

BUSINESS CASE APPROACH GUIDANCE FOR 2018 RLTP REVIEWS

FREQUENTLY ASKED QUESTIONS

Incorporating the BCA principles in RLTP reviews

JULY 2017

The majority of this document was developed in May 2016 to assist regional transport committees (RTCs) when completing the three-yearly review of their regional land transport plans (RLTPs). The information included remains accurate and is still being widely used. However, the Business Case Approach (BCA) practice has evolved over the past 12 months, and this version of the frequently asked questions (FAQs) document has been updated to reflect this improved understanding.

BCA QUESTIONS

I've noticed the BCA principles look different in recent learning modules and information sheets. What's changed since May 2016?

Essentially, the principles that underpin the BCA have not changed; however, since last May further work has been done to restate these key principles so that they are clearer and easier to understand. This additional work has informed the development of the learning modules and related resources that support the use of the BCA.

There are now three key principles and two key behaviours that support the BCA:

- **Investing for benefits:** Investments are made to obtain organisational benefits. An investment should:
 - contribute to the organisation's strategic outcomes
 - represent value for money
 - deliver benefits for customers.
- **Clarity of intent:** The intention driving an investment must be clear.
- **Fit-for-purpose effort:** The level of effort required to develop a BC must be proportionate to the complexity and risk of the problem and the proposed problems and benefits.
- **Gathering information through informed discussions with the appropriate stakeholders:** Successful investment management relies on gathering knowledge through informed discussion between the people who have the most knowledge of the subject.
- **Building the case for investment progressively:** The BCA relies on a structured, sequential approach to decision making, checking each phase as you go. All investments must follow the same line of enquiry.

The above principles and behaviours are fully consistent with the RLTP guidance provided in May 2016, so RLTP development

that has followed the advice will still be fit for purpose: there is no need for rework following this change.

More information and BCA-related training is available on the NZ Transport Agency Learning Zone. To register, email: nltp@nzta.govt.nz.

RLTP DEVELOPMENT QUESTIONS

Why are we being required to apply the principles of the BCA to the RLTP development process?

The Transport Agency now requires all activities seeking inclusion in the NLTP to be developed in a manner consistent with the principles of the BCA. To support this, it is important that plans at national, regional and local levels are also developed in a way that is consistent with the BCA principles. As the key statutory document for each region, it is important that RLTPs are developed and managed in a way that supports this outcome.

Applying the principles of the Business Case Approach (BCA) will help you to tell your compelling investment story in a way that clearly shows the size and extent of the transport problems in the region, alongside the benefits of solving those problems and the urgency and priority of the individual activities within the RLTP.

For the Transport Agency, using the BCA in collaboration with partners ensures the right investments are made in line with agreed regional priorities - in the right way, at the right time, at the right price. The Transport Agency requires activities seeking NLTF funding to either follow the development path mapped out in the BCA or, as a minimum, meet the principles of the BCA.

An RLTP that is developed using the BCA principles will enable the Transport Agency to clearly understand the regional investment story and take that into account when it prepares the NLTP. This will allow the Transport Agency to

give appropriate recognition to investments that will make the greatest contribution to regional priorities and outcomes and are consistent with the GPS

Applying the investment principles that underpin the BCA to the RLTP development will help ensure that the investment case is presented to the Transport Agency in a way that is clear, and supports good decision making on what is included and funded in the NLTP.

Does 'applying the BCA principles' to develop the RLTP mean we have to use the full BCA process?

No it doesn't. You can use a process appropriate for RLTP development, provided that it is consistent with the BCA principles.

The Transport Agency does not expect RLTPs to be developed as a 'regional programme business case', in the same way that for example a programme business case for an inter-related set of corridor or network improvements might be developed.

However, applying the principles of the BCA will increase the clarity and quality of your regional investment case and make it easier for approved organisations developing their local programmes to take regional objectives and priorities into account.

What is required is that the RLTP development process takes into account the key BCA principles and behaviours, as outlined above.

In practice this means checking whether the following six key features of an RLTP (which are illustrative of the BCA principles) are present in the plan:

1. Clear statements on what are the highest priority issues/problems/opportunities relating to transport in the region - supported by evidence.
2. Clear statements on the highest priority benefits or outcomes the region is seeking from investing in transport.
3. A clear set of regional objectives, that will address the problems and outcomes.
4. A clear view of the relative priority of these objectives.
5. Evidence that stakeholders have been involved in helping to identify the problems, outcomes and objectives.
6. A clear, logical story that shows how the region's programme has been prioritised to deliver on the priority objectives.

If the BCA process or principles of the BCA process are used to build the RLTP, does this effectively become the strategic case or programme business case for activities in the programme?

No - the Transport Agency does not expect RLTPs to be developed as a 'regional programme business case', in the same way that, for example, a programme business case for an inter-related set of corridor or network improvements might be developed. The process needs to be applied in a way that is 'fit-for-purpose,' for the size, scale and scope of the planned activity.

