

PROGRAMMES AND PACKAGES

A technical paper prepared for the Investment Decision-Making Framework Review

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Waka Kotahi NZ Transport Agency has updated guidance to clarify what is meant by a programme or package and to help Approved Organisations determine whether to develop a business case for an individual activity or for a programme or package of activities. The guidance clarifies what is needed if the business case is being developed to obtain approval for funding.

The guidance also helps Waka Kotahi make investment decisions based on a business case for a programme. This guidance builds on existing approaches to programmes (eg maintenance programmes, public transport services continuous programmes, the Safe Network Programme, and LED lighting programmes).

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BACKGROUND

Waka Kotahi NZ Transport Agency has existing guidance on assessment of a continuous programme and assessment of programme business cases. Specific assessment criteria have been developed to address programmes, such as the Safe Network Programme and LED lighting upgrade programme.

The Government Policy Statement on Land Transport (GPS) states in paragraph 138:

'Investment decisions need to demonstrate delivery of net positive benefits that exceed the whole-of-life costs. It is expected that evaluations will normally occur at the project level, however there is flexibility for programme level evaluations to take place where this is essential to deliver on the GPS strategic priorities of safety or access. The NZ Transport Agency will develop criteria for deciding when programme level evaluations should take place, and will transparently report when and why programme level evaluations have taken place.'

DEFINITIONS

The Land Transport Management Act (LTMA) provides a definition of **'activity'** (emphasis is added):

'Activity' means a land transport output or capital project; and **includes any combination of activities.**

It is helpful to distinguish a package and a programme from an undefined group of activities, because there are different investment pathways and opportunities to deliver on outcomes.

PROGRAMME

The LTMA does not define a programme.

We have therefore developed the following definitions (of programmes and packages) to support investment decision-making and the intent of the GPS.

A **'programme'** means a defined group of land transport activities.

Waka Kotahi has developed a broad definition of programme, acknowledging that there are many ways that activities can be grouped:

- By location (eg local authority boundary, region, national)
- By theme (eg public transport, optimisation)
- By activity class (eg walking and cycling)
- By outcome (eg safety, resilience)
- By a logical connection (eg a group of activities in a programme business case).

It is essential to define the scope of activities that are within the programme (or criteria for inclusion) in order to constitute a programme. This provides clarity of what is included within a programme, including whether any additions or deletions can be made, so that the business case pathway and basis of assessment can be determined. A programme can span more than one work category and more than one activity class, eg a programme could include road improvement and public transport improvement activities. A programme approach can be appropriate to address matters at a system level. A programme may be delivered by multiple organisations and may extend across multiple activity classes

A collection of activities that have no obvious relationship to each other is not a programme.

Examples

Examples of a programme include:

- National Land Transport Programme (NLTP)
- Regional Land Transport Programme (RLTP)
- Continuous programmes that are approved for funding in a NLTP (Public transport services programme, Maintenance, operations and renewals programme, Low cost low risk programme, Road safety promotion programme, Road policing programme)
- Cycleways programme
- Safe Network Programme
- Optimisation programme
- Road safety advertising programme.

This list is neither comprehensive nor prescriptive.

PACKAGE

A 'package' means a group of activities that are interdependent.

'Interdependent' means that it is necessary for all the activities to be delivered to optimise the expected outcomes, ie if an activity within the package is not delivered, then it would reduce the effectiveness of the remaining activities within the package.

Examples

Examples of packages are:

- New bus service and the bus stop infrastructure along a new route.
- A group of improvements at an intersection, comprising footpath and cycleway improvements, signage, lighting and road layout improvements in order to provide safe, efficient and inclusive access, where the absence of one of the elements would impede safe access.
- Corridor improvements that are coordinated to provide a consistent journey for users along the corridor.
- New state highway and local road connection at a new interchange.

This list is neither comprehensive nor prescriptive.

CLARIFICATION OF WHEN TO DEVELOP A PROGRAMME OR PACKAGE

Waka Kotahi encourages innovation in the development of packages to ensure that all the interdependent components are included for an effective outcome.

Waka Kotahi encourages innovation in the development of programmes to ensure that solutions are at a system level to achieve outcomes in the GPS. Efficiencies may also be achieved in delivery of a programme.

To deliver on the outcomes sought in the GPS, and address identified problems or opportunities, it is necessary to define and have a clear reason for grouping activities into a programme. For example, lighting improvements are grouped because there are efficiencies in procurement to bring these together for delivery purposes. There are also efficiencies in assessment by having a standard way to assess the LED lighting improvements.

A programme or package may be delivered by multiple organisations. A programme or package may be delivered over more than one NLTP period, but specific funding is needed for a three-year NLTP period. A programme may contain individual activities and packages within it.

When proposing a package or programme for inclusion in a RLTP or the NLTP, it is important to clarify its scope. The Business Case Approach (BCA) provides the framework for developing a

business case. At the commencement of a business case, it is important to clarify the point of entry and the pathway for developing a business case for a programme or package. If the business case is being developed to obtain approval for funding, then there is a higher requirement to define the scope of the activities within the programme or package.

