

INVESTMENT DECISION-MAKING FRAMEWORK REVIEW

Investigation Stage Report

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EXECUTIVE SUMMARY

The New Zealand Transport Agency and the Ministry of Transport are working together to revise the Investment Decision-Making Framework (IDMF), with support from Local Government New Zealand.

This review focuses on how investments are developed, assessed and prioritised. We're looking at a fundamental change in how we make land transport investment decisions; putting people and place, rather than vehicles and networks, at the centre of our decision-making.

New Zealand Transport Agency (NZTA) is using a three-stage approach to undertake this review:

- Investigation – gathering information from the sector and transport users to assess the current processes
- Design – using findings from the investigation stage to inform co-design of new investment decision-making processes (and other related functions)
- Implementation – taking the new design and embedding it into NZTA and identifying where it can be embedded in co-investment partners' systems, processes and capability needs.

This report is the summary of the investigation stage.

NZTA collected this information through national and international research, topic-specific workshops and national roadshows. The workshops and roadshows were developed and hosted jointly by NZTA, the Ministry of Transport, and Local Government New Zealand (LGNZ).

The key findings were;

General

- Continue with the co-design approach to establish an investment partnership relationship.
- Continue to use fit-for-purpose business cases for investment decisions
- Ensure measurement of benefits to help understand what benefits will be realised
- Ensure that cost benefit appraisal includes consideration of monetised impacts, quantified impacts and qualitative impacts, as a key input into decision-making.

Investment Principles and Policies

- There is a need for a simple end-to-end overview of how NZTA's investment decisions are made.
- The current 10 investment principles need to be replaced with a smaller number of principles that are high-level and holistic, enduring, and easily understood.
- Operational content should be stripped out of principles and reframed as policy or guidance.

Business Case Approach (BCA)

- A 'right-sized approach' is required for business case effort, decision pathways and processes, i.e. make the process simpler and make sure that the effort involved in both building the business case and the assessment reflects the risk, complexity, uncertainty and scale of each investment proposal.
- Clarification of NZTA staff roles and responsibilities is required.
- Continue to recognise the role of statutory and planning documents developed by Approved Organisations (AO's).

- AOs are seeking targeted support, guidance and advice from NZTA based on their capability and capacity.

Investment Assessment

- Strategic alignment of outcomes to investment benefits for the short-, medium-, and long-term is required. This includes a line of sight to the Government Policy Statement, and regional priorities with a whole-of-system thinking.
- Non-monetised benefits and costs need to be better presented alongside monetised assessments to make decisions more robust and transparent and give effect to a range of outcomes.
- Generation and consideration of alternatives and options needs to move to a systems-based approach, including mode-neutrality, and requires new tools and guidance to support this.

Investment Prioritisation

- Better guidance is needed for prioritisation across the NLTP, within activity classes, and for programming and timing of investments.
- Prioritisation needs to be developed alongside the assessment tools and criteria that are developed as part of this programme.
- Prioritisation needs to take into account Regional Land Transport Plans.

Capability

- Improved consistency between process and procedural guidance - supported by improved tools and training on the business case approach and other elements of the IDMF - is needed
- Information can be difficult to find and often overly technical and challenging to understand. Consider how to improve access to and ease of use of the required data sets.
- Improved active learning materials, consolidated information, and appropriate smart tools, exemplars and templates are required to support NZTA and the sector in lifting capability.

The findings will be used in the design stage of the review. The design stage will be developed using a co-design approach, working with the sector, co-investment partners, the Ministry of Transport, and LGNZ.

INTRODUCTION

The Transport Agency uses the IDMF to develop, assess and prioritise funding for transport investment proposals. The review of this framework has been prompted by changes in the Government Policy Statement on Land Transport 2018 (GPS), which places more emphasis on social, economic, cultural and environmental outcomes in transport planning.

This includes environmental impact, safety, resilience, access to transport, public health, urban development, and network benefits in transport planning and investment.

The review encompasses the principles outlined in GPS 2018; that all modes of transport, land use, technology, and innovation are considered and valued in transport investment. We also want to improve the business case approach to making the case for investment.

The Transport Agency and the Ministry of Transport are working together to revise the IDMF, with support from LGNZ. We'll also be working with other local government and local authority representatives, as well as NZ Treasury, to get their input into the investigation, design and delivery stages of the review.

Purpose

The purpose of this report is to outline the findings from the investigation stage of the IDMF review and to make recommendations to be considered in the design stage of the review.

The IDMF review covers: investment principles and policies, business case approach, investment assessment, investment prioritisation, and capability.

Investment Principles and Policies focuses on the Transport Agency's existing investment principles and policies. The purpose of this workstream is to:

- recommend principles and policies for the future framework, and provide a clear distinction about the relationship between them, and;
- understand key policy gaps and make recommendations on how to address these

Building the Case focuses on the business case approach of the IDMF and links across the workstreams. The purpose of this workstream is to:

- develop tools and processes that allow agile development of proposals;
- ensure the right level of effort is applied according to scale, risk, and complexity, and provide clarity on pathways for building the case for investment; and
- recognise and utilise existing strategic documents
- bring all the requirements for business cases and their assessment together

Investment Assessment focuses on how investment proposals perform and compare. The purpose of this workstream is to:

- ensure assessment approaches are consistent with whole of government, informed by research and international best practice, and enable a wider view of costs and benefits to be considered in investment decision-making
- ensure alignment across all aspects of benefits management and realisation, in particular between indicators and measures we are using to tell the benefits realisation story and how we use this information within assessment
- improve cost-benefit appraisal to better account for qualitative and quantified benefits, alongside monetised benefits, within decision making.

