



# CONSULTATION SUMMARY

## Investment Decision-Making Framework Review

WAKA KOTAHI NZ TRANSPORT AGENCY

24 APRIL 2020

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# CONSULTATION SUMMARY

This document summarises the feedback and key themes from the first round of consultation on the draft Investment Decision-Making Framework and confirms actions and next steps in response.

## INTRODUCTION

Waka Kotahi, the NZ Transport Agency (Waka Kotahi), has been working with the Ministry of Transport and with support of Local Government New Zealand, to review the Investment Decision-Making Framework (IDMF).

The review has identified five big shifts needed for the Investment Decision-Making Framework. These shifts are within **investment principles**, **right-sizing business cases**, **assessment of business cases**, **capability**, and a **new benefits framework**. These changes will give effect to the 2021 Government Policy Statement on Land Transport.

Between December 2019 and February this year we asked for feedback on some of the changes we were proposing. This document provides a summary of the feedback we received and details our next steps.

We strongly believe the success of this review lies in the support of and engagement with the transport sector, and we are grateful to everyone who took the time to provide us with detailed and considered feedback through this process.

We are continuing to involve our investment partners and key stakeholders as we finalise the design and ensure a smooth transition.

## Consultation process

We asked for your feedback on nine building blocks that support the IDMF. We also gave you the opportunity to submit any further comments or general feedback.

Consultation opened on 12 December 2019 and closed on 21 February 2020.

We held information sessions in Auckland, Hamilton, Wellington, Christchurch and Dunedin, and provided a videoed session on our website, for our co-investment partners and Waka Kotahi staff, and sought feedback from targeted stakeholders through our online feedback form.

We received more than 360 feedback submissions across the building blocks.

Within each building block, we also received feedback that reached into other areas of the IDMF. This feedback was shared with those areas, including business functions not involved in the review.

Submissions were received from a wide range of stakeholders across the sector and from within Waka Kotahi. We also considered the comments and feedback received from stakeholders during the information sessions.

## Consultation documents

[IDMF Review - Consultation Document December 2019](#)

[IDMF Review - Draft Design Report December 2019](#)

# FEEDBACK SUMMARY

We have identified key themes and main points from the feedback received. These are set out below.

The feedback was of a high quality, relevant and useful, and has offered us valuable insights that will help ensure the final design is both robust and workable. We appreciate you sharing your knowledge and expertise with us and have taken this onboard.

Waka Kotahi is addressing each individual submission and has identified actions to finalise the changes to the IDMF.

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## Investment principles

Waka Kotahi proposed moving from 10 investment principles down to five easy-to-understand principles to guide investment.

We sought your feedback on whether these principles would be appropriate.

### Key theme

**‘the proposed investment principles need minor adjustments, including consideration of the partnership with local government’**

### What you told us

- There is broad support for having fewer and clearer investment principles. The new principles are clearer, but some minor adjustments are still needed to the wording.
- We need to ensure there is a clear articulation of the relationship between these investment principles and statutory requirements under the Land Transport Management Act.
- We also need to ensure the principles reflect the importance of considering the long-term impacts of investment decision-making and integrating better with land-use.
- It is essential to find the right balance between local and central government needs in these principles.
- More guidance is needed about cost-sharing arrangements and the kind of activities appropriate for investment through the National Land Transport Fund.
- Some feedback was more relevant to the investment policies, e.g. the need for guidance on cost sharing arrangements, or related to other consultation building blocks or was more general in nature.

### What we're doing

We are making some adjustments to the principles to reflect your feedback. These adjustments will help ensure each principle is easier to understand and that the intent is clear.

Feedback relating to policies has been shared with our policy team and is being considered as part of their work programme.

We recognise that the principles on Waka Kotahi's website currently hold policy content, whereas the new principles don't. We'd like to assure you that the policy content is being retained but will be moved to the appropriate policy.

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## Right-sizing business cases

Waka Kotahi has developed tools and guidance to make it clearer how much information is needed for business cases based on risk and complexity.

