

Changes to the Transport Planning Activity Class

Implementing a Business Case Approach: Questions and answers

28 June 2013

What is changing?

NZTA is changing how we fund activities from the Transport Planning Activity Class. This includes what activities we fund, and at what stage we fund these. These FAQs have been developed in support of NZTA General Circular 13/05 and should be read in conjunction with that document.

We are also changing how we expect major new investment proposals to be presented for the 2015-2018 National Land Transport Programme. This affects the processes for developing investment proposals eg. improvement works.

Does this affect my organisation?

These changes are most likely to affect any organisation that has an activity funded or potentially funded from the Transport Planning Activity Class. It will also potentially affect an organisation likely to have a major improvement programme funded from the 2015-2018 National Land Transport Programme.

Why the changes?

During 2011/2012, at the request of the Minister of Transport and working with a range of sector representatives, NZTA undertook major reviews of how we can more effectively undertake transport planning and project development.

These reviews concluded that while much of this work was well targeted and generally effective, there was room for improvement and significant efficiency and effectiveness benefits to be gained.

What are the key changes?

Following significant testing and review, the key change NZTA has decided to implement is a Business Case Approach to planning and investment, with the aim of all significant new investment proposals for the next National Land Transport Plan (2015-18) using the Business Case Approach. We are now encouraging a gradual transition to this approach (see below).

What is a Business Case Approach?

The business case approach supports planning and investing for outcomes, ensuring early collaboration between stakeholders and progressive development of a robust, evidence based investment case. It progressively builds an investment case by:

- identifying the core problem
- identifying the consequences of not addressing it
- identifying the benefits to be gained by investing in its solution.

This is a robust, simple and well tested process for building an investment story. It has been adapted to transport needs from Treasury's Better Business Case model (see: <http://www.infrastructure.govt.nz/publications/betterbusinesscases>). We have been working closely with

Treasury to ensure it remains well aligned to their process while making sure it works in a transport context.

It is a principles-based approach that clearly links our strategy to outcomes, and defines problems and their consequences thoroughly before solutions are considered. This principles-based approach ensures a shared view of problems and benefits early in the transport planning process without requiring that the work has to be done in a particular way.

It also ensures that we put in the right amount of effort at the right time in the planning and implementation process. A key aspect of our approach is that a project's business case is built progressively. Key phases of the process are:

- Strategic case – focused on confirming problems and benefits
- Programme business case – focused on identifying programmes or projects to address the problems, including collection of evidence to support this
- Indicative business case where individual activities are progressed to a preferred option
- Detailed business case – to undertake detailed analysis of the costs, risks and benefits of the preferred option.

There are clear decision points along the way that determine whether the investment is worthwhile in relation to the desired outcome. And at every step of the way, there's a strong connection between strategy and outcomes.

Do we have to follow a prescribed process?

The business case approach is principles-based: we have outlined and would encourage an approach considered 'best practice' on the Planning and Investment Knowledge Base (see: <http://www.pikb.co.nz/>). However we will also accept the a different process might be followed so long as key decision-makers and stakeholders can work together and key questions can be answered at investment gateways (eg. Are there problems and clear benefits worth investing in? Have a sufficient range of alternative solutions been considered?)

How much change does this mean in practice?

This is an evolution of our current approach to supporting strategies and endorsing packages. It takes on board feedback from the sector about how this has worked / not worked in practice to respond to this and simplify how this work is done in the future. We want ongoing feedback to further test and refine the approach moving forward.

The changes will help align us with best practice internationally and with expectations of the public sector in NZ. It ensures that we are able to respond to what many of our partners are already doing as they adopt aspects of Treasury's Better Business Case approach for various projects and programmes.

When will the change start to take effect?

From 1 July 2013, the NZTA will begin to transition to a Business Case Approach for all transport planning investment under the Transport Planning Activity Class. We expect this will take time and are planning a pragmatic, tailored approach that works with our partners.

For AOs and for national programmes, we will be taking a case by case approach to the speed and degree of implementation. Some AOs may be interested in starting to apply a business case approach from 1 July (or as soon as possible and some are already doing so), and for others we need to work closely with them to understand how the approach can add value to their processes as well as ours.

