

TRANSITION GUIDANCE

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

20 MAY 2020

This guidance informs Approved Organisations on the application of Investment Decision-Making Review (IDMF) changes to business cases and activities that have begun before 30 June 2020.

1. CONTEXT

Changes proposed to the Investment Assessment Framework and the Business Case Approach will take effect on 1 July 2020. As part of the consultation on the IDMF Draft Design Report, Approved Organisations requested guidance to provide direction on how the IDMF applies to business cases and activities that are already underway at 30 June 2020.

This guidance also confirms which IDMF tools are recommended or required.

2. TRANSITION GUIDANCE

Five guiding principles apply to the transition:

- There is a need to minimise rework of business cases that are underway at 30 June 2020 by allowing those business cases to apply existing processes and requirements.
- Key components of the IDMF are mandatory, including the Business Case Approach, the use of cost-benefit analysis and the Benefits Framework.
- Most new tools and templates are recommended, rather than mandatory, to enable time for the sector to understand how and when to apply them.
- If recommended tools are not used, appropriate robust analysis is still required.
- These transition arrangements apply for the 2020/21 year.

The following table sets out specific guidance for transition arrangements relating to the application of the IDMF. Waka Kotahi NZ Transport Agency's investment advisors can provide clarification of the application of transition guidance to a specific business case.

Change	Guidance
Application of the Government Policy Statement on Land Transport (GPS)	<p><i>The GPS 2018 continues to apply to business cases that are started after 30 June 2020 where the Approved Organisation intends to apply for funding during the 2020/21 year.</i></p> <p><i>If an Approved Organisation starts a business case after 30 June 2020 and intends to apply for funding during the 2021–24 NLTP period, the GPS 2021 should apply to the business case.</i></p> <p><i>This is to ensure that the appropriate GPS applies to the period in which an investment decision is made.</i></p>
Prioritisation	<p><i>Any activity phase already 'funding approved' in the 2018–21 NLTP period will be treated as 'committed', ie it will be automatically included in the 2021–24 NLTP to the extent the activity continues in 2021–24.</i></p> <p><i>Where an activity phase was approved for funding in the 2015–18 NLTP or an earlier NLTP, Waka Kotahi may request the project owner to reassess the activity phase using the Investment Prioritisation Method for the 2021–24 NLTP. Waka Kotahi reserves the right to overturn the status of 'committed' for those activities that are unlikely to continue.</i></p> <p><i>Activities that will be implemented in 2021–24 will be prioritised using the Investment Prioritisation Method for</i></p>

Change	Guidance
	<p><i>the 2021–24 NLTP. The draft Investment Prioritisation Method is indicative and can only be finalised once the GPS 2021 has been finalised.</i></p>
<p>Business case requirements</p>	<p><i>No rework is required of an existing completed or endorsed business case.</i></p> <p><i>No rework is required of a business case that commenced during the 2018–21 NLTP but is incomplete at 30 June 2020. ‘Commenced’ means a business case has progressed beyond the identification of problems and benefits.</i></p> <p><i>If a business case commenced prior to July 2018 and is still incomplete at 30 June 2020, discussion with Waka Kotahi is required to determine which requirements should be followed.</i></p> <p><i>An Approved Organisation may choose to apply the IDMF to a business case that commences in June 2020.</i></p> <p><i>A business case that commences after 30 June 2020 is required to apply the new IDMF rules and guidance.</i></p>
<p>Low cost, low risk programmes (LCLR)</p>	<p><i>The IDMF changes do not apply to LCLR programmes that are to be implemented in 2020/21.</i></p> <p><i>The change in the threshold and information requirements for LCLR activities apply to LCLR programmes in the 2021–24 period.</i></p> <p><i>An updated spreadsheet in Transport Investment Online (TIO) is required to be used for proposed LCLR activities proposed for the 2021–24 period to enable consideration of the size of the LCLR programme towards the end of 2020. It is required to be fully complete for the first year of activities by 30 June 2021.</i></p>
<p>Early Assessment Sifting Tool (EAST)</p> <p><i>New early assessment sifting tool to support the ‘coarse’ screening of alternatives and options at the longlist stage of a business case</i></p>	<p><i>This tool is recommended, but not required, for a business case commenced after 30 June 2020.</i></p> <p><i>There is no requirement to rework existing analysis if this step in the process has already been completed without using the EAST.</i></p>
<p>Appraisal Summary Table (AST)</p> <p><i>A new tool that can be used to provide decision makers with concise information about benefits and costs. Can be used at the shortlist and preferred option phases of a business case.</i></p>	<p><i>This tool is required for a business case commenced after 30 June 2020.</i></p> <p><i>There is no requirement to rework existing analysis of the shortlisted options and preferred option if this step in the process has already been completed without using the AST for a business case that commenced prior to 30 June 2020.</i></p>

Change	Guidance
<p>Multi-Criteria Analysis guidance (MCA)</p> <p><i>Updated Waka Kotahi guidance on use of analysis technique or tool that can be used to consider a range of criteria, both quantitative and qualitative, and ensure a broad range of alternatives and options have been considered. In future, options will not be weighted.</i></p>	<p><i>The MCA guidance and tool are recommended for a business case commenced after 30 June 2020.</i></p> <p><i>There is no requirement to rework existing analysis if this has already occurred.</i></p>
<p>Right-sized business case guidance</p> <p><i>New guidance has been developed on preparing a right-sized business case, based on the level of risk, uncertainty and complexity involved.</i></p>	<p><i>The guidance applies from 1 July 2020.</i></p> <p><i>Single-stage Business Case Lite is available for use from 1 July 2020 and earlier at the discretion of Waka Kotahi if the criteria are met.</i></p>
<p>Monetised Benefits and Costs Manual (MBCM)</p> <p><i>MBCM is a new manual that replaces existing Economic Evaluation Manual (EEM). MCBM focuses on the monetised impacts (benefits, disbenefits and costs) in a cost benefits analysis.</i></p>	<p><i>The MBCM applies from 1 July 2020.</i></p> <p><i>There is no requirement to rework existing analysis using the Economic Evaluation Manual (EEM) for a business case that commenced calculation of a benefit-cost ratio (BCR) for an option prior to 30 June 2020.</i></p> <p><i>The MBCM is required to be used for a business case that commences after 30 June 2020.</i></p>
<p>Non Monetised Benefits Manual (NMBM)</p> <p><i>This new manual sits alongside the Monetised Benefits and Costs Manual. The NMBM provides guidance on how to quantify or describe benefits where it is not possible or appropriate to calculate the monetised benefits.</i></p>	<p><i>The NMBM applies from 1 July 2020.</i></p> <p><i>There is no requirement to rework existing analysis using the NMBM for a business case that commenced prior to 30 June 2020.</i></p> <p><i>The NMBM is required to be used for a business case that commences after 30 June 2020.</i></p>