We asked for your feedback on the draft guidance and changes proposed to the different business cases that can be developed to support requests for funding.

### ❖ Right-sizing the business case guidance

#### Key theme

**‘there is general support for right-sizing business cases and a single stage business case lite, but exemplars and guidance are needed to streamline business cases through to funding approval’**

#### What you told us

- Right-sizing business cases is considered an essential activity and clear guidance is needed to ensure people writing business cases can do this successfully. We need to provide more guidance to support this effectively.
- Clearer information is needed on the pathway to the new single stage business case lite versus stream-lined business cases.
- We also need to clearly show the link between the single stage business case lite and the assessment tools.
- There is general support for the guidance, but more is needed to streamline business cases through to funding approval.
- Feedback on the threshold was varied. There is some support for the \$5m threshold, while others would like it moved to a risk-based approach.
- There is support for business case pathways based on risk, complexity and uncertainty.

#### What we’re doing

We have made some changes to both the guidance and the single stage business case lite template and are taking this through user testing with a cross section of stakeholders.

Our focus through user testing is to ensure the guidance has the right level of information, can effectively streamline business cases, and that pathways and linkages are defined and easily understood. Feedback from user testing will be built into the final design of the guidance, templates and exemplars.

We are also developing exemplar business cases. These exemplars will provide examples of how risk, complexity and uncertainty can impact the development of your business case.

### ❖ Standard interventions

Waka Kotahi proposed a standard interventions framework and asked for feedback on the type of activities that could be recognised as standard interventions.

#### Key theme

**‘there is general support for standard interventions, with stakeholders suggesting types of standard interventions for Waka Kotahi to consider’**

#### What you told us

- There is support, both from within Waka Kotahi and across the sector, for making the investment decision-making process more efficient by using standard interventions or streamlined processes.
- Some changes are needed to the standard intervention framework but there was general support for the overarching principles.

- Suggestions to explore new standard intervention categories included walking and cycling, public transport improvements, trials, optimisation and resilience.
- Guidance is needed on the application of existing standard interventions, including clarification of the process for application of funding.
- There is some concern that standard interventions don't support out-of-the-box thinking, and questions were raised about whether an intervention was focused on one outcome only.

### What we're doing

The feedback received has highlighted that several changes are needed to the standard interventions framework to ensure it is fit for purpose.

We are now making changes to reflect this and are prioritising the categories of standard interventions that we will collect information about costs and benefits.

### ❖ Low cost, low risk programmes (LCLR)

Waka Kotahi proposed three additional pieces of information for LCLR programmes 2021-24 and asked for feedback about the appropriate threshold for a LCLR activity.

#### Key theme

**'stakeholders expressed a variety of views on the appropriate dollar threshold for low cost, low risk activities'**

#### What you told us

- There are mixed views, with some support for retaining the current threshold rather than increasing it to \$5m, and others supporting an inflation- adjusted threshold.
- There is some support for supplying the information we need, but we need to keep information requirements simple, and not overwhelm people by asking for too much information.
- We also need to better at explain the information we need from Approved Organisations. There was some confusion if we were asking for benefits analysis, benefits monitoring or cost ratio analysis.
- It was suggested that associated improvements be added back into the LCLR process.
- Some changes are needed in the activity classes to align with the GPS. There is also support for a more multi-modal approach, but questions were raised about whether this is viable through LCLR.
- Flexibility is needed for renewals activity, with better access to funding.
- There were concerns about potentially significant additional reporting requirements for benefits.

### What we're doing

We are currently reviewing options for the threshold to determine what would most effectively support low cost, low risk activities. We are also giving more thought to our information requirements and how to make it easy to provide this information.

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## Programmes and packages

Waka Kotahi has proposed to update its guidance on programmes and packages in the context of business case development.

We asked for your feedback relating to programmes and packages, and what further clarity you need to support its application.

