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# Investment Decision Making - Assessment of the Business Case

NZTA

30 August 2017

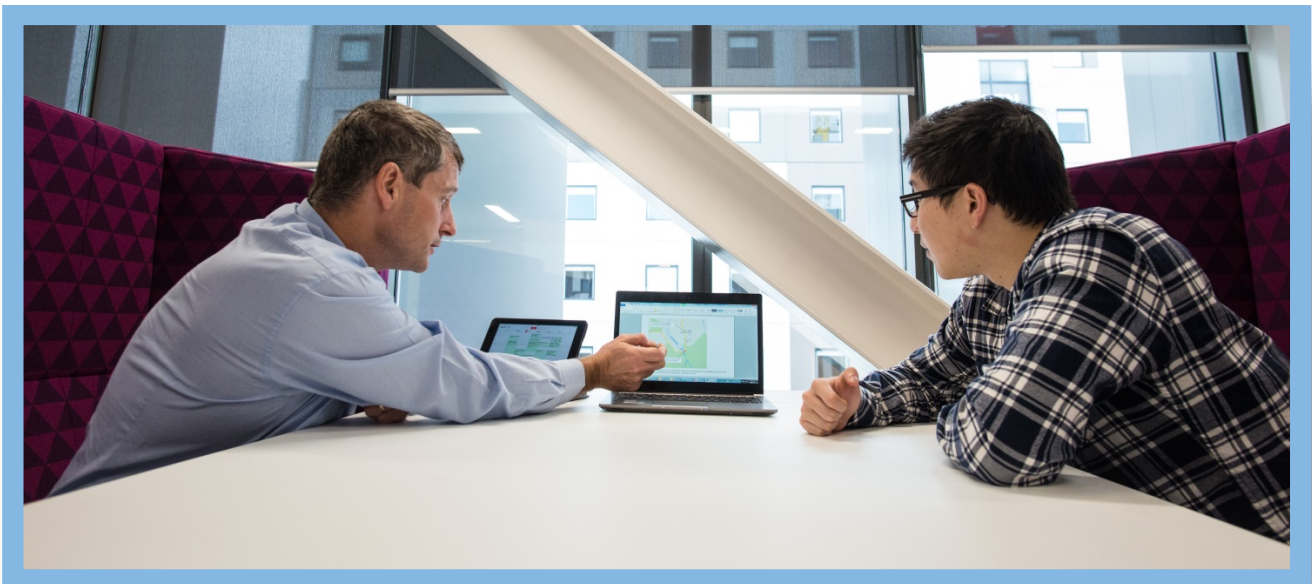
VERSION 3.0

Assessment of business cases for the 2018-21 National Land Transport Programme

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The process by which business cases are assessed (Assessment of Business Case) is a key component of the NZ Transport Agency's Investment Decision Making (IDM) system, alongside the application of the Business Case Approach (BCA) and the Assessment of the Business Case. This document describes the process of Assessment of the Business Case.

For detailed information please refer to the Transport Agency's [Planning and Investment Knowledge Base \(PIKB\)](#).



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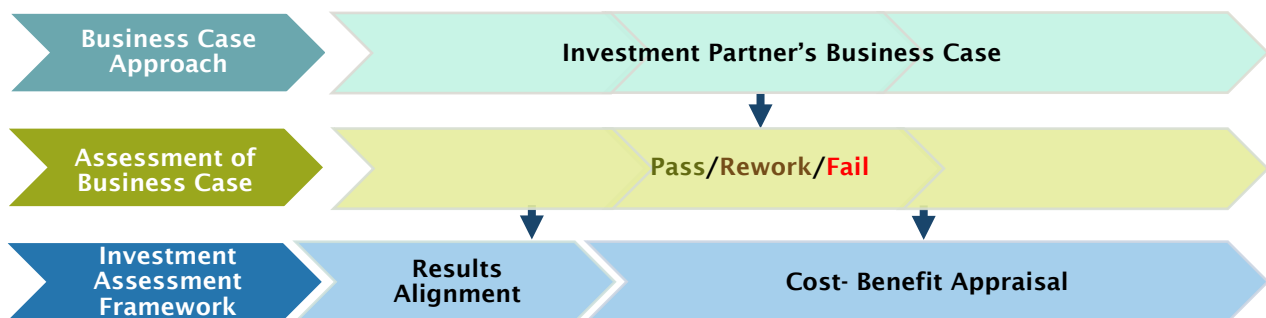
This document is available on the NZ Transport Agency's website at [www.nzta.govt.nz](http://www.nzta.govt.nz)

## Assessment of the business case

This document explains the process by which the Transport Agency assesses business cases.

The Transport Agency assesses business cases by asking the questions set out under [Assessment of the Business Case](#) in the [Planning and Investment Knowledge Base](#). This process enables the Transport Agency to make its expectations clear throughout the proposal development process and enables investment partners to provide evidence and effort during development that is appropriate for the size and risk their proposals.

More guidance is available on the [Planning and Investment Knowledge Base](#) or, for specific information, contact your local NZTA office or email [nltip@nzta.govt.nz](mailto:nltip@nzta.govt.nz)



Assessment of the business case gives the Transport Agency the opportunity to set up a feedback loop and a line of communication with investment partners as they develop their business cases.

