

SUMMARY OF THE INVESTMENT DECISION MAKING FRAMEWORK (IDMF)

OVERVIEW

The Investment Decision Making Framework (IDMF) provides a structured and logical approach to how investment decisions are made. The core elements of the IDMF are:

- Investment principles and policies
- Business case development
- Benefits management
- Investment prioritisation
- Making funding decisions

The IDMF fits within the wider transport planning and investment system as shown in figure 1.

Figure 1: End to end transport planning and investment system

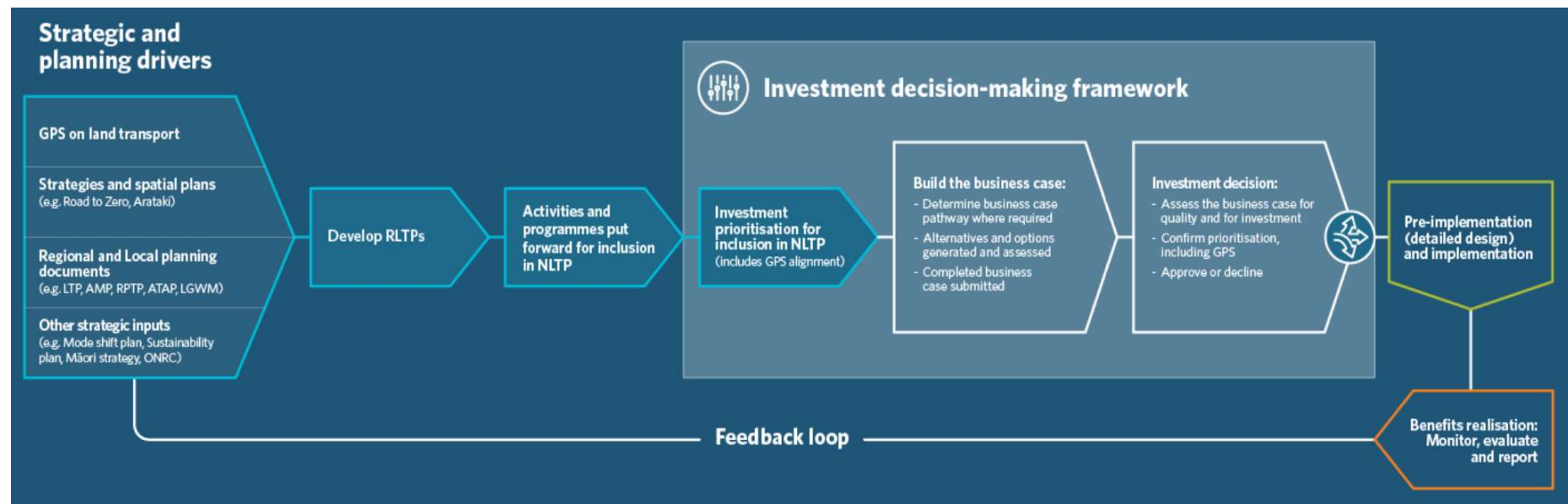


Figure 1 shows how the strategic and planning drivers feed into the development of Regional Land Transport Plans and consequently the National Land Transport Programme. Giving effect to the GPS, taking account of Regional Land Transport Plans and ensuring value for money are fundamental to Waka Kotahi investment decisions.

The IDMF review in 2019/20 provided new and refreshed tools which will assist when seeking funding from the National Land Transport Fund.

CORE ELEMENTS OF THE IDMF

Investment principles and policies

There are five, high-level investment principles. These principles set the context to guide new investment policies, the application of existing investment policies (such as funding assistance rates), and the development of transport solutions to be funded from the National Land Transport Fund.

The investment principles and policies are located on the [Waka Kotahi Planning and Investment Knowledge Base](#).

What did the IDMF review deliver?

The investment principles were updated and reduced from 10 down to five. Investment policies are being updated in plain language and are contained in the [Planning and Investment Knowledge Base](#).

Business case development

The Business Case Approach is a robust, evidence-based approach used for developing business cases for investment through the National Land Transport Programme (NLTP). It is based on the New Zealand Treasury's Better Business Case approach. A Point of Entry considers the level of complexity, risk and uncertainty and determines the business case pathway for an investment proposal (refer Figure 2). Benefits management is a critical element of business case development.