In practical terms the RLTP will not detail the level of problem definition necessary to drive a strategic case for a particular investment decision. We would also expect that the stakeholders who need to be involved in making explicit decisions about a particular corridor or network improvement will be very different from the stakeholders you would engage with in an RLTP development or review process.

What the RLTP will do is provide valuable strategic context for programme and project development. Each individual activity within the regional programme will require further detail depending on the entry point for its progression through the BCA.

Doesn't this mean the development path for every activity will be overly complicated, creating unnecessary churn?

No, it doesn't - the important thing is to identify the fit-for-purpose level of effort needed to develop the investment story.

Saying the RLTP is not a 'regional programme business case' is not the same as saying that every activity must have a separate strategy-level strategic case, and a programme business case, in order to be developed further.

In many cases, low complexity/low risk investments will already be supported at strategic/programme level by another document, such as an activity management plan or a regional public transport plan, prior to submission to the RLTP. Where such documents have themselves been developed following BCA principles, this will often be enough to enable an activity to commence at indicative business case phase, provided it can reasonably be demonstrated it is a 'stand-alone' activity.

The point of entry discussion for such activities will be important to establish and agree the correct path for developing the investment story, including whether it is appropriate to commence the investment at an activity level. This will allow questions such as 'is this part of a wider problem' to be addressed. It is recommended you approach your regional Planning and Investment contacts to discuss such cases at an early stage.

Are we still able to include legacy activities in the RLTP - ie those that have been developed without reference to the BCA principles?

Yes, for now you can include projects/programmes that were initiated before the BCA was adopted.

However, in the lead up to the 2018 NLTP, we signalled the following activities that are included using the processes, procedures and language of the previous approach must still demonstrate:

- a clearer investment story around the key problems and consequences
- outcome KPIs and measures
- how benefits are to be measured and monitored.
- consideration of alternatives and options
- a greater risk based consideration in terms of defining the scope of the work.

It will be the responsibility of each approved organisation to provide this information for the activities they submit for inclusion in the RLTP.

Please note that all projects and programmes included in the 2021 RLTP will need to be developed using the principles of the BCA.

MID-TERM RLTP REVIEW QUESTIONS

What is the reason for requiring a three-year review? And how do the BCA principles apply to it?

The LTMA requires that the RLTP is reviewed inside three years, having regard to the views of representative groups of land transport users and providers.

The aim of the mid term or three-year review is to ensure the RLTP remains current and relevant.

From the Transport Agency's perspective, the three-year review also provides an excellent opportunity to ensure the RLTP meets the principles of the BCA and includes:

1. Clear statements on what are the highest priority issues or problems relating to transport in the region – supported by evidence.
2. Clear statements on the highest priority benefits or outcomes the region is seeking from investing in transport.
3. A clear set of regional objectives, that will address the problems and outcomes.
4. A clear view of the relative priority of these objectives.
5. Evidence that stakeholders have been involved in helping to identify the problems, outcomes and objectives.
6. A clear, logical story that shows how the region's programme has been prioritised to deliver on the priority objectives.

What is the minimum required for the three-year review process? What does the Transport Agency expect?

The process for the three-year review of RLTPs is not prescribed under the LTMA. However, we recommend that, as a minimum, RTCs:

- check whether the problems/opportunities, benefits and objectives (and their relative priority) described in the current RLTP are still valid
- check whether the plan meets the principles of the BCA including containing all six key features
- check that the programme of activities included in the plan is up to date and ideally prioritised in a way that reflects the region's priority objectives
- use the above checks to determine what (if any) further work needs to be done on the RLTP in the review period.

If the check suggests further work is required, it is important that this is progressed through informed discussion with the stakeholders that understand the issues and will be responsible for delivery. The Transport Agency recommends the use of facilitated workshops to produce investment logic maps

and benefit management plans (see additional ILM resource sheet) that enable the investment story to be told clearly and concisely.

Do we have to write a completely new RLTP at the three-year review point?

No you don't. As long as the current RLTP meets the principles of the BCA and regional representatives remain supportive of the plan there is no need to completely rewrite the RLTP.

All that is required in carrying out the review at the three-year point, is that RTCs check whether the plan remains valid and fit for purpose.

The extent of work to be done on the RLTP itself is informed by this check.

Where there is work to be done, it is recommended that an investment logic mapping/benefits mapping process is used to help make the required progress – and any amendments to the document are made after the completion of this process.

OTHER QUESTIONS

Is it true that the RLTP should only describe 3-4 big issues? Won't that drive a focus on short-term activities at the expense of longer-term outcomes?

Ideally the RLTP would focus on up to four key problems/opportunities that have significant consequences for the region.

Problem statements (and objectives) are needed to help focus investment in each region towards the right things for a three-year period, and to help the Transport Agency understand regional priorities when it builds the three-year RLTP. Focusing on the problems with the biggest consequences in each region, for a three-year period, helps to ensure that investment is prioritised to where it is most needed.