For improvement activities, the Transport Agency may have given early indications of support during the point of entry phase of the business case approach, to help investment partners decide whether to continue with a proposal. This early engagement between the investment partner and the Transport Agency, and ongoing conversations as proposals are developed, means there should be no surprises during the assessment process.

For continuous programmes, the Transport Agency has developed further supporting information: [Supporting information and evidence for NLTP 2018-21](#). In this document, key dates and the information required to support the business case approach for continuous programmes are defined in relation to initial, firm and final bid submissions

Transport Agency representatives will work with investment partners to carry out the assessment of the business case before submission to the Transport Agency.

### What will be assessed?

The assessment questions for improvement activities and for maintenance and public transport programmes are provided in the relevant sections of the [Assessment of the Business Case](#) page in the Planning and Investment Knowledge Base.

Improvement proposals will be assessed according to their stage of development. For programme activities, evidence will vary between programme types, and is also likely to vary between investment partners. To help investment partners understand what this means for their proposal, guidance has been provided around what is needed for each [programme type](#).

For low cost/low risk activities (less than \$1 million implementation cost), including many road safety promotion activities, a streamlined assessment of the business case is carried out.

Investment partners will also be guided through the help text in Transport Investment Online (TIO).

Evidence will be assessed for any activities proposed for funding approval in the 2018-21 NLTP. The Transport Agency recognises, and will take into account, that proposals will be at different stages of development. The Transport Agency also recognises that documentation may depart from the standard for situations where the evidence provided in support of investment proposals cannot yet be fully developed; in this case evidence will be accepted in its current state.

## How the assessment will happen:

Assessment will be undertaken through the business case assessment template in Transport Investment Online (TIO). 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.

The assessment questions are tailored to the types of investment proposal, being:

- improvement activities (including road safety promotion activities over \$1 million implementation cost)
- road maintenance programmes
- public transport programmes.

## Assessment

### Assessment of individual questions

For improvement activities over \$1 million each question is assessed as a Pass, Rework, or Fail. For continuous programmes each question (but not the overall proposal) is assessed on a scale of 0 to 3. The business case questions that will be used are provided in the [Planning and Investment Knowledge Base](#).

#### Assessment of the Business Case for Improvement Activities over \$1 m – each question:

Assessment	Description
Pass	<ul style="list-style-type: none"> <li>• There is evidence that a robust Business Case Approach has been followed for the question.</li> </ul>
Rework	<ul style="list-style-type: none"> <li>• There is evidence that there has been some application of the Business Case Approach principals for this question, but in order to put a robust investment proposal forward for investment assessment, rework is required.</li> </ul>
Fail	<ul style="list-style-type: none"> <li>• There is insufficient evidence of robust application of the Business Case Approach to enable the Transport Agency to assess this question.</li> </ul>

#### Assessment of the Business Case for Continuous Programmes – each question:

Assessment	Description
3	<ul style="list-style-type: none"> <li>• Robust / Advanced (complete / fit for purpose)</li> </ul>
2	<ul style="list-style-type: none"> <li>• Acceptable / Balanced (minimal gaps / risks)</li> </ul>
1	<ul style="list-style-type: none"> <li>• Basic Requirements (recognition of some issues)</li> </ul>
0	<ul style="list-style-type: none"> <li>• Significant Issues</li> </ul>

## Assessment of the investment proposal

After assessing each question, the Transport Agency will assess the overall investment proposal in its entirety. This assessment will check that the investment proposal is robust and demonstrates that the principles of the business case approach have been applied, relevant to the phase of the business case.

The outcome of the assessment of individual questions will inform and influence the overall pass, rework or fail of the investment proposal, but there is no specific number of passes required at the individual question level to determine the overall outcome of the Assessment of the Business Case.

### Assessment of the investment proposal overall:

Assessment Outcome	Improvement Activities	Continuous Programmes
<b>Pass</b>	<ul style="list-style-type: none"> <li>The investment partner has provided a proposal that is robust and demonstrates that the principles of the Business Case Approach have been applied, relevant to the phase of the business case.</li> </ul>	
<b>Rework</b>	<ul style="list-style-type: none"> <li>The Transport Agency considers that the investment partner needs to complete further work to robustly answer a question.</li> </ul>	
	<ul style="list-style-type: none"> <li>Investment partners will need to complete all rework required to achieve a Pass assessment, or a combination of Pass and Rework assessments by negotiation, before a proposal progresses to assessment under the Investment Assessment Framework.</li> </ul>	<ul style="list-style-type: none"> <li>Proposals may proceed so long as an agreed time-bound action plan is established by the investment partner (in this context, either an Authorised Organisation or the Transport Agency) to address the question requirements that will ultimately lead to achieving a Pass assessment.</li> </ul>
<b>Fail</b>	<ul style="list-style-type: none"> <li>The investment partner has not provided the necessary evidence in its business case supporting the investment proposal, and has signalled that no further work is currently planned to complete the required evidence.</li> </ul>	
	<ul style="list-style-type: none"> <li>The Transport Agency determines that the business case is not sufficiently robust to support the investment proposal and is assessed as a Fail.</li> </ul>	
	<ul style="list-style-type: none"> <li>The proposal does not proceed to the Investment Assessment Framework until the investment partner agrees to address the business case deficiencies, and the business case is then reassessed as a Rework or Pass.</li> </ul>	<ul style="list-style-type: none"> <li>The Transport Agency may decide to progress the proposal for funding, and will define conditions and the potential funding level, if any.</li> </ul>