Investment Prioritisation (formerly called the “Investment Assessment Framework”) focuses on the method and factors for prioritising investment in the NLTP. The purpose of this workstream is to:

- review and improve the method of prioritising activities in the NLTP to achieve outcomes for Government and communities
- make the process for prioritisation simple
- provide confidence that the factors and methods for prioritisation enables the NLTP to deliver on strategic priorities and outcomes.

Capability aims to embed the improvements and changes made throughout this IDMF review programme. The purpose of this workstream is to:

- build staff and sector capability in preparing, appraising, assessing, and prioritising business cases
- make information, guidance, tools etc easy to find, understand and use.

BACKGROUND

The last investment decision-making review was undertaken in 2015. This review did not consider all aspects of the IDMF but focused on:

- revising the Investment Assessment Framework to remove duplication and overlap, strengthening the role of the cost-benefit appraisal, and better alignment with the business case approach
- improving systems thinking applied to investment decisions
- improving transparency around how investment decisions are made.

A key driver for this review of the IDMF is the GPS 2018. The GPS requires that decision-makers take into account the full range of benefits and costs over the whole life of investments. They need to be cognisant of possible future changes and uncertainty, so that investment is made in options that perform best across a wide range of different scenarios.

The GPS seeks greater emphasis on transparent investment decision-making and enhanced reporting on the outcomes achieved by that investment, and required this review to address mode neutrality, assessment of programmes, technology, integration with land use and other specific requirements.

The Transport Agency and regional authorities are required to provide high-quality analysis and input into a rigorous, fit-for-purpose investment analysis system. This review is also intended to be a comprehensive review of the Investment Assessment Framework and the Economic Evaluation Manual.

In 2018, the IDMF review began and initially comprised five workstreams: Investment policies and principles, Business case approach, Assessment, Prioritisation and Capability.

IDENTIFIED ISSUES

At the beginning of the IDMF review the Transport Agency identified the following general and specific issues:

Investment Principles and Policies

Current investment principles and policies in investment decision-making are unclear, from both an internal and external customer perspective. Much of the content of existing principles and policies is outdated and does not reflect current investment priorities and practice.

The Transport Agency currently has 10 planning and investment principles, all of which are accessed via the various Transport Agency websites.

The main issues identified by the Transport Agency were:

- Volume of information associated with each principle and/or policy. This is due to:
 - Duplication between principles, and repetition within underlying sub-headings
 - Content that is very detailed and directive (i.e. should be a policy)
- Language/tone – some of the language is outdated, albeit often containing a relevant underlying message (i.e. factually correct)
- Too much State Highway-specific content
- Formatting errors (e.g. broken links, or links to old information)
- The current policies are generally very operational (e.g. funding rules). Other policies also exist which are not housed in the Planning and Investment Knowledge Base (PIKB) section of the website (e.g. farebox recovery policy).
- Policies have not been updated to adequately support the Transport Agency's statutory role to give effect to the strategic shifts as expressed in the GPS.

Business case approach

Some business cases have not provided the right level or enough information to support investment decisions. AO's and the Transport Agency are finding the process of preparing business cases cumbersome and costly.

How the sector currently applies the business case approach is not consistent with the BCA principles, and therefore does not make it easy to determine what is a right sized-business case, which is exacerbated by inconsistency of advice from the Transport Agency and other sector participants that impacts on timely decisions, efficiency and assurance.

Investment Assessment

Investment assessment involves:

The consideration of alternatives and options needs to be enhanced to better consider the hierarchy of interventions. A systems approach, supported by critical thinking, will help to develop the best options to deliver the right outcomes in a value for money way. More specifically it involves:

- the assessment of business cases, including other forms of investment proposals such as Activity Management Plans (AMP)
- assurance that a good process has been followed
- cost-benefit analysis of alternatives and options, this includes monetised and non-monetised information, to demonstrate that the best option has been selected for funding.

Cost-benefit analysis

- The existing assessment framework can discourage the development of business cases because of the perception they won't satisfy the "BCR test" (Benefit Cost Ratio).
- Despite having positive safety outcomes, adverse travel time changes for some proposals in the cost-benefit appraisal result in a BCR less than 1, creating a perception that they are not fundable.
- A suggestion was made that current non-monetised impacts be incorporated in the cost/benefit analysis (CBA) in a more transparent way.

Economic Evaluation Manual

- The EEM is seen as prescriptive. It plays an important role in assessing proposals on a mode-neutral basis and a whole-of-system outcomes approach. The road-based elements of the EEM have had a longer time-period over which they have evolved compared with other modes of transport, which makes it appear to favour motor vehicles over other modes of travel.
- Current economic evaluation guidance, methodology and values are considered by many to be too difficult to use and/or not enabling a balanced assessment of multiple transport outcomes – such as environmental and social.
- Business case developers may stop calculating monetised benefits once they get over the threshold (generally $BCR \geq 1$), which does not give a full view of the benefits.
 - The current monetised benefits do not align well to the assessment of technology initiatives.
 - The current advice around choice of appropriate analysis period needs to be improved for different types of projects.
 - There is a perception that the economic benefits that arise from people walking, cycling and using public transport are not appropriately valued, which results in an imbalance in what types of project are considered to be high value for money.
 - The treatment of alternative sources of funding, particularly value capture mechanisms, also needs to have better guidance.
 - Variances in traffic forecast assumptions, land-use forecast assumptions, and potential limitations in the analysis tools risk inconsistency and inaccuracy of projects and investment decisions. Better guidance is required.