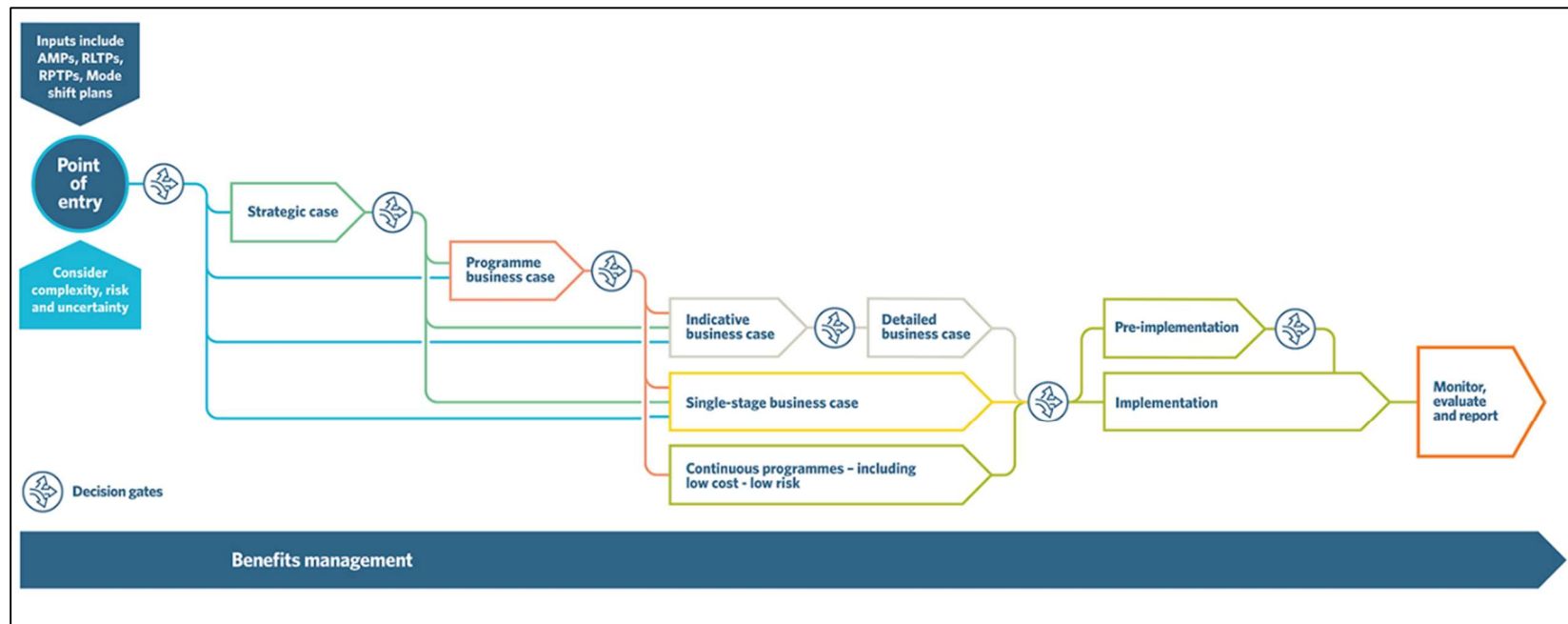


Figure 2: Business Case development and benefits management

What did the IDMF review deliver?

The review clarified that the level of effort varies depending on the risk and complexity of the business case.

A simplified version of the Single Stage Business Case, a **Single Stage Business Case lite (SSBC lite)**, has been developed to further streamline the business case process for low complexity, low risk and low uncertainty activities with a whole of life cost less than \$15 million. Business case developers can use a modified business case template to present the key components of the proposal without going into the same level of detail required in a full SSBC. The SSBC lite criteria and guidance is located on [InvestHub](#).

- **Optioneering**

The IDMF review identified a need for fit for purpose assessment tools at each stage of business case development, including optioneering. Optioneering is a commonly used term to describe the sifting approach used to move from a long list of alternatives or options to a shortlist, and then to identify a preferred option as part of business case development.

