
Applying the Draft Investment Assessment Framework to Road Maintenance Programmes

NZTA

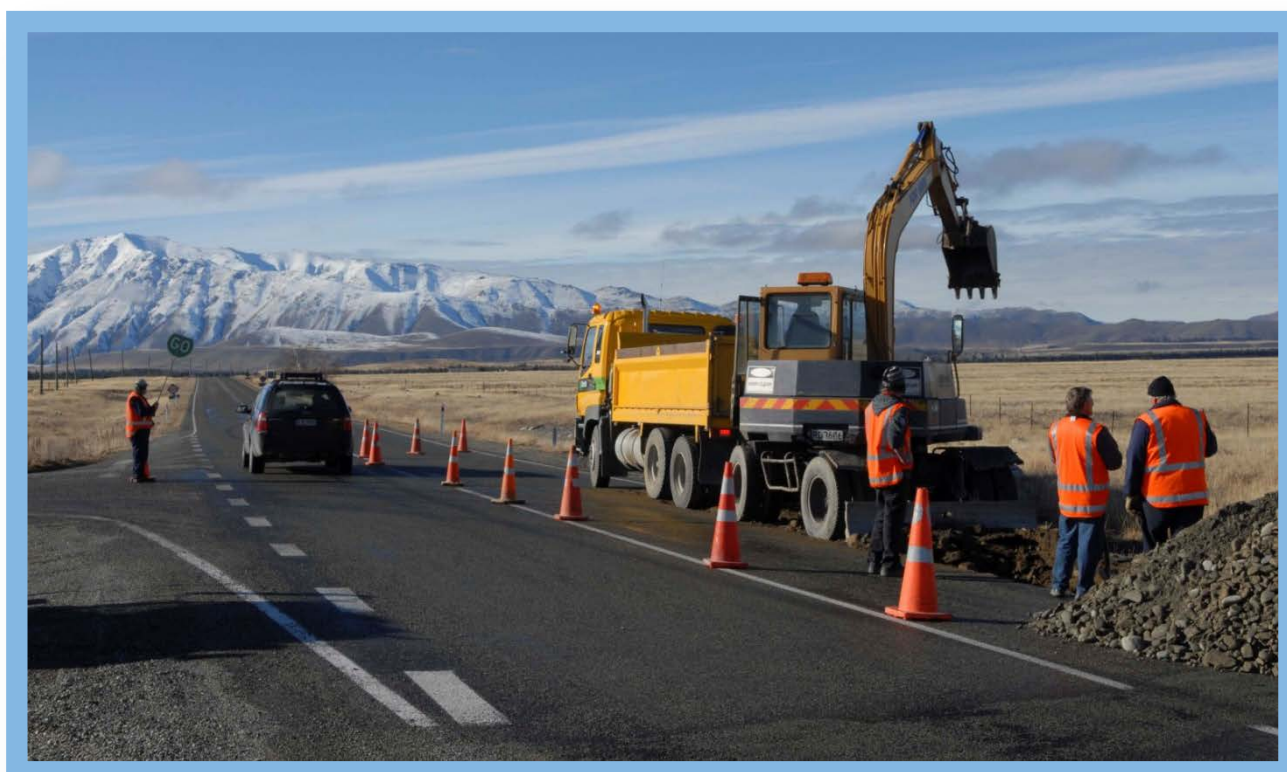
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VERSION 2.0

Investment Assessment Framework for the 2018-21 National Land Transport Programme

The Transport Agency has updated the assessment criteria for maintenance programmes, to ensure the framework and criteria support the embedding of the One Network Road Classification Framework and customer level of service considerations. This document describes how the Investment Assessment Framework (IAF) will apply to Road Maintenance Programmes.

For guidance and detailed information on the IAF please refer to the Transport Agency's Planning and Investment Knowledge Base (PIKB) - @ <http://www.nzta.govt.nz/planning-and-investment/>



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More information

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INTRODUCTION

The Transport Agency provides funding assistance from the National Land Transport Fund to investment partners to deliver programmes and projects to maintain and improve levels of service being delivered in the land transport system. Legislative requirements under the Land Transport Management Act 2003 and direction given by the Minister of Transport in the current Government Policy Statement on land transport (GPS) are reflected in the Transport Agency's operational policy and requirements for funding assistance.

The Investment Assessment Framework is a key tool the Transport Agency uses to comply with the legislation and give effect to the 2018 GPS. It will remain in draft form until the 2018 GPS is published. Once finalised, it will apply to all investment approvals made in the 2018-21 National Land Transport Programme.