Urban development and land use planning

There is an opportunity to build on the Transport Agency's integrated planning work to better co-ordinate transport and urban development, mitigate/adapt to climate challenges, and contribute to public health.

Technology

Technology has the potential to enable customers to make decisions about their travel choices, including the option not to travel. This needs to be reflected in the assessment framework.

Processes

There is an opportunity to better coordinate the Transport Agency processes, and the tools used for the identification of benefits (economic evaluation and benefits management). A summary document that illustrates the Transport Agency's investment decision-making process and appraisal process is needed, to highlight the fundamental considerations and information requirements needed to make robust investment decisions.

Systems thinking

A wide range of alternatives and options need to be assessed to ensure that a solution is the best fit and provides value for money. This includes looking at responses that are not

supply-side based i.e. not simply more of something. This includes demand-side options such as mobility management, land use and virtual connectivity to solve transport problems.

Investment Prioritisation

There are currently difficulties in prioritising within the existing framework - particularly in prioritisation at the margin - due to many proposals receiving similar priority rankings. There have been problems with the quality and availability of cost benefit analysis (often resulting in this not being able to play the role envisaged in prioritisation, especially for inclusion in the NLTP). Risk, urgency and/or readiness are not considered in prioritisation.

There are sometimes two prioritisation processes running in parallel, one for RLTPs and for the NLTP; both are also running in compressed timeframes in response to the release of the relevant GPS.

The weighting of the factors within the assessment profile in Transport Agency's current prioritisation framework (the Investment Assessment Framework (IAF)) has been discouraging some AOs proposing activities for inclusion in the NLTP because of the likelihood that it will have a low BCR and therefore a low priority. Additionally, there is an issue with people not calculating all benefits and stopping calculating as soon as they get a BCR above 1, which may not include the wider benefits or impacts arising from the outcomes sought in the GPS.

Capability

Capability Gaps

Some people are not clear on how to navigate through the business case approach and its different decision gateways, how the IDMF supports assessment and prioritisation of their investment proposals, or where to access reliable expertise and/or guidance. This is also true when determining the level of effort they need to apply, and the appropriate business case pathway to progress the proposed investment. Compounding this further is inconsistent support from the Transport Agency.

The general lack of capability to apply the business case approach, both within the Transport Agency and in the sector, leads to excessive cost and an unnecessarily cumbersome and lengthy process to develop investment proposals. AOs frequently require consultants to develop their investment proposals, which comes at significant cost to both the AO and the Transport Agency.

Capability-building Resources

Significant time and resources have been invested in the development of introductory and practitioner-level learning resources and supporting materials. The need for external users to register for NZTA's Learning Zone and the lack of Transport Agency endorsement to access learning resources means there has been limited uptake, despite ongoing feedback on the high quality and relevance of this content.

Multiple Repositories

Business groups within the Transport Agency have developed process and procedural guidance, tools, templates, and training on business case development and assessment. However, there is no clear co-ordination in style and interface.

This results in content having disjointed ownership, degrees of duplication, and difficulty for those who develop investment proposals to judge what is current or correct.

INVESTIGATION STAGE

The investigation stage involved both research and discussion with the sector to analyse the current system. The investigation of how the current framework provides for the assessment of investment proposals involved several research inputs, including multiple workshops with internal and external stakeholders.

We investigated:

- the required fundamentals to make rigorous and defensible investment decisions
- international and national best practice as to how assessment is undertaken
- issues with how the current investment framework works.

Research

2018 EY Report

In March 2018 EY carried out an independent review of the Transport Agency's investment decision-making policies and processes. The primary focus was to understand whether the current policies and processes facilitate the Transport Agency to develop and deliver projects that are mode-neutral, take a whole-of-system view, and achieve place-based social and economic outcomes. EY found there were some parts of the framework that could benefit from stronger reference or focus. Recommendations were also provided on where improvements could be made.

2018 International and National Best Practice Technical report

In 2018 the Transport Agency prepared a technical report, which looked at assessment tools, processes and requirements – both New Zealand and internationally. The technical report also identified all the legal requirements that must be met by the Transport Agency, in particular the legal requirements for funding approvals [Section 20\(2\)](#) of the Land Transport Management Act 2003 (the LTMA).

The summary of the findings across the international examples found:

- The use of the 5-case business model approach (strategic, economic, management, commercial, financial) is world best practice.
- CBA is often used in conjunction with Multi Criteria Analysis and or Cost Effectiveness Assessment to inform decision-making.
- A number of jurisdictions used a sifting/filtering process to filter out poor performing options early in the business case process, for example, the Strategic Merit Test in Australia and the UK use an Early Assessment and Sifting Tool to document early decisions around optioneering such as why options are discarded.
- Use of an Appraisal Summary Table to identify and assess quantitative/qualitative benefits and costs alongside monetised costs and benefits, including environmental/social and economic information.
- Some have processes/tools in place to identify and consider equity/distributional impacts.

2018 Literature review of investment principles and policies

Examples of investment principles from 10 other organisations have been reviewed to inform the development of updated principles for the Transport Agency. Key findings were:

- Principles were generally quite process-oriented, rather than being directive in terms of why/what to focus investment on.

- Language was relatively high-level and generic, with the individual principles often being in statement form, with some brief explanatory text.
- The number of principles ranged from four to 15.
- There were no examples specifically linking principles to the underlying policies – more often they talked about providing overarching guidance, rather than illustrating specific actions to deliver on the principles.

2019 Investment Prioritisation Technical Report

In July 2019, a report was prepared, providing an overview of the evolution of New Zealand's investment prioritisation approaches. It looked at the UK, Australia, and to a limited extent the USA regarding how the approaches are used to prioritise investments and provide potential methods and factors that could be used to assist in prioritisation.