### Key theme

**‘clearer definitions and guidance are needed about programmes and packages, and how they’re used in the business case process’**

### What you told us

- There is a strong need for more guidance on how to apply and implement programmes and packages.
- There is general support for activities to be funded as programmes and packages. It will enable better targeting of activities to deliver outcomes, and improved identification of the components necessary to deliver the full benefits of investment.
- Waka Kotahi needs to provide support on the implementation of programmes and packages and share information about how we are dealing with programmes and packages in our decisions.
- Our guidance also needs to clearly show how programmes and packages link to other areas of change, such as LCLR and standard interventions.

### What we’re doing

We recognise additional guidance is needed, and your feedback will help us to refine this further. We have taken on board your considerations and are making changes to the information provided in the guidance.

We will also develop guidance and examples to support the transition process while we move to embed these changes.

Your feedback also highlighted the need for both support on implementation and more information about how we are dealing with programmes and packages in our decisions. We will also ensure this is reflected in the revised guidance.

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## Benefits framework

A new benefits framework has been developed to make identification, measurement and use of benefits easier and more consistent. It includes quantitative, qualitative and monetised benefits.

We asked for your feedback on the benefits we had identified.

### Key theme

**‘while there is general support for the benefits framework, it needs further refinement, particularly the underlying set of measures and data’**

### What you told us

- Overall, there is general support for the benefits framework and applying it in the IDMF.
- We need to be clearer about the intent of the benefits, so people know how to use and apply them - feedback highlighted there are different interpretations of the intent and application.
- A strong focus came through on the measures, particularly in places where we acknowledge there are gaps e.g. liveability, rail, and environmental.

- A complete set of measures is needed, with a continued focus on maturing these measures. Offers to support the development of the measures using a co-design approach were provided.
- We need to clarify how we are defining place as a benefit, and how mobility and noise are measured for place.
- Understanding if measures from other parts of the framework can be applied to the same benefit is critical. It is unclear whether there is a one-to-one, or one-to-many relationship between a measure and benefit.
- The guidance needs to be clearer about recognising persons with disabilities.

### What we're doing

The feedback received has highlighted the need for us to provide clear descriptions of the benefits in the guidelines, which we are now working on. We are also reviewing the information about the processes associated with applying the benefit, to make sure we are providing the right level of detail.

We have a review planned for the measures later this year. This review will consider all the feedback received on measures in this round of consultation. We will also carry out more stakeholder engagement as part of this process.

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## Business case assessment tools

Tools and guidance have been developed to help in the assessment of options and in the decision-making process. These include a multi criteria analysis tool, an early assessment sifting tool and an appraisal summary table.

We asked for your feedback on the proposed new tools, designed to improve how we collate and assess information on alternatives and options at the various stages of the development of the business case.

### Key themes

**‘there is general support for the proposed assessment tools and for user testing with local government before these are finalised’**

**‘there is support for recognising impacts on Māori’**

### What you told us overall (about business case assessment tools)

- The assessment tools need to be fit for purpose. Work needs to be done to better show how the tools fit into business case development, the funding process, and align with Transport Investment Online (TIO) requirements.
- Business case decision points need to provide certainty to those developing business cases that they're using the right optioneering process.
- We need to provide more clarity and transparency around how investment decisions are made (i.e. quality of the business case, investment criteria, mandatory requirements).
- There is strong support for building a Māori/iwi perspective into decision making.
- We need to better link assessment with land use and transport planning, including local government spatial planning. We also need to better consider movement and place within assessment of options.
- Information on whether tools are compulsory or voluntary needs to be provided, and transition processes defined.
- Optioneering assessment tools appear skewed towards infrastructure projects.
- We need to agree how the evidence base provided by Arataki is used within assessment and prioritisation (where the issues and opportunities are).
- There is support for aligning assessment with Resource Management Act requirements. However, we need to ensure that more detailed guidance is available, where needed.
- We need to ensure targeted assessment is available for climate change.