"Investment partners" is a term that covers approved organisations (regional, unitary and territorial authorities, as well as the Department of Conservation and the Waitangi Trust), the New Zealand Police and the Transport Agency itself, in its planning and delivery functions, for state highway and nationally delivered activities.

This document describes the application of the Investment Assessment Framework to road maintenance programmes, which are investments in the road network, intended to maintain levels of service. Examples of activities funded include sealed pavement maintenance and renewals, traffic services maintenance and renewals and cycle path maintenance.

The [Planning and Investment Knowledge Base](#) is the most current source of guidance for funding requests from the National Land Transport Fund. If there is a difference in criteria between the Knowledge Base and this document, the Knowledge Base should be treated as the more up to date and correct.

BUSINESS CASE APPROACH AND INVESTMENT ASSESSMENT FRAMEWORK

The Transport Agency requires the principles of the business case approach to be applied to the development of an investment partner's improvement proposal.

Feedback from the transport sector regarding the investment decision making process that includes the business case approach and the investment assessment framework has been used to develop a fit-for-purpose approach for proposals seeking investment from the National Land Transport Fund. A draft Investment Assessment Framework was released for sector consideration in mid-March and feedback used to update it subject to release of the final GPS 2018.

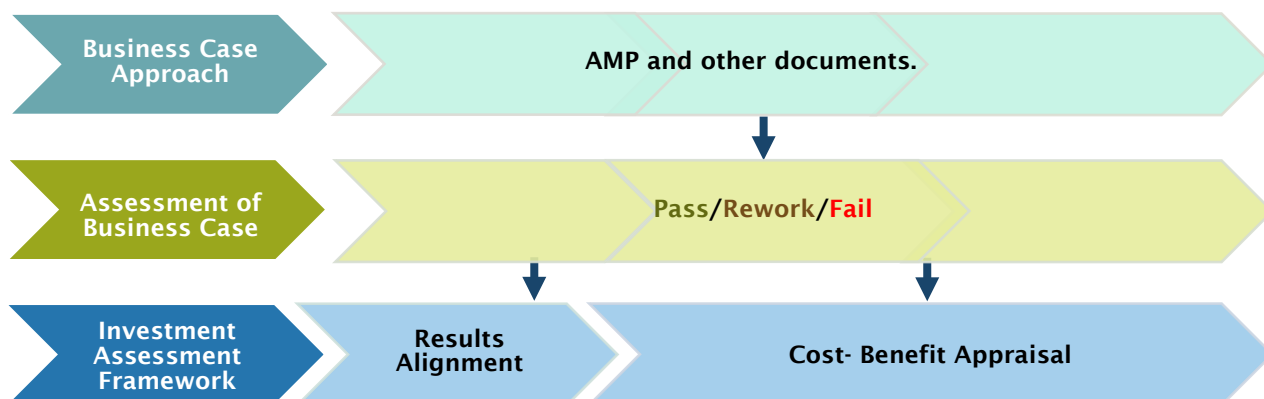
The draft Investment Assessment Framework to apply to the 2018-21 National Land Transport Programme encompasses:

- a change to a two-factor assessment
- modification of the Transport Agency's investment decision making process to recognise the assessment of the business case as a gateway into assessment under the Investment Assessment Framework
- introduction of a 'Very High' rating for Results Alignment and Cost-Benefit Appraisal
- introduction of a streamlined approach that combines both the business case approach and Investment Assessment Framework for low cost/ low risk investments

The Transport Agency has introduced assessment of the business case as an investment decision making support tool.

The business case approach principles and Investment Assessment Framework are clearly linked through the assessment of the business case, and improved guidance on the business case approach principles is being integrated into the investment decision making process.

The business case is owned by the investment partner throughout the process. The Transport Agency's role, as manager of the National Land Transport Fund, is to satisfy itself that the business case is robust and that the proposed investment represents good value for money.



The Transport Agency acknowledges that, in order to meet their various statutory obligations, investment partners develop a significant number of strategic, tactical and operational management documents related to their respective road maintenance activities.

The Transport Agency does not require a separately documented business case to be developed for road maintenance programmes provided the information requirements set out below are provided in documents that support the maintenance programme request.