Workshops

October 2018 workshops

Two workshops were held in October 2018.

The first included representatives from local government, Ministry of Transport and Treasury, to get input into the Transport Agency's overarching IDMF. This included scope, problem statement and design requirements. The fundamental elements of investment decision-making were socialised – with all present comfortable with thinking. Pain points across the investment decision-making framework were identified through a customer journey exercise. Forward thinking "How Might We" statements suggested an IDMF that:

- provides a clear, end-to-end overview of how NZTA's investment decisions are made
- recognises external processes required to use the IDMF
- ensures users & stakeholders have access to information & support to engage with the IDMF
- ensures the Long-Term View represents a shared view
- reconciles local and national priorities
- understands and measures the wider impacts of investment decisions
- achieves fit-for-purpose investment assurance that is transparent and provides decision-makers with confidence
- balances short-term priorities and long-term outcomes
- flexibly scales with the complexity of the investment
- recognises & encourages use of existing evidence & resources
- improves the way the CBA is used
- contains easy to use tools and processes aligned with IDMF intent.

The second was an internal workshop focused on the investment principles. The format included:

- Discussing the role and purpose of principles vs policies vs process vs guidance
- 'User stories' to identify how stakeholders may use investment principles in practical settings
- Review of each of the 10 current principles to determine relevance of structure and content
- Identification of any gaps in the current principles.

Pathway process mapping workshops

On 4 April 2019 and 10 May 2019, internal workshops were held to map the current business case process and to identify opportunities for improvement which were fed into the building the case workstream. We also held meetings with various subject matter experts to document the

business case process for continuous programmes, low cost low risk, travel demand management and road safety promotions.

14 March 2019 NZTA Internal Workshop

An internal workshop was held with representatives from across the Transport Agency to discuss issues and opportunities and identify if there were any gaps with the international and national best practice review.

29 April 2019 Ministry of Transport/Transport Agency joint workshop

This jointly delivered workshop was designed to:

- identify the gaps and opportunities to improve our approach to transport assessment
- scope an assessment approach that can apply across policy, portfolio, programme and projects
- agree how we best work together to design and deliver an improved approach to transport assessment.

Attendees included local government representatives, Ministry for the Environment, Treasury, Housing and Urban Development.

May and June 2019 Approved Organisations Regional Workshops

Four workshops were held across the country Auckland, Wellington, Christchurch, and Dunedin. More than 61% of Approved Organisations were represented at those workshops. The workshops were run in partnership with the Ministry of Transport and were supported by LGNZ.

The workshops covered investigation findings from the assessment, building the case, and capability workstreams. There was strong focus on ensuring the participants were able to provide critical feedback.

Strong themes to come out of the events, consistent with other feedback, were that the Transport Agency needs to improve support to the sector to help with right sizing business cases; take a co-design approach to business cases, and that better linkages were needed between business cases and other strategic plans and documents.

INVESTIGATION FINDINGS

Investment Principles and Policies

There is a need to have a simple end-to-end overview of how NZTA's investment decisions are made.

NZTA's internal review of the Transport Agency's existing investment principles and policies has been undertaken. This has identified the need for an architecture for principles and policies in the future IDMF, which provides a clear distinction and relationship between principles and policies.

The current 10 investment principles need to be replaced with a smaller number of principles that are high-level and holistic, enduring, and easily understood. Operational content should be stripped out of principles and reframed as policy.

The investigation stage has also identified the need for understanding of key policy gaps and recommendations on how to address these.

Business Case Approach

The Transport Agency's Business Case Approach (BCA) is closely aligned to the Treasury's Better Business Case methodology.

Similarities between the two include:

- the incorporation of the five case models (strategic, economic, financial, management, and commercial cases) into our BCA.
- decision gateways are included at the end of each business case phase. At the gateway the business case is reviewed against the Treasury investment questions to ensure the case is robust.

Despite the strong alignment it was identified that the Transport Agency's BCA is inconsistently applied. In April 2019, a new point of entry approach was implemented to improve how the business case principles are applied in practice, so that effort is fit for purpose at each business case phase. The benefits include simpler, clearer, faster, less cost (time and professional service suppliers), investment decisions where appropriate, without eroding rigour or value.

While the two approaches are closely aligned, the Transport Agency has varied its approach in areas such as:

- Point of Entry – the Transport Agency has created a tailored point of entry template.
- Regional Public Transport Plans (RPTP), Regional Land Transport Plans (RLTP), & Activity Management Plans (AMP) – these documents form the basis of a strategic or programme business case for certain projects and continuous activities.
- Standard Safety Initiatives – a simplified process was implemented late 2018 to reduce the cost and processing time for safety projects. While the process is streamlined it still answers all the required investment questions of a business case.

The variances were discussed with Treasury in May 2019. No issues were raised because they still form the basis of providing sufficient evidence for sound decision making.

Right Sized Approach

The Transport Agency identified that the effort to develop some business cases is disproportionate in terms of the scale, risk, complexity and uncertainty of the activity or project,

leading to business cases being over-engineered. As a result, expenditure in both time and money on business case development is high.

The Transport Agency has developed a toolkit to apply to safety initiatives identified through a programme business case such as the Safe Networks Programme, or an AMP. The approach is streamlined as the funding application contains all the information required for the business case, and no other “full” business case is required. The expansion of the standard business case for standard interventions outside of safety would be helpful.

The recent local government engagement sessions identified the need to make the process clearer and make sure that the effort involved in both building the business case and the assessment is appropriate for each investment proposal.

