
Applying the Draft Investment Assessment Framework to Road Safety Promotion

NZTA

14 August 2017

VERSION 2.0

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

The Transport Agency has updated the assessment criteria for road safety promotion. The key changes are the continued embedding of the Business Case Approach principles and improving the clarity and transparency of our investment decision making process. This document describes how the Investment Assessment Framework will apply to road safety promotion.

For guidance and detailed information on the Investment Assessment Framework refer to the Transport Agency's Planning and Investment Knowledge Base.



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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 GPS. It will remain in draft form until the 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 safety promotion programmes, which are investments, intended to address road safety problems through interventions that target road user behaviour. Examples of activities funded include advertising campaigns targeting issues such as excessive speed, drink-driving or use of in vehicle restraints, and the promotion and education of safe road use practice. A road safety promotion programme aims to influence user behaviour to reduce crash risk involving deaths and serious injuries.

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 2018 GPS.

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

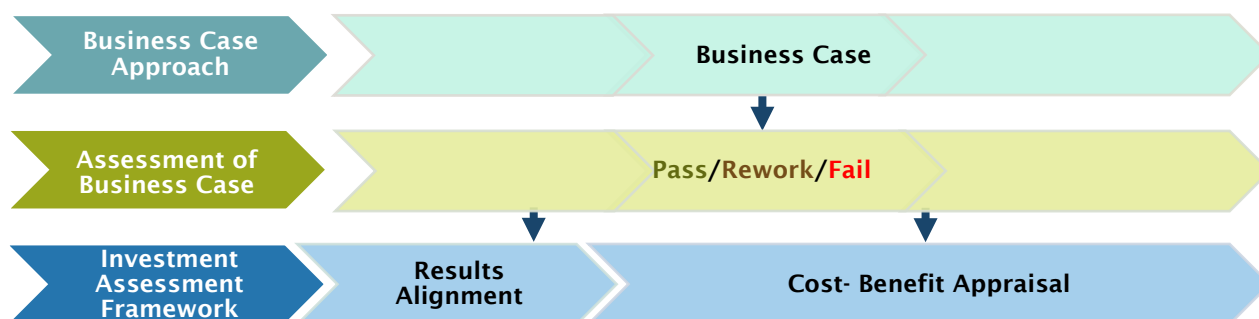
- a change to a two-factor assessment

- 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.



Investment decision making

The Transport Agency's investment decision making process system and Investment Assessment Framework are applied through a collaborative process between the Transport Agency and its investment partners. This may include the:

- current and desired service levels
- current and desired cost levels
- funding sought for the programme
- value for money
- assessment of the business case including:
 - proposal quality/methodology
 - evidence/information used and its quality

This is aligned with how the investment decision making process defines value for money as "doing the right things in the right place at the right time for the right price in the right way to achieve the right outcomes".

For road safety promotion programmes, the Transport Agency encourages investment partners to engage early with it on applying the business case approach principles. Furthermore, investment partners are encouraged to engage with and seek the Transport Agency's assessment of the business case prior to submitting their initial road safety promotion programme proposal for the National Land Transport Programme.

Assessment of the Business Case

We recognise that proposals for road safety promotion may be in an investment partner's standalone business case. They could be assessed individually or as part of a broader regional or national business case, which could be in the form of an activity management plan or road safety action plan. The draft GPS recommends that road safety promotion proposals may benefit from better regional and national level coordination and investment decision making. The Transport Agency encourages coordinated investment in road safety promotion outcomes by partnering with central and local government.

As part of further embedding the business case approach into its investment decision making process, the Transport Agency will assess the business case or other relevant supporting documents submitted in support of the road safety promotion proposals. A business case can refer to a range of supporting documents, strategies, or programme business cases.

Assessment of the business case is a critical step in the investment decision making process. It allows the Transport Agency to ascertain throughout the proposal development steps that robust evidence exists to demonstrate that the principles of the business case approach have been applied appropriately.

The assessment takes the form of open questions to be used in a discussion with investment partners to give them confidence that they are putting their best proposal forward, and to enable the Transport Agency to have assurance that the principles of the business case approach have been followed. More detail around the [Assessment of the Business Case](#) is provided on the Transport Agency's Planning and Investment Knowledge Base.

Safety Proposals for road safety promotion may be considered if the benefits of an activity address significant safety risks. The safety risks that have been identified by the Transport Agency are those using information from the Crash Analysis System, the new MegaMap tool, the Speed Management Guide, or the Communities at Risk Register. The Transport Agency will also consider the investment partner's own evidence.

The Transport Agency may agree to road safety promotion funding if:

- funding is available in the activity class and overall National Land Transport Fund to support funding requests
- the proposal is supported by a robust business case or supporting documentation that clearly demonstrates the value of investing in the safety risk mitigation activity
- the investment partner is able to demonstrate their readiness and ability to deliver through their business case

All funding requests for road safety promotion activities must be accompanied by a project plan or activity list that:

- identifies the Safer Journeys priority areas or local issues that are being addressed
- identifies the target audience
- describes the individual activities or programmes that will be delivered
- describes the objectives and outcomes for each activity or programme
- provides an outline of deliverables and monitoring requirements by which effectiveness will be gauged
- aligns with the Road Safety calendar that provides visibility of national-scale safety programmes

Road safety action planning or other similar forms of integrated planning should inform activity development and delivery. It should clearly identify what the programme outputs are and how the programme outcomes will be measured. Proposals should incorporate Key Performance Indicators to assess the programme performance in consultation with Transport Agency advisors.