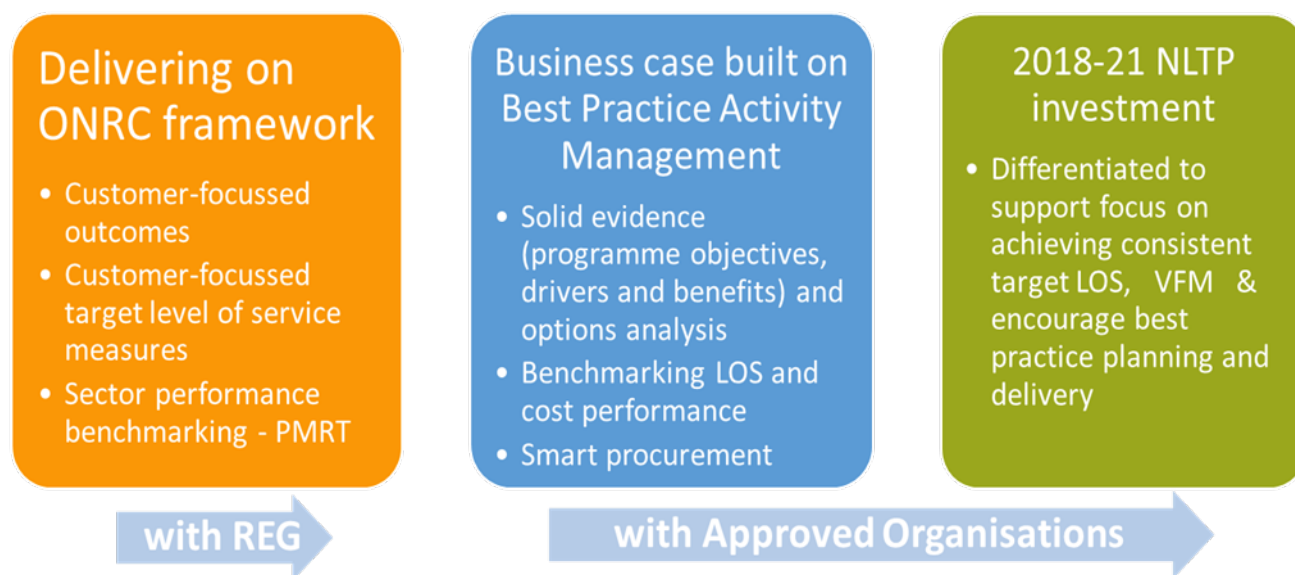
The Transport Agency expects the principles of the business case approach to have informed the development of an investment partner's activity management plan. It considers that an activity management plan, if developed in accordance with good practice, should be capable of fulfilling the business case requirements, provided it, and any additional information submitted, clearly sets out the case for investment based on this guidance.

Evidence base

The Transport Agency expects road maintenance programmes to be well-linked to long term planning documents, particularly activity management plans, council Long Term Plans and Regional Land Transport Plans. These documents should describe the information assumptions underlying network management. Information provided to support the maintenance programme should make reference to the relevant parts of these planning documents.

Forward work programmes and budgets for the road maintenance programme must be developed to support the delivery of greater consistency in delivery of customer levels of service as set out in the One Network Road Classification framework. The programmes should demonstrate how the proposed road operations, maintenance, and renewal activities within the maintenance programme and, where

necessary, proposed improvement activities (under the relevant improvements activity classes) optimise the life-cycle costs of road networks in delivering the customer levels of service.



Customer levels of service

The One Network Road Classification has been adopted by the sector to ensure national consistency around the levels of service delivered by a network. The Transport Agency and the Road Efficiency Group (REG) have developed a suite of performance measures to support the next phase of implementing ONRC in the 2018-21 National Land Transport Programme (NLTP).

All investment partners are required to clearly evidence the customer levels of service that they propose to deliver and how they relate to the One Network Road Classification measures.

Maintenance programme submissions from investment partners may be supported by, and take account of, a wider set of performance measures than those currently mandated in support of the One Network Road Classification. For example, an investment partner may wish to support its submission with their Long Term Plan measures in addition to the One Network Road Classification measures. Consideration of funding allocations for maintenance programmes in the 2018-21 National Land Transport Programme will be based primarily on assessment of the transport network performance to be achieved as measured against the One Network Road Classification measures.

The Transport Agency expects further development of the suite of performance measures will continue during the 2018-21 National Land Transport Programme and lead to a broader set of specific performance targets for investment for the 2021-24 National Land Transport Programme.

Core road maintenance programme

The Transport Agency's Core programme assessment is not a commitment to fully fund the programme at the level set out in the application. The level of funding approval is determined by assessing eligible bids within the maintenance activity classes' funding ranges set out in the GPS and by optimising investment and the allocation of funding across the National Land Transport Programme as a whole.

The Core programme represents the Transport Agency's assessment of eligible works within investment partners' programmes of maintenance work required to achieve or maintain a pre-determined and appropriate level of service.

The level of funding for the Core programme will be negotiated and agreed between the investment partner and the Transport Agency during the development of the information that forms the basis for the business case supporting the programme request.