Business case roles and responsibilities

There is poor understanding within the Transport Agency and with AO partners about the roles and responsibilities of different Transport Agency teams throughout the business case process. In some cases, this stems from lack of good guidance and in others is a result of poor knowledge.

We have also identified that management of some activities are split between two or more teams. Not having one point of contact for co-investment partner business cases means the information expectations between these teams may be inconsistent.

Business Case Delegations

Business case delegations are not clear and need to be updated to ensure staff understand how business cases are reviewed and approved and to remove duplication within the delegations.

Infrastructure Commission

Government process is underway to establish an Infrastructure Commission, which will help improve how New Zealand coordinates and plans infrastructure investment. The Commission is looking to review all business cases over \$50M to ensure they align with the Government’s infrastructure strategy, and this will affect the processes relating to the business case approach. We will work with the infrastructure commission as we design the business case approach process.

Intervention Hierarchy

The Transport Agency’s intervention hierarchy identifies options to consider before considering a new infrastructure solution. This ranks in order from integrated planning, demand management and making the best use of the existing network, to new infrastructure. The Transport Agency’s intervention hierarchy sets out a structure for considering options and alternatives when developing a business case. The intention is to consider the maintenance and operation of existing networks to ensure that the best use is made of what is already available; then consider options for demand management, before considering any investment in new infrastructure and services.

The intervention hierarchy has not always been appropriately applied throughout the business case approach. This has led to a focus on new road-based infrastructure without proper consideration of other investment and non-investment options. Further guidance and tools are required to ensure that a range of types of interventions, not just infrastructure investment, are considered in option development and assessment.

The team found the current application of the intervention hierarchy is not fit-for-purpose as it:

- cannot be applied to all transport outcomes, such as safety and resilience
- is not effective for Transport Agency policies, such as mode neutrality
- does not facilitate line of sight from strategy through to the business case.

Procurement

Procurement documents are currently completed by AOs for each individual activity and project to obtain business case consultant services. Standardised procurement forms, with performance measures and guidance, would assist AOs in procuring consultants to deliver fit-for-purpose business cases.

Investment Assessment

Strategic Alignment

The team found that more clarity is needed around how to give effect to the GPS, as required by the LTMA 2003, when the NZTA makes funding decisions. In developing the National Land Transport Programme, the Transport Agency also has to give an indication of national or regionally significant activities likely to be considered for funding in the current NLTP, as well as the next one, alongside the anticipated expenditure in respect of the NLTP for a full 10-year period.

Local government participants of the May/June investigation stage workshops were keen to see better consideration of local government planning cycles.

In addition, there was concern that there is no clear expression of central government long-term thinking. Local government is required to produce 10-year and 30-year plans and, while the legislation and each GPS has a 10-year view, there is a widely-held perception that the GPS contains only a 3-year set of priorities and these change between different governments. This can result in significant additional costs as projects supported under one government may be rejected by the next government. Local government struggled with the changes in direction.

Participants were keen to make better use of the RLTP's, including wanting alignment across the spectrum of planning processes including LTPs and AMPs.

The sector also asked for some durability and flexibility of the IDMF so that it is easier to adapt to changes in the GPS directions.

They would like the Transport Agency to:

- consider wider government outcomes such as housing and urban development, the environment (including climate change) and health impacts in transport investment decisions as noted in GPS 2018
- provide better vertical integration between Strategies, Policies, Portfolio, Programme and Project delivery (to avoid duplication and re-work)
- consider related emergent cross government strategic initiatives and how these might be reflected in the GPS, including:
 - The Climate Change Commission and 2050 Carbon Zero
 - Treasury Infrastructure Commission
 - Housing and Urban Development Strategic direction.

Monetised, quantitative and qualitative benefits

Benefits are identified as part of the business case approach, initially during the strategic case. The EEM provides guidance, tools and values for monetisation of benefits. However, there is no summary document that illustrates the overall benefits and costs, including monetised, quantitative and qualitative, of a project or programme.

All countries reviewed in the current investigation use Cost Benefit Appraisal (CBA) as a central component to the decision-making process. However, the weight placed on the quantified economic impact vs non-monetised impacts differs significantly. Also, while some of the countries rely mostly on CBA as the main tool for prioritisation, others use CBA as one element informing investment decisions.

Other issues include:

- The Transport Agency doesn't have an end-to-end benefits management framework, and there is misalignment between the identification of benefits and subsequent assessment of benefits.
- There is no framework or guidance for how to consider wider benefits that transport can have an effect relating to other government sectors.

Monetised values

Monetary valuation continues as a basis to enable consideration of costs and benefits. However, it is currently not practical to derive monetary values for all impacts. The value of travel time and the calculation of travel time across modes should be reviewed.

The sector expressed a need to have better understanding of access, and not just for commuting but access to schools, hospitals and doctors. Some thought improving access for socially isolated communities and access for elderly is important, and should be just as important as commuting.

The sector suggested there are new impacts that need to be covered with accompanying guidance on how they relate to transport outcomes. Specifically mentioned was place making, liveability, urban growth, and social well-being. Some thought urban design needs to be considered in relation to physical and mental health. It was suggested all the different outcomes and impacts need to be considered within the same framework (i.e. health, safety, resilience, and environment).

Non-monetised benefits and data

There was general support for the proposed adoption of a summary table (similar to that used by other countries) to provide decision-makers with wider qualitative, quantitative and monetised information to make more balanced and better-informed decisions.

