**TIO performance measure requirements**

**Introduction**

This document provides additional information about the background to the performance measures Approved Organisations and NZ Transport Agency (State Highways) need to provide when submitting their land transport programmes for approval. It explains in broad terms what the requirement to have performance measures is about, why it is needed, and how the information will be used.

For more detail about what Approved Organisations and NZ Transport Agency (State Highways) need to do, please refer to the Knowledge Base.

**Background**

**What is the requirement about?**

Approved Organisations and NZ Transport Agency (State Highways) need to provide performance measures for:

* Road improvement activities with a total cost of $10M or more
* Public transport improvement activities with a total cost of $4m or more
* Walking and cycling improvement activities with a total cost of $4m or more
* All activities with funding contribution from the Urban Cycleways Fund (UCF).

This information is mandatory in order to receive funding approval from the Transport Agency.

For new activities/programmes/packages under the above thresholds, the Transport Agency has the option of selecting specific activities/programmes/packages for monitoring – in which case the affected Approved Organisation or NZ Transport Agency (State Highways) regional office will then be asked to provide the performance measures (if they have not already been provided).

In future, a 10% sample of further activities/programmes/packages will be selected by Transport Agency auditors. Approved Organisations and NZ Transport Agency (State Highways) regional staff will need to complete monitoring requirements for these activities.

**Why is it important to measure investment performance?**

There are a number of benefits to be gained for forApproved Organisations, NZ Transport Agency (State Highways), and to the Transport Agency:

* Better investment decision making – It will provide valuable information on the effectiveness of the types of interventions we invest in, and test the validity of the assumptions in our Economic Evaluation Manual.
* More useful reporting – In time, the feedback on activities/programmes/packages will be reported, and may lead to changes to assumptions included in the Economic Evaluation Manual (based on actual performance).
* Shared learning – Case studies can be used to showcase the benefits for all.
* Improved network optimisation – It will allow for greater recognition of the opportunity cost of different types of investment. This will give Approved Organisations, NZ Transport Agency (State Highways) and the Transport Agency greater confidence in certain solutions, and potentially allow such projects to be fast-tracked.
* A formal process for best practice – Including performance measures as part of the approval process will create a discipline to ensure completion of the benefits realisation stage, which is part of best practice project management.

**How will the Transport Agency use this investment performance information?**

This information will allow us to:

* track themes and inform decision-making
* better target post-implementation reviews
* validate assumptions in the Economic Evaluation Manual
* share our learning with Approved Organisations and NZ Transport Agency (State Highways).

It will also mean that future audits or reviews can focus more on validation, and it will allow deeper investigation of outliers (good and poor).

**How does this requirement impact Approved Organisations and NZ Transport Agency (State Highways)?**

Aside from the mandatory requirement to provide performance measures for new initiatives that fit the above criteria, the impact should be minimal.

Approved Organisations and NZ Transport Agency (State Highways) using the business case approach will have been through a “benefits mapping” exercise to determine the benefits that an activity is expected to deliver. Creating a benefit cost ratio (BCR) will also have required measuring and estimating some key factors. The required performance measures are aligned with these same key factors. Approved Organisations and NZ Transport Agency (State Highways) that use best practice will already be completing benefit realisation reviews on their projects, for accountability purposes and for their own learning.

**Since when has this requirement been in effect?**

The requirements have been in effect for funding approvals since 1 July 2012.

Initially only applying to investments over or equal to $10m, for the 2015-18 NLTP the threshold for public transport, walking and cycling has been lowered to $4m, and the requirement extended to include all activities with Urban Cycling Fund (UCF) contribution.

**Why did the Transport Agency introduce this requirement?**

The main reasons we require this additional information are to:

* help demonstrate that we are achieving value for money with land transport investments
* enable us to learn from our investments and apply the learnings to future investments
* align our investment review process with the Transport Agency’s Business Case Approach
* facilitate more efficient and effective post-implementation reviews by providing more comprehensive performance/benefits information.