The Transport Agency expects that this assessment will be conducted primarily around the three yearly review of the investment partner's activity management plan.

The Core programme will inform all stages of the Transport Agency's funding allocation process and decisions as the National Land Transport Programme is developed. The Transport Agency expects that the submitted maintenance programme request at the various input stages (between the initial and final bids) will clearly evidence changes that have been made to the programme, and/or provide further evidence to support negotiations of an updated Core programme.

Enhanced road maintenance programme

An Enhanced programme is one that attracts Transport Agency funding above Core funding. Any funding above the Core programme will be fully contestable.

Enhanced funding may be considered for a programme if it requires a step change in investment to address the customer levels of service opportunities sought under the Investment Assessment Framework criteria for a High Results alignment rating.

The Transport Agency may agree to enhanced funding for a programme if:

- funding is available in the activity class for enhanced funding requests
- the enhanced funding component of the programme proposal and funding requests is supported by a robust customer-focused business case that clearly demonstrates the value of investing in the level of service change (Note: this justification may be in the activity management plan)
- the investment partner is able to demonstrate its capability to efficiently deliver the service level change and achieve the associated benefits on a sustainable basis

Assessment of business case

Assessment of the business case will be made through use of an assessment template as set out in Transport Investment Online (the Transport Agency's investment management and funding allocation system). Assessment takes the form of open questions that should form the basis of a discussion with investment partners to give them confidence that they are putting their best proposal forward, and to provide the Transport Agency the assurance that the principles of the business case approach have been applied properly. More detail around this process and the assessment template is provided with the [Assessment of the Business Case](#) guidance in the Planning and Investment Knowledge Base.

The template sets out more detail regarding the key points of the assessment, for example in the format of a short summary of each assessment criterion/consideration. This provides clear expectations for the 'business case development and assessment' of all road maintenance programmes, that it will be informed by robust evidence and that investment partners demonstrate the application of sound business case development practices. This is consistent with the guidance in the Transport Agency's Knowledge Base and that of the Road Efficiency Group for Asset Management

Plans, to establish the strategic case and demonstrate an optimised programme case for the maintenance programme. The business case should also demonstrate the application of and commitment to:

- sound activity management principles and processes to develop the road maintenance proposals, including the use of present value methodologies to identify the best value for money options and timing of interventions
- smart procurement practices that optimise efficient delivery of customer focussed maintenance activities in the most cost effective manner

The Transport Agency's assessment of the 'business case' and supporting evidence for the Approved Organisation's and the Transport Agency's requests for road maintenance programmes will include but not be limited to how the case:

- demonstrates that the Investment Assessment Framework Results Alignment criteria have been fully considered
- demonstrates that the planned maintenance programme will, over time, deliver customer levels of service consistent with the One Network Road Classification framework, the Transport Agency's Maintenance guidelines for local roads, or as otherwise agreed by the Transport Agency
- is integrated with and takes account of:
 - agreed district, regional and sub-regional land use and transport management strategies
 - the investment partner's 30 year Infrastructure Strategy, Long Term Plan, or equivalent 10-year plan, and any relevant Annual Plan
 - current and future activities
 - partners where appropriate
 - responding in a timely and efficient way to demand drivers
- is based on sound activity management principles and processes to develop their road maintenance proposals, including consideration of alternatives and options, (both asset and no-asset), the use of present value analysis methodologies to identify the best value for money options and timing of interventions are correctly scoped
- is affordable through the lifecycle of the programme and on a whole-of-life cost approach for all parties
- will deliver enduring benefits over the timeframe identified in the business case and be implemented in a timely manner
- articulates a well-reasoned approach to managing current and future risks
- is supported by a documented asset management approach developed in accordance with best practice for asset management, including fit for purpose network inventory and condition information, a regular network condition inspection programme, and a robust option / treatment selection process and economic evaluation methodologies to identify the best value for money options and timing of interventions
- is governed and managed by the programme owner to ensure:
 - compliance with the Transport Agency's procedural and monitoring requirements
 - the owner's management and administration functions are delivered effectively and efficiently
 - recommendations from the Transport Agency audit reports have been addressed

In all cases the business case must demonstrate that the road maintenance programme scope, timing and delivery arrangements are economically efficient and represent value for money. This must be evidenced by as a minimum (but is not limited to):