There was a call for more guidance and tools to be developed to ensure a consistent approach to assessing and presenting monetised and non-monetised information to decision makers. The sector also suggested that decision makers should be educated to use the BCR as a key indicator, but the non-monetised information should also play a role.

There were calls for improvements in the type of evidence that is used in assessments, and that greater emphasis should be placed on a more balanced range of outcomes, such as access. There was recognition that this is difficult, ideally monetising as many impacts as possible, but trading carefully when considering the non-monetised benefits.

Many called for access to better nationally consistent and reliable data, and tools available to inform the assessment. There was specific mention of the lack of safety data for active modes, making economic evaluation hard.

The handling of specific benefits will be the subject of future engagement with the sector.

Consideration of alternatives and options

Section 20(2) of the LTMA states that, in approving investment, the Transport Agency must be satisfied that an activity or combination of activities has, to the extent practicable, been assessed against other land transport options and alternatives. Also included under section 171

of the Resource Management Act (RMA) is whether adequate consideration has been given to alternatives sites, routes or methods of undertaking the work.

International practice

International practice shows that options generation and the appraisal of options are fundamental components to making good investment decisions, which are reflected as key 'building blocks' of investment frameworks.

All countries reviewed use a sifting/filtering process to filter out poor performing options early in the business case process. They also provide fit-for-purpose assessment at each stage of the optioneering process. Of the countries reviewed, New Zealand is the only one to differentiate between alternatives and options (as required by the LTMA), however other countries ensure a broad consideration of options.

Concerns raised with the current guidance and processes include:

- not promoting systems thinking and mode neutrality when considering alternatives and options
- not adequately embedding the intervention hierarchy thinking of considering supply-side solutions, such as travel demand management and optimisation, before moving to infrastructure solutions
- environmental and social impacts could be considered earlier within the business case process to ensure that impacts can be avoided in the first instance
- no templates available to assist with this thinking.

A Multi-Criteria Analysis (MCA) is an analysis technique (or tool) that can be used to consider a range of criteria, both quantitative and qualitative. MCA enables decisions-makers to overcome difficulties in handling large amounts of complex information in a consistent way.

The Transport Agency currently uses MCA to 'sift' alternatives and options from a long list to short list for planning purposes and meeting RMA requirements. However, it is often not robust, with confusion around how MCA should be undertaken to ensure legal requirements from the RMA and LTMA have been met. There are some issues with the alignment of the RMA requirements with the optioneering process and work.

- There is no standardised approach to assessing options and alternatives and RMA assessments are made in isolation of investment considerations in the LTMA and GPS.
- There is confusion around the role the CBA and do minimum/do nothing play as part of optioneering.
- Activities are coming through into the funding decision stage that are not meeting investment expectations.

Early Assessment and Sifting Tool (EAST)

The UK Webtag uses an Early Assessment and Sifting Tool (EAST), a decision support tool that summarises and presents evidence on options. It provides relevant, high level, information to help decision makers form an early view of how options perform and compare. There was support from the sector to adapt this type of assessment tool in the design stage.

Sector Views

There was recognition that in some cases more thought was needed at the start of the process to find the right alternatives and options, with examples of non-transport interventions (the consideration of alternatives required by the LTMA) and that this meant including a wider range of interests and capabilities at the start of the process in option generation.

However, this was balanced with a strong sense of the need to avoid increased costs in alternatives and option generation when it does not add value or progress further in the NZTA

system. And several made the point that Funding Assistance Rates have the greatest effect on the options being proposed.

Many expressed the view that the process must start with identifying and clearly understanding the problem, as a pre-requisite to developing options. The process must be robust and neutral to ensure no pre-emptive solutions or bias.

The sector called for better guidance on how to generate and consider alternatives and options. Suggestions included; alternatives and options could be developed collaboratively with a mix of interested parties in the room at the start of the process; guidance could have prompts on the types of options that should be considered, including land use within guidance and optioneering tools; and examples could be developed, although it was noted this may risk losing the critical thinking required.

Investment Prioritisation

The most recurrent feedback from the sector was that prioritisation should take account of regional views – beyond the requirement that any activity for consideration in the NLTP must be already in an RLTP, and that RLTPs must take account of the GPS.

One of the main issues with the current 2-factor prioritisation framework is the lack of granularity. Once the prioritisation framework was applied, there was significant clustering of activities in priority order bands 5 and 6. This has made it difficult to prioritise funding between projects with the same priority band.

Other issues reported by AOs and groups within the Transport Agency include:

- issues with individual elements of the framework
- problems with the quality and availability of cost benefit analysis (including failure to capture all benefits)
- focus on BCR as measure of efficiency to exclusion of other economic considerations, such as size of benefits
- the results alignment factor tending to push proposals towards a focus on a single primary benefit and making it difficult to give greater priority to projects that address more than one outcome or deprioritise if it gives a negative outcome to the other priorities.

Missing Elements

- It appears that effectiveness is no longer being adequately addressed.
- Risk and urgency are not adequately recognised in the profile through the IAF, even though they are applied in the moderation process.
- Readiness to proceed is not considered through the IAF profile (although a real factor in practice).
- Contractual or legislative obligations are not explicitly a factor.
- Focus on primary results alignment assessment in using the prioritisation factors may mean that multiple results in the GPS don't receive due consideration;
- there are also limitations on the scope of what can be funded in the NLTF - wider funding sources may need to be considered (this is beyond the purview of the current exercise to address).

Process Issues

- Regional priorities do not necessarily align with national priorities and it is unclear how they are to be reconciled.
- The timing of the GPS and NLTP processes does not allow for AOs to receive adequate notice of government priorities.
- Lack of understanding among stakeholders of how prioritisation works.

