approval, evidence that the business case has been updated and resubmitted as required.

Glossary

Appraisal as regards:

- options, is a process of comparing different options; and
- projects, is a process of considering the overall state of a project (considering objectives, options, costs, benefits, risks and uncertainty) before reaching a decision.

Assurance is a review process designed to produce:

- an assessment for its sponsor and approver that shows the assurance team's confidence in the project's ability to meet its aims and objectives; and
- advice as to whether it has reached a sufficient stage of maturity to proceed to the next stage.

Assurance and approvals plan is a plan setting out the planning, co-ordination and provision of assurance activities and approval points throughout its life.

Authority is a local or central public sector body, which may commission a project.

Business as Usual is the project option that provides for a continuation of the current arrangements. This provides a benchmark against which to compare other options. Sometimes this is referred to as the 'Do Nothing' option.

Change management means the different plans/approaches needed to help manage organisational change. This should be supported by an overall strategy that explains the goals and aims, and a plan that explains how these will be achieved.

Contingency is an allowance of cash or resource to cover the cost of risks that may arise.

Cost benefit analysis is a type of socio-economic analysis used to compare different project options and their effect on social welfare, quantifying as many of the costs and the benefits as feasible, including costs/benefits for which there are no satisfactory measures of economic value.

Critical success factors (CSFs) are the high priority objectives for a project, against which the success of the project may be judged.

Delivery confidence is the likelihood of a project delivering the agreed outputs to time, cost and quality.

Discounting is a method used to convert future costs and benefits to present values using a discount rate.

Early Business Case is the first stage in developing a project's business case. It focuses primarily on the Strategic and Economic Cases, establishing the 'strategic need' for the project, and a shortlist of options. High-level costs, benefits and risks are also developed.

Economic analysis is a means of assessing the costs and benefits of options to society as a whole, using cost benefit analysis, and an assessment of qualitative benefits and risks.

Environmental and social impact assessment is an assessment of the potential environmental and social impacts of a proposed project prior to the decision to move forward with the project.

Environmental and social impact risks are risks of potential negative consequences that result from impacts (or perceived impacts) on the natural environment or communities of people.

Financing, for a project, is the up-front borrowing and/or investment used to pay for capital costs.

Five Case Model (5CM) is a framework for the development and presentation of a business case, comprising the strategic, economic, commercial, financial and management – the five dimensions of the case. It is the methodology described in this Guidance.

Full Business Case is the third stage in developing a project business case. It focuses primarily on the procurement process, and updates the Economic, Commercial, Financial and Management Cases to reflect the negotiated deal.

Funding is the source of income used to repay the up-front finance for a project over its life.

G20 Principles refers to the “G20 Principles for the Infrastructure Project Preparation Phase” issued in July 2018 by the G20 Finance Ministers and Central Bank Governors at the Buenos Aires summit.

Gateway approach involves a project passing through ‘gates’ or assurance review points before it is put forward for relevant central government approval. Each gateway requires the assurance team to develop an assessment report of the project and its business case.

Gender and Inclusion where ‘gender’ refers to gender equality and women’s economic empowerment, and ‘inclusion’ refers to the reduction of poverty and delivery of inclusive growth among excluded groups, such as women, youth, people with disabilities, and rural communities. Greater inclusion can be achieved through empowerment (through building assets, capabilities and opportunities) and transformation (addressing systemic barriers to economic empowerment).

- **Disability:** Long-term mental, intellectual or sensory impairments which, in interaction with various attitudinal, informational and environmental barriers, may hinder full and effective participation in society on an equal basis with others.
- **Disability inclusion:** A process that actively seeks to ensure the full participation of persons with disabilities as empowered self-advocates in all development processes and emergency responses. Specifically, disability inclusion addresses barriers that hinder access to key services and employment opportunities, and highlights ways to improve health and social wellbeing outcomes.
- **Gender:** Socially constructed roles, attributes, opportunities and relationships that a given society considers appropriate for men and women. While many societies recognise that there are more than two genders, for the purposes of this analysis we focus on men and women. Expectations relating to gender differ from society to society and change over time.
- **Gender equality:** Women having the same opportunities in life as men, including equal access to services, equal pay for equal work, equal participation in decision-making, etc.
- **Social inclusion:** The process of improving the terms on which individuals and groups take part in society – improving the ability, opportunity, and dignity of those disadvantaged on the basis of their identity.

Intermediate Business Case is the second, and most substantial, stage in developing a project business case. It focuses on the Economic, Commercial, Financial and Management Cases, assessing the shortlist of options through cost benefit analysis to determine a ‘preferred option’, considering the affordability and commercial viability of the ‘preferred option’, and identifying the expected resources and management arrangements for the project.

Life cycle costs are the costs of an asset over its useful life, including dismantling costs (sometimes known as Whole-Life Costs).

MDB is a Multilateral Development Bank.

Objectives are the ‘targeted’ outcomes for a project, which reflect its overall rationale, and which must be made SMART for the purposes of evaluation – sometimes also referred to as project objectives, investment objectives or spending objectives.

Optimism bias is the demonstrated tendency for the writers of business cases to be over-optimistic about costs, benefits and time taken to complete a proposal.

Option appraisal is the process of examining options and weighing up the costs, benefits, risks and uncertainties of those options before a decision is made.

Outcomes refers to the consequences to society as a whole of a project.

Outputs refers to the change in the level or quality of a service delivered.

Preferred approach is the best ranking solution emerging from the options analysis at the Early Business Case stage. It is not the preferred option, which only emerges after full economic appraisal in the Intermediate Business Case stage.