## What we're doing overall (for business case assessment tools)

All assessment tools, guidance and templates are undergoing user testing with a cross section of stakeholders. Both consultation feedback and user experience results will inform the final designs. This will include providing more detail on how to use and apply the tools successfully.

We are developing transition guidance that will clearly state whether a tool is mandatory or optional, and the process for implementation. We are keen to provide flexibility, while ensuring a balance with consistency.

We are also refining the detail that will be included in business case guidance, featuring optioneering and assessment tools, and will clearly show the linkage and pathways to the tools.

### ❖ Early Assessment Sifting Tool (EAST)

#### What you told us

- There is support for EAST, however we need to be clear about when it should be used as part of the business case process.
- Increased detail is needed to ensure that the simplified sifting provided by EAST is not used too far into the optioneering (i.e. replacing more detailed sifting requirements of multi criteria analysis).
- We need to test the usability of the enduring outcomes and project-critical success factors linked into the investment benefits/objectives that were developed as part of the investment logic mapping.

### ❖ Appraisal Summary Table (AST)

#### What you told us

- There is general support for AST.
- We need to show how the AST information fits with that provided by the economic case and if it will replace the economic summary table upload within TIO.
- We need to show more clearly how trade-off decisions between monetary and non-monetary benefits and costs will be made, and how we will openly consider and make decisions regarding trade-offs e.g. safety versus efficiency.
- There needs to be a better link between outputs from the assessment during optioneering i.e. how the business case is progressively built upon.
- Māori/iwi perspective needs to be a focus, as does climate change.

### ❖ Multi Criteria Analysis (MCA)

#### What you told us

- There is general support for refreshed MCA guidance, however it needs to carefully balance consistency of approach with flexibility of activity-specific requirements.
  - We need to show how decisions will be made in practice, when deciding on monetary and non-monetary impacts
  - There needs to be more detailed guidance around scoring and weighting.
  - More detail is needed around criteria (what is mandatory and what is project specific).
-

## General feedback

We asked if you had any further comments or feedback you would like considered.

### Key theme

**‘Waka Kotahi is asked to continue to work with local government, and to continue to make improvements to the IDMF’**

### What you told us

- Overall, there is support for the IDMF review.
- It is recognised that this work will take more time and effort to complete, and we need to continue to engage with stakeholders as we progress, to ensure what we’re delivering supports the right outcome.
- Some concerns were raised about the change in the discount rate and evaluation period. There is support for the general direction we are taking but further guidance is needed.
- To successfully implement the IDMF changes, Waka Kotahi needs to engage more and provide information about how these changes will be implemented in practice, as well as provide training and on-going day-to-day case management support.
- Clear direction is needed on how and when these changes will be implemented and the transition process and/or rules that will apply.

### What we’re doing

We have listened to your feedback and working through our responses. We are grateful to have received the broader feedback shared (outside of the scope of the review) and are taking this into consideration.

We will continue our engagement with stakeholders and are developing tailored support and training opportunities to ensure a smooth transition for your organisation, and for Waka Kotahi.

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## NEXT STEPS

In response to Covid-19, Waka Kotahi is currently completing business continuity planning in relation to the development of the 2021-24 NLTP. We’re looking at various scenarios relating to what the changes in alert levels over the coming months might mean. We will share more on this soon.

Meanwhile we are continuing to refine our design in response to your feedback and will continue engagement with the sector and our people as we complete the final stages of this review. This includes seeking stakeholder input from reference groups and user testing.

Decisions on the final design will be released following Board approval, expected in May 2020. We will communicate the final IDMF changes and transition arrangements at this time.

We will provide support to help you apply these changes. This will include learning modules, guidance, tools and templates, together with instructions to help you find them and put them into practice.

## Acknowledgement

We would like to acknowledge and thank the Ministry of Transport and Local Government New Zealand for their support in this review. We would also like to thank everyone in the transport sector for their continued support and commitment.

Together, we will deliver an Investment Decision-Making Framework that is robust, transparent, easy to understand, and that delivers better land transport outcomes for all New Zealanders.