As there is a number of different transport planning activities at various stages of development, the NZTA will continue to support the existing process in the interim.

It is expected that all transport planning activities and significant new investment proposals in the 2015-18 NLTP will use the Business Case Approach.

We are working on a transport planning strategy / study or a new investment proposal – what now?

If you are involved in a current transport planning or project development process, we expect this will most likely continue as planned. If you have any questions, the best thing to do is to contact your NZTA Regional Planning and Investment Manager to discuss the specifics of each case.

The Planning and Investment principles (see www.pikb.co.nz) will continue to apply to assessment of strategies. To support these, the following are required as minimum requirements:

- Strategies must contain clear statements of the problems or issues that need addressing along with the consequences of not fixing them, the benefits to be gained by fixing them, the outcomes (at a strategic level) that are sought, and a range of alternatives and options must have been considered, preferably at the strategic level.
- While the above must be included (and are consistent with existing NZTA guidance), greater flexibility will be allowed as to how these are articulated (when compared to the relatively structured approach we are moving to).
- The “strategic context” must be set out in the strategy; this must include a view of the future including growth assumptions, organisational objectives and the wider strategies, national and regional policies etc. within which the strategy has been developed. This allows NZTA to assess whether the strategy is based on reasonable assumptions (again, this is consistent with the current approach).
- Where previously a requirement has been to include an indicative implementation plan with the strategy, it is recognised that some flexibility is now desirable - for example, where there is potential to progress implementation of a supported strategy through development of a Programme Business Case to result in a more optimised approach.

A number of broader underlying principles will also apply, particularly to investment proposals / projects that are further advanced eg. more at solution development phases:

- Approved Organisations should not be unduly disadvantaged (or advantaged) by the approach used, provided it is consistent with either NZTA’s existing guidelines, or the new Business Case Approach.
- Decisions on whether to transition to the Business Case Approach should seek to minimise the amount of re-work required. In other words, if there’s already an existing strategy developed or in development that is nearly fit for purpose, it may be more desirable to acknowledge the gaps and address them in the early stages of a programme or indicative business case rather than re-do significant parts of the strategy development.
- The Business Case Approach should be available to Approved Organisations at an intermediate stage in the process where it is clear it could add value, e.g. by allowing a wider range of strategic responses to be considered in programme development, rather than completing a traditional solution-focused implementation plan.
- At solution stage, innovation should be encouraged, including application of a hierarchy of interventions and consideration of the whole transport network.

These are principles that are sought from development of a strategic context, and will need some flexibility in how people meet these principles in strategies being brought forward for support.

How will this relate to developing a Regional Land Transport Plan or longer term strategic planning?

Changes to the LTMA have been now been enacted. These changes include removing the requirement to develop a Regional Land Transport Strategy. Regional Land Transport Programmes have become Regional

Land Transport Plans (RLTP) and are consulted on and issued every 6 years. The RLTPs will set out regions' land transport objectives, policies and measures for at least 10 financial years.

The principles of Business Case Approach should provide a robust basis for the development of this document. We are still working through the requirements of the legislative change and the application of the Business Case Approach, but it is likely that a RLTP will in effect become a regional 'programme business case'.

NZTA remain strongly supportive of longer term strategic and spatial integrated planning. This is not changed by introduction of the Business Case Approach. The principles of this approach are also fit for purpose for these planning processes.

We are currently working on more detailed guidance on these issues and this will be circulated during July.

How does this relate to developing an Activity / Asset Management Plan or Regional Public Transport Plan?

In principle a Business Case Approach provides a robust basis to the development of Activity Management Plans and Regional Public Transport Plans. This recognises that there is currently significant sector collaboration in this space through the Road Efficiency Group (REG) and also in the development and implementation of the Public Transport Operating Model.

We have undertaken early work and engagement to consider the process for Activity Management Plans within the Business Case Approach. We don't want to contradict or duplicate the detailed guidance already available for Activity Management Plans, or the recommendations to come from REG.