Preferred option is the option selected, as offering best value, after a detailed analysis of the shortlist of options in the Economic Case at the Intermediate Business Case stage.

Programme is a series of coordinated activities designed to pursue a long-term goal. In the infrastructure area, it is normally seen as an overarching structure under which a number of related individual projects can be coordinated and delivered. A programme business case can also be produced using the Five Case Model.

Project Owner is the senior person who represents and champions the Project within the relevant Ministry or Local Authority and who has overall responsibility for the success of the Project. The Project Owner is not part of the project executive team, but will chair the supervisory board overseeing the Project. In the UK this person is known as the “Senior Responsible Officer”. Guidance setting out the responsibilities of the Project Owner/SRO can be found at <https://projectdelivery.gov.uk/library-product/the-role-of-the-senior-responsible-owner/>

Public Value is the net measure of social welfare resulting from an option or project looking at the ‘whole of society’, or more particularly, it is the sum of total benefits and total costs, including private and social costs and benefits. It is sometimes referred to as ‘net present social value’.

Qualitative risk/benefits are risks/benefits that are not easily measurable in financial terms.

Quantitative risk/benefits are risks/benefits that are easily measurable in financial terms.

Risk is the possibility of a negative event arising that could adversely affect the project.

Sensitivity analysis is an analysis tool used in the cost benefit analysis of the Economic Case; it is a process of changing key variables and modelling their impact on the preferred options.

Shortlist refers to the shortlist of project options to be taken forward to detailed economic analysis in order to find a single preferred option.

SMART Objectives are objectives that are specific, measurable, achievable, realistic and time-bound.

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.¹⁰⁷

The UN Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. They address global challenges, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.

Value for money (VfM) is the optimum combination of whole-of-life costs and quality, or fitness for purpose, of a good or service, also taking into account risks, that meets the user’s requirements (though there are many different possible definitions).

Report criteria – Lines of enquiry

Objective

Review of the Project and its Full Business Case (being the Intermediate Business Case “updated for reality”, to take into account the actual data from the preferred bid and the final form of contract).

Timing

Following completion of procurement and contract negotiations and prior to contract signature.

#	Criteria	Definition
1	Strategic Reconsider the Strategic Case and reconfirm strategic need	Assessment and recommendations related to: reconsideration of the Strategic Case and strategic need for the Project. Hints: <ul style="list-style-type: none"> • Have there been any changes to the strategic context since the Gateway 2 review and have these been reflected adequately in the Strategic case? • Have these affected the overall strategic need and aims of the Project and is there still a strategic need for the Project?
2	Economic Validation of the Economic Case and choice of preferred bid	Assessment and recommendations related to: confirmation of the economic analysis and value for money of the preferred bid (including the bid price and final contract documents) Hints: <ul style="list-style-type: none"> • Is there a record of the decision-making process in evaluating bidders, and confirmation that the winning bid continues to offer best value for money? • Has there been any external change to macro-economic factors or other factors which has had a material effect on the value-for-money of the Project? • Have any of the key economic assumptions used in the Intermediate Business case been changed and if so, what effect has this had on Public Value?
3	ESIA	Assessment and recommendations related to: the Environmental and Social Impact Plan Hint <ul style="list-style-type: none"> • Have the planned environmental and social actions been integrated into the relevant management plans and delivery and contract arrangements? • Are required safeguards systems and processes in place and working effectively?
4	Commercial Validation of Procurement and Contract	Assessment and recommendations in respect of: the procurement competition and final form of contract Hints <ul style="list-style-type: none"> • Has the procurement been conducted and the result recorded in accordance with applicable law and regulation? • Has this resulted in a clear preferred bid? • Has there been any procurement challenge? • Have there been any material changes to the project contract and if so, what are the reasons and impact of these?
5	Financial Affordability	Assessment and Recommendations in respect of: the affordability of the project Hints: <ul style="list-style-type: none"> • Has the financial model been updated in line with the terms of the final bid and contract?

		<ul style="list-style-type: none"> • Have there been any material changes and what is their impact? • Is the project still affordable on a year-by-year basis? • Have any new material risks been identified and have contingencies been allowed for these? • Has the authority got sufficient resources to cover its own resource costs?
6	Management	<p>Assessment and recommendations in respect of: the management plans</p> <p>Hints:</p> <ul style="list-style-type: none"> • Have the various management plans identified in Gateway 2 been updated and are they ready for contract commencement? • Does the authority have adequate staff to perform its management duties under the plans and to implement change management, contract monitoring and benefits realisation plans? • Are any staff transfers planned and has relevant staff consultation/preparation taken place? • Is the project governance operating satisfactorily and ready to enter the contract delivery stage?
6	Compliance with 5 case methodology	<p>Assessment of degree of compliance with the overall business case regulatory requirements and recommendations as to how any areas of weakness or omission should be dealt with.</p> <p>Hint:</p> <ul style="list-style-type: none"> • At this stage (contract signature) it is expected that the business case should be in a satisfactory position, however it is possible that issues may still need to be resolved and these should be recorded – together with a relevant timeline for completion.
7	Outstanding actions	<ul style="list-style-type: none"> • Have all required actions left over from the previous Gateway Review been cleared • Are there any other issues which you have identified which would impact the suitability of the project to pass through Gateway 3 and proceed to contract signature?
8	Delivery confidence	<p>Is there any other matter which should be flagged which could have an effect on overall Delivery Confidence?</p>