- the procurement strategy and capability of the organisation to act as a smart buyer to efficiently and effectively procure and manage the programme of works proposed, including contractual arrangements
- self-assessment of the programme owner's current procurement capability (through use of the Road Efficiency Group procurement self-assessment template)
- for the 2018 - 2021 National Land Transport Programme period the Transport Agency encourages programme owners to identify opportunities to deliver efficiency gains through

changes to current structures and delivery models, e.g. through collaboration in both planning and delivery, to improve comparative cost of delivery of consistent levels of service. The Transport Agency encourages programme owners to complete a separate self-assessment of the anticipated future capability that would result from implementing the identified changes

- self-assessment of cost of delivery and how both the costs and customer levels of service achieved rate against their peers and relevant sector indices (see Appendix 1)
- self-assessment of the organisations asset management capability (through use of the International Infrastructure Management Manual questionnaire) or other recognised methodology e.g. ISO or Treasury Investor Confidence Risk Rating which provide a transparent rationale and is easier to understand for the investment partner

IAF: RESULTS ALIGNMENT

Use of Results Alignment rating

For the 2018-21 National Land Transport Programme, the Results Alignment rating will be used by the Transport Agency to assess the significance of a problem, issue or opportunity relative to desired results set out in the GPS. For road maintenance, the rating assessment will also assess the proposed customer levels of service against those set out in the One Network Road Classification framework. The rating assessment is not an indication of how well a programme is being optimised and delivered by an organisation. A Medium rather than a High Results Alignment rating should not be viewed as having “negative” management connotations as a Medium rating would indicate a network managed to largely meet appropriate customer levels of service.

Ratings

The strategic cases behind the programmes will be assessed for results alignment under three ratings – low, medium and high. The requirements for these ratings are set out in the [Planning and Investment Knowledge Base](#).

IAF: COST- BENEFIT APPRAISAL

Mix of methodologies applied

The main Cost-Benefit Appraisal methodology for assessing road maintenance programmes as a whole and the activities within them is unit cost efficiency benchmarking. Network levels of service performance comparisons against One Network Road Classification levels of service and trend analysis (past and future costs and demands) also play a part in the assessment.

Programme ratings

Road maintenance programmes are given a Low, Medium, or High rating for Cost-Benefit Appraisal based on their relative cost effectiveness established through peer group and sector benchmarking comparisons:

- Low - when cost effectiveness and benchmarking shows below-average band efficiency
- Medium - when cost effectiveness and benchmarking shows average band efficiency
- High - when cost effectiveness and benchmarking shows above-average band efficiency

Investment decision making

The investment profile is a summary view of the Transport Agency's assessment of an investment proposal (including continuous programmes), using the criteria and processes set out in the Investment Assessment Framework. This profile will be used in combination with the information in the assessment of the business case to determine the overall value and ranking of an investment partner's proposal.

For road maintenance programmes, the Transport Agency encourages investment partners to complete the business case development and engage with and seek the Transport Agency's assessment of the business prior to submission of their initial maintenance programme request for the National Land Transport Programme.

The Transport Agency intends that this early engagement and assessment will:

- enable the Transport Agency to engage with and negotiate the Core programme and give a view on the merits for an Enhanced programme for the investment partner prior to submission of the initial draft request
- in the period between submission of the initial draft and the final draft programme request, enable the investment partner to respond to the Core and Enhanced programme discussions and to provide either more information, an amended programme or a combination of both

Transition planning

The Transport Agency understands that the content and timing for the development of a maintenance programme submission for the National Land Transport Plan will take account of other statutory obligations and business processes of investment partners, including the timing for renewing service delivery contracts.

The Transport Agency expects every investment partner to set out a clear transition plan (including timetable, programme scope and cost) to fully implement the changes required from both the implementation of the One Network Road Classification framework and changes to the Transport Agency's Investment Assessment for road maintenance programmes.

The Transport Agency's assessment of an investment partner's activity management plan and organisational capability for activity management and procurement will also inform the Agency's decisions for the National Land Transport Programme. The Transport Agency intends to provide this feedback to each investment partner before it lodges its final programme request into Transport Investment Online.

The transition plan will set out the investment partner's intentions for responding to the Transport Agency's feedback. The Transport Agency's investment decisions will take account of the transition plan.

PRIORITISATION

The two assessment factors of results alignment and cost-benefit appraisal would be brought together to form an assessment profile that determines a proposal's priority, where the ranking is based on:

- meeting the desired results of the investment strategy
- achieving the desired results in the most efficient way

Results Alignment	Cost- Benefit Appraisal	Rank
	Continuous Programmes	
High	High	3
High	Medium	4
High	Low	5
Medium	High	4
Medium	Medium	5
Medium	Low	6
Low	High	7
Low	Medium	8
Low	Low	Exclude or by NZTA discretion