

Requirements of a business case that supports funding approval of a programme of activities

Purpose

This document is intended to outline in draft the required content of a business case that supports funding approval of a programme of activities.

This document applies to a business case that assesses options and alternatives for a broad programme that may span longer than 3 years, with funding sought for a programme of activities within a 3-year period. This is not intended to be an exhaustive list of requirements – instead it highlights the particular content relevant for a programme of activities.

Definitions

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 (e.g. local authority boundary, region, national)

By theme (e.g. public transport, optimisation)

By activity class (e.g. walking and cycling)

By outcome (e.g. safety, resilience)

By a logical connection (e.g. a group of activities in a programme business case).

Programme business case (PBC) in the context of programmes of activities this is a business case that selects a preferred programme from a range of alternatives and options and recommends within that broad programme a 3-year programme of activities to be funded.

Broad programme is the preferred programme in the long term (i.e. it requires more than one 3-year programme to implement).

3-year programme is the defined programme of standard activities for which funding approval is sought. The term of the programme is up to 3 years. The aim is for these activities to be delivered within the NLTP period, acknowledging that in some cases the 3-year programme will not be completed within the NLTP period in question. In these cases, the funding risk to complete a programme will transfer to the programme proponent(s). Where there is SH involvement in these programmes there will have to be a funding adjustment to other SH work in order to complete the programmes already underway (where completion is the highest priority for funding).

Standard activities are a type of activity that is a standard intervention i.e. it is a simple solution; its costs and benefits are well understood, and has an established track record for delivery and achievement of the desired outcomes. See Standard Interventions paper <https://www.nzta.govt.nz/assets/planning-and-investment/docs/standard-interventions-may-2020.pdf>

Complex activity is an activity where the costs and benefits are very different depending on the option selected (i.e. costs and benefits are not well understood prior to optioneering) and an optioneering process is needed to determine the right cost, the right solution, right timing and best value for money. A complex activity is not a standard activity (and so requires its own business case for funding approval).

Requirements of a PBC

In general, the PBC needs to be *specific* about the 3-year programme to be funded and *indicative* about the rest of the programme.

Note: An activity management plan (AMP) can constitute a PBC to support a funding application for a 3-year programme of standard activities, provided the AMP contains sufficient details concerning the economic case, management case, financial case, etc. (see guidance below).

The requirements of a PBC include:

Strategic case:

The usual requirements of a strategic case apply i.e. strategic context, problem definition and benefits statement, investment objectives (refer [Business Case Approach guidance | Waka Kotahi NZ Transport Agency \(nzta.govt.nz\)](#))

Broad programme - Options/alternatives and scope:

This section needs to identify the range of options and alternatives for the broad programme and explain how the broad programme was selected. An Appraisal Summary Table should present the shortlisted options for the broad programme. (An AST is not required in relation to the 3-year programme.) The scope of the broad programme needs to be described so that it is easy to understand the intent and limits. There is likely to be an indicative list of activities in the broad programme to help with the selection of a 3-year programme.

A rationale needs to be provided to explain (a) why the broad programme is the most appropriate grouping of activities i.e. better than if proceed as individual activities; (b) the size of the programme; and (c) the composition of the programme. These explanations help inform an assessment of how effective the programme is in addressing the problem and/or opportunities and contributing to outcomes.

The broad programme can include LCLR activities, business cases, 3-year programme to be funded, other activities that will be identified in a future 3-year programme(s). The activities can be across work categories and activity classes.

3-year programme:

A 3-year programme needs to have a definitive list of activities. There needs to be a start date and end date for the delivery of the 3-year programme. A schedule of the 3-year programme needs to show for each activity the name, description, cost, activity class, work category, responsible organisation, start date and end date, deliverable, benefits. The 3-year programme needs to be definitive to support funding approval. A 3-year programme can comprise activities under \$2m (with a clear explanation if they are to be funded under a LCLR programme or as part of the 3-year programme), activities above the LCLR threshold, and a business case for any complex activity that will seek funding separately.

A rationale should be provided in terms of *right size*, *right mix* and *right timing* in respect of the 3-year programme. (This rationale explains the selection of activities out of the broad programme and the outcomes sought from this 3-year programme.)

Economic case:

The usual requirements of an economic case need to be applied to the broad programme, noting these particular requirements:

The economic case demonstrates the value for money of the broad programme. The cost benefit analysis shows the costs, monetised impacts (i.e. a BCR for the broad programme) and non-monetised impacts in an Appraisal Summary Table. Reference is made to information showing a reasonable range of costs and benefits of standard activities. An example is the Standard Safety Interventions toolkit.

It is not necessary to calculate a BCR for the 3-year programme. But a statement should be provided indicating whether the 3-year programme is likely to be at, above or below the broad programme's BCR midpoint, based on the selection of activities.

It is not necessary to calculate a BCR for each activity. If existing information about a type of standard activity within the programme indicates the BCR is normally less than 1, then the following must be provided about each activity: the activity's alignment to GPS priorities; an explanation why the activity is needed to be part of the programme; a statement about the impact of the activity's low BCR on the BCR for the whole programme¹.