- **Optioneering and the Early Assessment Sifting Tool**

A new Early Assessment Sifting Tool (EAST) has been developed to support an initial coarse screen. The EAST is designed to quickly and robustly rule out alternatives and options, allowing for a more manageable subsequent Multi Criteria Analysis exercise.

- **Optioneering and Multi Criteria Analysis**

Multi-Criteria Analysis (MCA) is a tool that can be used to evaluate quantitative and qualitative criteria. The MCA guidance and template has been provided to ensure consistency in approach.

- **Optioneering and the Appraisal Summary Table**

Alongside the new benefits framework and benefits manuals, Waka Kotahi has developed an Appraisal Summary Table (AST) which summarises the non-monetised and monetised benefits, the whole of life costs and the benefit cost ratio for each shortlisted option. The AST is then updated for the preferred option. The AST makes it easier for decision makers to make informed decisions as they are presented with both monetised and non-monetised benefits and whole of life costs.

These optioneering tools (guidance, templates and learning resources) can be found under 'optioneering' on [InvestHub](#).

Benefits management

Benefits management includes the identification, analysis, planning, realisation and reporting of benefits. The Waka Kotahi NZ Transport Agency benefits framework allows for consistent identification, measurement and (where appropriate) monetisation of benefits. The Benefits Framework outlines and organises benefits to align with enduring transport outcomes.

The **Benefits framework and management approach: guidelines** provide guidance on how to apply the Benefits Framework (the list and description of the benefits) and Benefits Management Approach (how benefits are applied, monitored and reported across the breadth of NLTP processes, from regional land transport plans to investment logic maps to detailed business cases).

The **Monetised benefits and costs manual** (MBCM) is the Waka Kotahi guidance for assessing the monetised impacts of proposed investments in land transport. The MBCM replaces the Economic Evaluation Manual.

The **Non-monetised benefits manual** (NMBM) provides measure descriptions and guidance for using each of the quantitative and qualitative measures in the benefits framework.

What did the IDMF review deliver?

A new benefits framework which helps ensure that safety, access, public health, urban development, environmental effects and network benefits are appropriately considered within decision making.

New MBCM and NMBM to provide updated guidance on monetised and non-monetised benefits and costs.

Making Investment Decisions

Investment decisions are key points within business case development. These decisions ensure that funded activities are efficient, effective, safe, affordable and give effect to the GPS. Cost benefit appraisal which measures whole of life costs and benefits (both short and long-term, and monetised and non-monetised) at a national level is the international best practice approach used to help support investment decisions.

What did the IDMF review deliver?

The Appraisal Summary Table which helps decision makers make investment decisions by presenting both non-monetised and monetised benefits, the whole of life costs.

Investment Prioritisation

Investment prioritisation helps rank different types of transport activities. The Waka Kotahi Investment Prioritisation Method for the 2021–24 NLTP is used to give effect to the Government Policy Statement on land transport 2021/22-2030/31 in the 2021–24 NLTP. Investment prioritisation is undertaken when a proposed activity, or combination of activities, is put forward **for inclusion** in an NLTP and then reviewed when a business case is presented for endorsement and a funding decision is requested, in order to check that the activity is above the investment threshold.¹

What did the IDMF review deliver?

The 2021 Investment Prioritisation Method. The number of prioritisation factors has increased from two to three.

FURTHER INFORMATION

InvestHub navigation and support

InvestHub is our new portal which, over time, will become our 'single access point' for all investment-related guidance, tools and learning information. In addition, on InvestHub you can find:

- Learning modules and materials
- Business case community of practice
- Info sheets, FAQs, exemplars, etc

¹ The priority order at which funding becomes fully allocated to an activity class is the investment threshold.

If you have any questions about access or how to apply the new tools, contact your regional investment advisor or email decisionmaking@nzta.govt.nz and we will respond to your query.

IDMF transition

The IDMF changes apply to all business cases started on or after 31 August 2020. These changes relate to investment principles, policies, benefits framework, business case development and assessment and include guidance, tools, templates and exemplars.