There are different investment pathways depending on the nature of the programme including:

- A streamlined process that approves funding for implementation, such as for a continuous programme or LED lighting improvements.
- Full process, starting with a programme business case (PBC), followed by an indicative business case (IBC) and a detailed business case (DBC).
- A business case for a programme of standard interventions that has a streamlined process for funding approval of each standard intervention.

There are different investment pathways for a package including:

- A single-stage business case (SSBC) that supports a funding decision for a package.
- A package may be identified in an IBC, which enables proceeding directly to a DBC.
- A package that has a total cost under the threshold for low cost low risk (LCLR) may be included in a LCLR programme.

Waka Kotahi guidance on right-sizing business cases sets out the pathways that a business case can be developed under, which apply the same to an activity as a package. A SSBC lite pathway is unlikely to be appropriate for a package because it involves multiple activities.

If a programme of investment spans multiple NLTP periods, the business case may need to particularly focus on the next three-year programme, with the opportunity to update the case every three years. This recognises that Waka Kotahi makes significant funding decisions in accordance with GPS strategic priorities and funding ranges provided for a three-year period of a NLTP.

The financial and management cases will need to include information that is particular to a programme including how the programme:

- will address cash flow management, activity scheduling and future cost escalation
- will be managed for cost and/or scope changes, removals or additions to the programme and changes in revenue
- addresses involvement of more than one Approved Organisation (where applicable), including allocation of responsibilities for delivery and funding, multi-party agreements, governance and reporting.

ASSESSMENT OF A PROGRAMME OR PACKAGE

Assessment of a programme or package for funding from the National Land Transport Fund (NLTF) remains the same as an individual activity.

There is existing guidance in the Waka Kotahi Planning & Investment Knowledge Base on:

- Assessment of a business case:
 - [<https://www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/planning-and-investment-principles-and-policies/business-case-approach/assessment-of-the-business-case/>]
- Assessment of the following continuous programmes:
 - Public Transport <https://www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/assessment-of-activities-by-activity-class/assessment-of-public-transport-continuous-programmes/>
 - Road Maintenance <https://www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/assessment-of-activities-by-activity-class/assessment-of-road-maintenance-programmes-2018-21/>

- Low Cost Low Risk <https://www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/assessment-of-activities-by-activity-class/assessment-of-low-cost-low-risk-programmes/>
- Road Policing <https://www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/assessment-of-activities-by-activity-class/assessment-of-road-policing-programme-2/>

Waka Kotahi guidance on standard interventions enables an evidence base of costs and benefits for standard interventions to support a business case for a programme of standard interventions. Funding can be allocated at the time the business case is approved. Funding for each standard intervention is released on approval when the standard intervention meets the criteria.

DEVELOPMENT OF FURTHER GUIDANCE TO ASSESS PROGRAMMES AND PACKAGES

Because the GPS aims to achieve system outcomes, there are more situations where it will make sense to develop a programme and assess this as a programme for how it will deliver against the outcomes sought. This will help us better understand the total investment requirement and how best to prioritise investment within that programme.

Waka Kotahi has noticed that sometimes we have invested in individual activities without understanding if, collectively, those activities will make a difference at the system level. For example, an investment that improves access by reducing travel times along a corridor may affect outcomes sought in parallel corridors or in other parts of a city or region.

There will also be opportunities to coordinate related (but not necessarily interdependent) activities at a programme level. Examples of these types of programmes include: investment in level crossings, the road policing programme, optimisation improvements, network resilience.

It is acknowledged that more generic guidance is needed to assess programmes, in addition to PBCs, continuous programmes and programmes of standard interventions, to support investment in a whole programme. This challenge arises in relation to programmes that are being developed such as a resilience programme, regional cycle network programme, climate change programme, Rail Network Investment Programme. This challenge also arises in relation to programmes that have investment elements and non-transport elements (for example, regulatory, land use, pricing or behavioural).

In developing this further guidance on programme assessment, consideration needs to be given to assessment of contribution of the programme to delivering outcomes, the value for money of the overall programme and the efficiency of elements within a programme or package. There are issues related to benefit attribution and understanding how components of a programme or package are necessary to release the overall benefits and outcomes of the programme or package that need further development. Without this guidance, there is a risk of activities with a benefit cost ratio (BCR) of less than one being included in a programme without understanding the incremental contribution of the activity to the programme or package, or if a different element may be more cost effective.

Development of generic guidance needs to consider assessment of the programme or package contributions to the overall outcomes being sought, the need to manage costs during the life of any programme, additions or deletions to the programme or package, and changes in direction or commitment for a programme or package. Sector input will be important to ensure that the guidance is appropriate for use as well as meeting legislative and GPS requirements.

Waka Kotahi is working with the Treasury and the Ministry of Transport in the development and publication of further guidance on the assessment of programmes and packages.