Management case:

The management case is focused on the 3-year programme. Particular requirements relate to governance arrangements, programme management, risk management, benefits monitoring plan:

Governance arrangements - The management case outlines governance arrangements to clarify roles and responsibilities. A governance group is required which is accountable for the delivery of the 3-year programme and the benefits of the 3-year programme. The governance group will allocate the funding to the standard activities within the 3-year programme (e.g. for design or for implementation once the design solution is determined). The governance group will oversee changes in scope, cost, timing, additions, deletions to the activities in the 3-year programme. A record of the changes to the 3-year programme needs to be maintained so that benefits can be monitored. The governance group will oversee the development of any subsequent 3-year programme that is subsequently put forward for funding. The process for signing off the optimal design of an activity for implementation needs to be outlined. (This is important if optioneering of the design solution for standard activities is done after funding is approved for the 3-year programme).

Programme management – An explanation of how the programme will be managed is provided to determine the feasibility of delivery of the programme, particularly if there are multiple organisations, dependencies within the programme or other requirements for phasing. A statement is provided about engagement with stakeholders and how communications will be managed. There should be a statement about accountability to ensure that costs do not exceed the approved funding for the 3-year programme and there is no ability to seek additional funding for the 3-year programme. There should be a statement about reporting on delivery of the programme at the end of each year.

Risk management - A risk management plan outlines how risks in relation to the 3-year programme will be managed. The governance group would monitor how risks are being managed in accordance with the risk management plan.

Benefits monitoring plan – A benefits monitoring plan is provided for the 3-year programme. It needs to set baselines for the broad programme, with monitoring of each 3-year programme until the broad programme is completed. The benefits are to be monitored at a programme level, based on achievement of outcomes (refer <https://www.nzta.govt.nz/assets/resources/land-transport-benefits-framework-and-management-approach-guidelines/land-transport-benefits-framework-and-management-approach-guidelines-v2-july-2021.pdf>)

Financial case:

The financial case contains indicative financial information for the broad programme and robust financial information for the 3-year programme. The focus for the broad programme is on funding sources, affordability, indicative cost estimate and issues to be managed. The focus for the 3-year programme is on robust costings for activities in the 3-year programme, cashflows for each year of the 3-year programme, clear funding arrangements between the partners and a process to manage issues (e.g. cost changes within the programme). The basis of cost estimates should be explained. Particulars about programme management costs, admin costs and any programme contingency costs needs to be provided for the 3-year programme. It should be noted that the budget for the 3-year programme will be limited to the dollar amount approved when the programme is included in the NLTP. While there can be cost-scope adjustment downwards to release funds back into the NLTF increases will not be permitted. Contingency can only be allocated for normal cost variations (usually limited to a maximum of 10 percent of the total costs – refer to the Waka Kotahi cost estimation manual) and not to cover additional uncertainty which is a programme management issue. The cost schedule for the 3-year programme should enable the allocation of costs to work categories and activity classes. The financial case for a programme of activities will be subject to the IPM prioritisation process for activities in each activity class.

Where there are multiple partners carrying out activities in the 3-year programme, the financial case needs to clarify the funding approvals for each organisation in respect of their portion of the 3-year programme (or some cost sharing arrangement for the allocation of funds by a lead organisation). [This is to guide the funding decision in respect of the 3-year programme]. This should include calculations of the FAR and admin costs for expected recipients.

For programmes of activities there can be no guarantees of NLTF funding for programmes of activities beyond the 3-year NLTP period. If there is non-delivery of the agreed 3-year programme during an NLTP period, then the funding risk for completion of contracts that extend beyond the 3-year period. The policy around funding limitations will be the same for programmes of activities as it is for MOR and LCLR programmes.

The NLTF funding for AOs will be at the current funding assistance rates (FAR) and the funding arrangements between the multiple AOs must be determined prior to the funding submission.

If there is SH involvement in a programme of activities, then it will be necessary to ensure that the split for the administration costs are not weighted to the SH team (in order to gain the SH 100% admin subsidy).

Right sizing

- There are two types of right sizing for programmes of activities:
 1. The optimal size of the programme (quantity, scope, mix and timing of activities) to deliver the outcomes sought
 2. The size of the programme (NLTF share) that can be funded from the activity classes in question given the funding available.
- The PBC needs to consider:
 - The optimal size of the programme first. Then, working together with the Waka Kotahi Activity Class manager(s), determine the likely priority for the programme and the right size of the programme by considering any funding constraints.
 - Whether the size and make-up of the 3-year programme is consistent with the objectives, delivery plan, and the outcomes sought from the broader programme.
 - Whether it is feasible to deliver the 3-year programme within the period of the NLTP (aiming to finish all or greater than 90% of the activities by the end of the NLTP period), taking into account readiness to proceed.
 - What changes would be made to the proposed programme to accommodate different funding levels, subject to the programme still delivering the outcomes sought. For example, if their proposed programme will cost \$X indicate in the PBC how the programme will be modified if there is only \$Y available.
- Note: Waka Kotahi will develop guidance and criteria on how to right size a programme of activities. This advice will be similar to the advice provided for right sizing of MOR and LCLR programmes. Also, the IPM will be updated for the 2024-27 NLTP to accommodate the funding applications for programmes of activities.

Commercial case:

A commercial case in relation to the broad programme is very brief and sets out high level direction (where relevant) in relation to any commercial arrangements between stakeholders/partners, procurement approach (noting opportunities for efficiencies arising from grouping together activities for implementation), pricing approach, consenting approach.

Specific information in more detail about each of those elements needs to be provided in relation to the 3-year programme.

Subsequent funding approvals

Towards the end of the implementation period, the PBC needs to be refreshed/updated to support funding approval for the next 3-year programme, which will need to be made definitive (ideally at the start of an NLTP period).