Programme level issues

- Although taking a portfolio and programme approach is encouraged, consideration of proposals in isolation is not strongly enough discouraged, which leads to less emphasis on a portfolio or programme approach (either at regional or national level).
- Difficult to balance long and short-term investment priorities.
- Content of NLTP changes constantly and is subject to external pressures.

It is possible that some of these issues reflect tensions in the legislative and policy frameworks and may not easily be solved at the operational level.

Based on the New Zealand and international review, the following principles were proposed for identifying potential factors to apply;

Prioritisation

- Giving effect to the GPS priorities – in combination, factors should identify those activities that are likely to contribute most to the Government's desired outcomes and strategic priorities
- Durability – as far as possible, factors should be policy neutral, and therefore adaptable to adjustments in strategic policy settings
- Mode neutrality – factors should be equally applicable to investments in any land transport mode or class of activity (although different measures may be appropriate for different types of activity)
- Transparency - it should be clear what factors mean, what measures they will reflect and how they will combine to result in overall priority ratings
- Comprehensiveness – in combination, the choice of factors should ensure that all key evidence on the merits of proposed investments is considered.

These principles will be tested with stakeholders in a co-design workshop.

The investigation review identified several methods that can support multi-factor inputs, including:

- variations of matrix scoring systems
- variations of numeric scoring system
- filtering.

Capability

The investigation considered the issues relating to skills and competencies and the ability to find and use information. Key findings include:

- A failure to proactively build sector capability in business case development has resulted in inconsistent quality of business cases and poor sizing of the level of effort required, placing NLTP delivery at risk.
- Inconsistent information and a lack of ongoing support from Transport Agency staff to the sector are undermining confidence in the IDMF and business case approach, within the Transport Agency and in the sector.
- There is a lack of understanding of how the Transport Agency invests for benefits, reducing assurance and confidence that benefits are being effectively managed and ultimately realised.
- Transport Agency and local government staff do not consistently understand their roles and requirements when developing investment proposals. This is negatively impacting the right-sizing of effort, selection of the appropriate business case pathway, delivery timelines and financial costs
- The Transport Agency has developed investment and business case approach guidance and learning resources, however they are high-level and don't provide a detailed level of

support. Additionally, Transport Agency and sector-based staff have not engaged effectively with this guidance and learning resources. This has resulted in a lack of understanding and confidence when developing, assessing, prioritising or advising on Investment Proposals.

Sector feedback reinforced the investigation findings. There were also calls for: clearer lines of communication and consistency of advice; improved training; networking opportunities so that regional networks can develop and share learnings; and the use of mentoring and secondments with the Transport Agency to build understanding and capability.

AOs would like access to examples of good business cases and to have clarity of the questions the Transport Agency would consider in the assessment process.

CONCEPTS TO BE USED IN THE DESIGN STAGE

We value our relationships and want to build trust with co-investment partners to create a more efficient investment decision making process.

Co-design will be completed in conjunction with Ministry of Transport, LGNZ and co-investment partners, particularly through TSIG and REG workshops, and through sharing of information on the IDMF webpage <https://nzta.govt.nz/planning-and-investment/planning/investment-decision-making-framework-review/>

The business case approach, benefits management, and cost-benefits analysis should continue as the foundation for assessment, with modifications to improve their usability and outputs. The process/systems between the GPS, NLTP and RLTPs also need to be better aligned.

There needs to be better integration between Strategies, Policies, Portfolio, Programme and Project delivery to avoid re-work.

Investment Principles and Policies

New investment principles

It is recommended that the current 10 investment principles are replaced with a smaller number of principles that are:

- High-level and holistic – to provide overarching guidance.
- Enduring – to withstand changes in government.
- Brief statements using plain English – to be easily understood.

Where more detailed guidance is required, this would be provided in the form of underlying policies.

Policy categorisation

Alongside a new set of principles, a future structure for a suite of investment policies has been proposed, consisting of:

- Tactical policy – providing guidance and acting as a scaffold between strategic plans and more 'rule-based' operational policy and processes.
- Procedures and process – operational policy (including governance) that is likely to be more prescriptive than the above.
- Funding conditions – contractual rules or obligations.
- Legislative requirements – what must be done to meet statutory requirements.

Potential sources of content include:

- Detailed operational content 'stripped out' from the current principles, collated and reframed as a policy.
- Outputs from work underway in other parts of the Transport Agency (e.g. urban development, safety).
- Areas requiring further investigation, which may form new projects in themselves.

Mapping existing principles to proposed structure

Relevant underlying information currently available as part of the principles would not be deleted in the proposed structure, but instead would be captured elsewhere on the Transport Agency's website.

Business case approach

Processes, roles and responsibilities

We will:

- clarify roles and responsibilities of Transport Agency staff in business case development, advice and assessment
- work with partners to provide guidance on further clarifying the role of AMPs, RPTPs, and RLTPs documents and how these better support business case development
- consider a review of business case delegations
- update process maps
- collaborate with the Infrastructure Commission to develop an agreement as how we will work together on significant business cases
- consider updating procurement documentation for business cases.

Right-sized approach

The Transport Agency will support local government to determine what the 'right sized approach' to developing business cases is, by improving guidance and offering support to those preparing business cases to access funding from the NLTF.

To achieve this, we will:

- clarify the different levels of information required at different stages of business case development and the appropriate pathway for each specific investment activity
- consider developing further streamlined business cases (along the lines of the standard safety interventions) that can be applied to priority areas under the GPS
- update the intervention hierarchy guidance
- improve the clarity around what is required to make good investment decisions and the criteria that is used to make assessment, including how existing local government documents can better inform the development of business cases.