More guidance will follow as this area develops, working through the REG to explore this further and see how the sector can effectively develop an approach to Activity Management Plans development based on the Business Case Approach.

Likewise, NZTA is preparing new guidance for development of Regional Public Transport Plans under the LTMA and will ensure that this aligns with the Business Case Approach.

How does a Business Case Approach work with Network Operating Frameworks (NOF)?

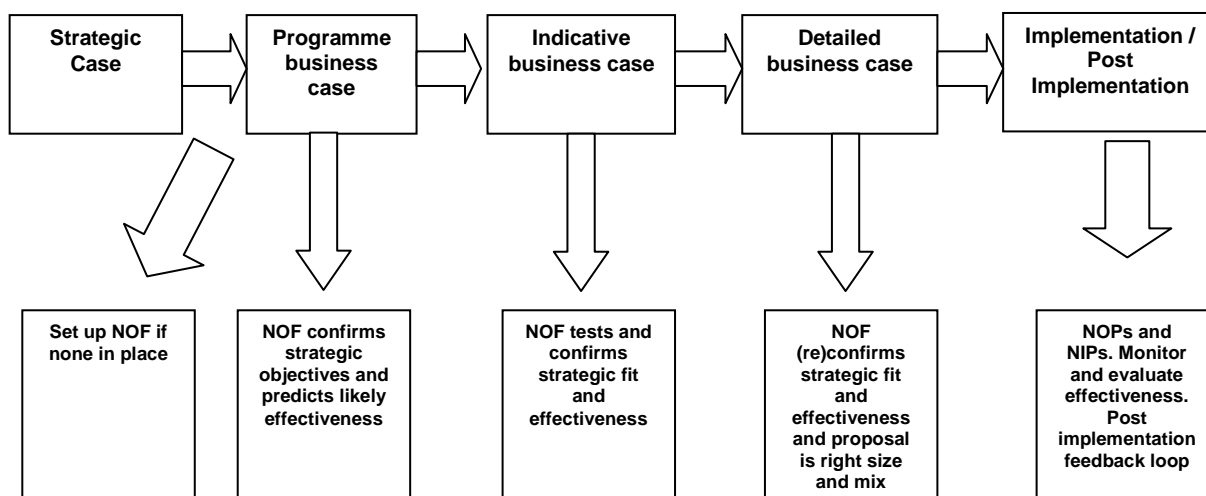
The Business Case Approach utilises tools and processes to inform the overall decision making process. These tools are embedded within the NZTA guidance on the Business Case Approach. They are also potentially funded as part of the development process of the Business Case approach to help provide analysis, evidence or testing of issues and options.

The NOF is an agreed and consistent process to help turn strategic priorities into operational and planning decisions. It involves key stakeholders in discussions about strategic priorities, desired outcomes and the best ways to turn these priorities into actions for optimising network use. This approach is well aligned with the Business Case Approach through its focus on partnerships, 'one network', developing optimisation projects and improving value for money, all to deliver desired outcomes.

The Business Case Approach promotes the NOF as a best-practice process to test the efficiency and effectiveness of interventions. How this fits in at each stage of the process is shown in the Figure 1 below.

Further detail and guidance on this is being developed through working with the transport sector. For further information refer to www.pikb.co.nz or contact Iain.McAuley@nzta.govt.nz or Mark.Edwards@nzta.govt.nz

Figure 1: Embedding the NOF in the Business Case Approach



Where do I find more information?

We appreciate that this will raise a number of further questions and issues on transition to a Business Case Approach for many Approved Organisations. To discuss these, please contact your NZTA Regional Planning and Investment Manager. Alternatively contact: coral.aldridge@nzta.govt.nz 04 894 6165

- Detailed guidance of how to use the Business Case Approach is provided as part of the NZTA Knowledge Base: www.pikb.co.nz
- Guidance about how to use the BCA as part of the NZTA Highways guidance set is available online as part of the Highways Information Portal (under-development): www.hip.nzta.govt.nz
- Information on the Treasury “Better Business Case” is available at: <http://www.infrastructure.govt.nz/publications/betterbusinesscases>