Safer Journeys is a strategy to guide improvements in road safety over the period 2010–2020. The long-term goal for road safety in New Zealand is set out in its vision “a safe road system increasingly free of death and serious injury”. Specific overarching results areas for Safer Journeys include:

- increasing the safety of young drivers
- reducing alcohol/drug impaired driving
- safe roads and roadsides
- increasing the safety of motorcycling

Proposals may also contain other actions to address priority areas; these can be found in the 2016–2020 [Safer Journeys Action Plan](#).

Clarity and transparency

The Transport Agency is committed to demonstrating:

- that it manages investment consistently to deliver the best outcomes for New Zealanders, in line with GPS direction
- its processes, tools and systems are easy to understand
- the reasons for making investment decisions are transparent

To achieve this, the Transport Agency will:

- provide investment partners with a better understanding of why and how investment decisions are made to better equip them to develop business cases
- ensure the clarity and transparency principles are embedded in the way it works through consistent assessment of business cases

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. It is not an indication of how well a programme or activity is being optimised and delivered by an organisation. For road safety promotion, the rating assessment will assess the safety risk in relation to the Safer Journeys Strategy (Safe System approach and areas of concern) or evidence of other local issues.

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

Use of Cost- Benefit Appraisal

The Cost-Benefit Appraisal for road safety promotion programmes are:

- **Benefit cost ratio for activities over \$1 million cost**

Activities that cost over \$1 million will require a formal cost-benefit appraisal to determine a benefit-cost ratio. These activities must not be split to avoid determining the benefit cost ratio.

- **Benchmarking and cost effectiveness evaluations**

The Transport Agency expects that all programmes will be justified under a value for money assessment. This assessment should be based on the priorities identified in a road safety strategy or action plan by using benchmarking and cost effectiveness methodologies, or any other means of Cost-Benefit Appraisal that may be applicable.

A simplified procedure for Cost-Benefit Appraisal is available for Road Safety Promotion in the Transport Agency's [Economic Evaluation Manual](#). This should be used as part of the value for money assessment.

Benefit-cost ratio

Individual road safety promotion activities are given a Cost-Benefit Appraisal rating in bands based on their benefit cost ratios (where these have been calculated). The Economic Evaluation Manual is used, which calculates whole of life costs and benefits. The benefit cost ratios are in the following bands:

- from 0 to 0.9
- from 1 to 2.9
- from 3 to 4.9
- from 5 to 9.9
- 10 or above

Project level funding approvals are made on the basis of the calculated benefit cost ratios rather than the bands. At the programme business case phase, rating bands provide sufficient basis for prioritisation given the uncertainty around the high level costs and benefits.

Benchmarking and cost effectiveness

For activities where benefit-cost ratio is not mandatory and the total three year cost is under \$1 million, they will be given a benchmarking and cost-effectiveness ranking. Road safety promotion programmes (or components of programmes) are given a Low, Medium, or High rating based on their relative cost effectiveness and benchmarking performance 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 shows above-average band efficiency

ASSESSMENT PROFILE

The assessment profile is a summary view of the investment proposal, using the Results Alignment and Cost-Benefit Appraisal criteria.

STREAMLINED ASSESSMENT

Road safety promotion assessment

The Transport Agency supports low cost, low risk road safety promotion activities as highly effective, highly efficient ways of delivering on user outcomes.

Investment partners do not have to complete a full detailed business case for road safety promotion proposals up to \$1 million. Nor does the Transport Agency need to assess them fully (but it may include them in audit activities). Often such road safety promotion activities may be bundled into a programme that includes a set of improvements that have an alignment with the GPS.

Programmes of road safety promotion activities that are low cost/low risk require a list of proposed projects showing detail around the outcomes of the programme will still be required, using the mandatory template provided by the Transport Agency to ensure the programme fits with results alignments.

The Assessment of the Business Case for road safety promotion activities can be evidenced in the activity management plan, road safety action plan and other documentation.

The Transport Agency would expect that the majority of road safety promotion proposals are for investment funding of less than \$1 million, implying that most programmes will utilise the streamlined assessment approach.

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
	Over \$1 million activities Benefit- cost ratio	Up to \$1 million activities Benchmarking and Cost- effectiveness	
High	5 to 9.9	High	3
High	3 to 4.9	Medium	4
High	1 to 2.9	Low	5
Medium	5 to 9.9	High	4
Medium	3 to 4.9	Medium	5
Medium	1 to 2.9	Low	6
Low	5 to 9.9	High	7
Low	3 to 4.9	Medium	8
Low	1 to 2.9	Low	Exclude or by NZTA discretion

The level of funding approved for each programme is determined by assessing eligible bids within the road safety promotion activity class GPS funding range and by optimising investment and the allocation of funding across the National Land Transport Programme as a whole.