Identifying the most important problems to concentrate on for a three-year period doesn't prevent longer-term outcomes being identified. In fact, these are an important part of the strategic context for an RLTP. They may originate from other strategies and plans, for example regional economic development objectives. Distinguishing between long-term outcomes or goals, and shorter term investment focus, may also help inform development of related longer-term documents including councils' infrastructure plans.

What form does a problem or benefit statement need to take in the RLTP?

What we want to see is a clear description of the most significant transport problems in each region, with a clear understanding of the cause and the consequence of each problem.

We recommend the development of an investment logic mapping and a benefits management plan when defining problems and benefits for the RLTP (see additional ILM resource sheet) – as these are internationally recognised as best practice, consistent with NZ Treasury's expectations for investment practice across the whole of government, and consistent with the approach approved organisations are required to follow when seeking inclusion of activities in the RLTP.

What evidence is considered sufficient for problem statements within the RLTP?

The RLTP needs to provide sufficient evidence to support each problem statement.

It is recommended that all available evidence is collated and summarised within the RLTP.

If the available evidence is unable to effectively illustrate the validity of the problem, additional evidence will need to be sought as part of the planning process.

What happens when RTC deliberations result in an amendment to the original problem or benefit statements from the ILM process?

It is possible that during consultation on an RLTP (or a variation to an RLTP), submitters will request changes to the problem or benefit statements previously developed with stakeholders. In this event, the Transport Agency expects any amended or new problems or benefits will still meet the requirement to be supported by evidence, and will still represent the region's highest priorities. Where proposed amended or new problems are significantly different from those consulted on, the views of the original stakeholders will also need to be taken into account.

How should we reconcile national versus regional versus local priorities within the RLTP?

The LTMA requires RTCs to be satisfied that the regional land transport plan:

- i. contributes to the purpose of this act, and
- ii. is consistent with the GPS on land transport.

RLTPs are a genuine statement of the region's problems with the biggest consequences – that is where the focus should go.

By describing the region's problems with the biggest consequences, RLTPs will help inform the NLTP and, at the same time, provide a framework in which to consider local transport activities, projects and programmes. They also provide a robust feedback mechanism to shape and influence the GPS.

What does 'development of options' mean in relation to an RLTP?

The Land Transport Act 2003 (and the 2013 amendment) specifically requires that RTCs consider 'alternative regional land transport objectives that would contribute to the purpose of this act', and the feasibility and affordability of those alternatives.

This means showing that different regional land transport objectives have been considered and an explanation of why each particular objective has been chosen.

How can we give regional priority to objectives and outcomes (in the form of percentages) when RTC members represent different interests?

Some form of prioritisation or ranking of objectives and outcomes is needed, as this will provide greater clarity to the Transport Agency when deciding which activities to include in the NLTP and how to prioritise them. If regional priorities are not clear, the Transport Agency may not be able to fully recognise the contribution that a particular activity makes to regional objectives, and may assign a lower priority in the NLTP than would otherwise be the case.

Assigning percentages is not the only means of achieving this, however it is highly effective, as it forces a conversation around trade-offs and choices. In contrast, ranking objectives as 'high', 'medium' or 'low' priority allows everything to be given 'high' priority; approaches like this are not useful in making decisions about what to invest in, given that resources are finite.

Achieving a common view of priorities is likely to be challenging. It is anticipated that considerable discussion will be needed at the RTC table and trade-offs made to achieve an agreed rating or ranking. We recommend the use of investment logic mapping/benefits mapping process – within a facilitated workshop format – for precisely this reason.

Can regional outcomes included in the RLTP be non-transport based? For example, social deprivation caused by limited transport choices?

Yes. While the LTMA specifically requires the inclusion of regional land transport objectives in an RLTP, the agency can recognise objectives that relate to non-transport outcomes, provided there is an attributable link between the outcomes and the proposed transport response. Such objectives need to be SMART, supported by evidence, and align with the GPS.

How do we avoid repetition – when we have other strategic documents that cover some of the same material needed by the RLTP?

There is no need to repeat large sections of other documents within the RLTP – use references as appropriate, provided the material being referenced is readily accessible and the key points are clear within the RLTP.

The intent is to ensure that the RLTP accurately reflects other strategic decisions that have been made and agreed, rather than to require a re-litigation of those documents.

Why is the Transport Agency requiring the final reviewed RLTP to be submitted by the end of April 2018, when the legislation states the review can occur in the six months to the end of the first three years?

The Transport Agency is targeting release and publication of the 2018–21 NLTP in early July 2018, after its adoption in June. We need the time between receiving the reviewed RLTP and the Board's adoption of the NLTP to undertake the assessment and prioritisation work required to deliver on our obligations under the LTMA. We also need the time to prepare the NLTP business case for the Board to enable it to adopt the NLTP.