Low cost low risk

We will further explore the potential to improve the process for Low Cost Low Risk (LCLR) to ensure it is efficient and data captured is complete and accurate. We will also consider whether there is an opportunity to change the \$1M threshold, including the possibility of a varying threshold. There is currently one LCLR threshold which is set at \$1M for all our co-investment partners regardless of the level of risk involved.

Co-investment partner ratings

We will explore the potential to implement a co-investment partner rating system. The rating system could cover things such as:

- Content of their documents – do AMPs, RTPs, and RLTPs support the development of business cases.
- Oversight of their business case pipeline.
- Results from Risk Assurance audits.
- Results from any other external reviews such as: external audit, post implementation and contract management reviews.
- Project delivery.

The rating system could potentially build on the learnings from a previous Transport Agency tool, the Planning and Investment Relationship Framework (PIRF), renamed to the Partnership Assessment Tool. In addition, we could work with the Road Efficiency Group (REG) to build on their excellence framework which can be used to assess AOs across a range of core competencies, such as decision making and systems. Working with REG, we could explore expanding the framework to rate co-investment risk, the quality of documents and the robustness of controls. This framework could also help assess the appropriate delegated funding thresholds for an AO.

Investment Assessment

Strategic Alignment

To effectively deliver on the GPS priorities, we will work to better demonstrate how we align strategic intent and outcomes across the 10-year span of each NLTP.

The NLTP also has to give an indication of national or regionally significant activities likely to be considered for funding in the first three years of the NLTP, as well as the next three years, alongside the anticipated expenditure in respect of the NLTP for a full 10 year period. This approach will ensure that whole of system thinking is applied, not isolated project decision-making.

The GPS 2018 indicates we need to consider the impacts for housing and urban development, the environment (particularly climate change) and health impacts in transport decisions.

As indicated above, we intend to develop a clear line of sight to strategic outcomes and clarity on what these outcomes are.

To achieve this, we will:

- Use the Transport Outcomes Framework (inclusive access, healthy and safe people, environmental sustainability, resilience and security and economic prosperity) to provide an enduring framework when identifying and assessing benefits (linking them to these outcomes).
- Use metrics or indicators that better define the outcomes that are required to conduct the assessment of strategic alignment. This will minimise the subjectivity that is currently causing problems with multiple interpretations that result in re-work.

The Ministry of Transport has proposed to Ministers that the future GPS has a stronger line of sight to the Transport Outcomes Framework.

Monetised, quantitative and qualitative benefits

To better consider non-monetised benefits and costs within decision making, we intend to develop an Assessment Summary Table that can be used to present investment decision makers with a clear summary of monetised, quantified and qualitative benefits and costs, along with a description of their meaning and significance. To support this approach, we intend to clarify which benefits can be assigned monetised values (including proxies) and those where

qualitative and quantitative measures are more suitable. We will also consider expanding the range of costs and benefits considered in assessment. This will be supported by the appropriate templates and guidance for those undertaking the assessments in developing their business cases.

Consideration of alternatives and options

The generation and consideration of alternatives and options is a fundamental aspect of making the case for investment. In moving to a systems-based approach we will look at ways to better consider a wider range of interventions.

The Transport Agency will consider how to better 'sift' alternatives and options and provide guidance on what 'fit for purpose' assessment looks like at the long list and short list, and preferred option stage.

To achieve this, we will:

- design a more fit-for-purpose assessment approach at long list and short list, and preferred option stages, including developing an Early Assessment Sifting Tool and multi-criteria analysis approach
- update the 'intervention hierarchy' to better reflect systems thinking and embed it within the business case approach
- better consider statutory requirements arising from the LTMA, RMA and Treaty of Waitangi.

Investment Prioritisation

We will consider the potential factors and methods for prioritisation alongside the assessment tools that are developed as part of this programme. Prioritisation principles will be tested with stakeholders in a co-design workshop and these will help to test which prioritisation factors to apply. We intend to develop an approach to prioritisation that is enduring, such that insofar as one factor will be to aid in "giving effect to the GPS on land transport", there will be an ability to focus attention on any given GPS priorities. In addition, we intend that investment prioritisation will be sufficiently granular to provide clarity to AOs as to the fundability of a given project or programme within an NLTP period.

Capability

The Transport Agency is seeking to embed a clear and transparent process and framework that enables robust investment proposal development and evaluation.

This means there will be no ambiguity in what information is required, which stakeholders should be involved, and in the level of effort required at key decision points.

Tailoring capability building to individual needs will also be investigated. This will include:

- **Active learning:** Adopting a proactive and personal approach to the needs of our sector partners. Rather than directing learners to self-paced learning to understand principles and introductory business case approach content, we intend to provide targeted advice to meet our customers' immediate needs (e.g. 'how do I write a short and simple strategic case?', 'what do I need to include an improvement activity in my AMP?'), along with a range of exemplars and face-to-face training via workshops and to embed these skills – while providing a baseline view of individual capability based on an assessment of their capability).
- Establish a BCA Community of Practice: The Transport Agency is establishing community of practice to support the development of skills and provide a forum to share

tried and tested ways of working, as well as taking the opportunity to learn about innovative solutions to problems

- **Consolidated and functional Investment Capability Portal:** Information on NLTP-related activities currently resides across multiple locations with each providing significantly different user experiences that create confusion. A consolidated information portal would address this.
- **Smart tools, exemplars and templates:** Tools, exemplars and templates that will help to right-size effort, providing reassurance to users that by taking this approach there will be consistency in assessing and progressing their work.