

Subject	2015-18 NLTP development – Draft Investment Assessment Framework and policy notifications
Circulation	Transport, Public Transport and Asset Managers, all Approved Organisations Planning & Investment, NZ Transport Agency Highway and Network Operations Transport Planning Managers, NZ Transport Agency
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Purpose

As part of the 2015-18 National Land Transport Programme (NLTP) development, the NZ Transport Agency is releasing the draft Investment Assessment Framework (IAF) and notifying key policy changes from the 2012-15 NLTP.

The information will help approved organisations who are developing land transport activities for inclusion in Regional Land Transport Plans (RLTPs), for submission to the 2015-18 NLTP.

Background

The Transport Agency is working closely with the sector to ensure the 2015-18 NLTP delivers the best outcomes it can to support a thriving New Zealand. To achieve a successful NLTP, we're aiming for all the contributing transport programmes and activities to be well aligned to the Government Policy Statement on land transport (GPS), outcome-focused, evidence based, integrated and optimised.

There are a number of building blocks that come together to support this approach which include the investment assessment framework (IAF), One Network Road Classification, the Funding Assistance Rates review, improving the evidence base and the business case approach.

The draft Government Policy Statement on Land Transport was released for sector engagement in June and is expected to be finalised later this year.

Work to identify and test key priorities and outcomes for local and regional programmes through applying the business case approach, supported by a robust evidence base will be completed or in progress, and the development of detailed programmes will be underway. The activities should demonstrate sound investment logic, with evidence that is fit for purpose for the type of programmes and stage of development.

Information about the draft IAF and key policy changes is being provided to our investment partners using this General Circular, detailed assessment guidance material on the Knowledge Base website and a factsheet. This is part of an updated investment signals pack that will be released to you over the next few weeks. The signals will include:

- being more transparent about what happens during NLTP development and expectations on optimising transport programmes;

- provide clarity around developing maintenance programmes and implementing the ONRC; and
- outlines expectations about using Transport Investment Online.

Draft Investment Assessment Framework

In response to the draft GPS the Transport Agency has developed a draft Investment Assessment Framework (IAF) to assist the ongoing development of Regional Land Transport Plans. The IAF will remain in draft, and be updated when the final GPS is released.

The Planning & Investment Knowledge Base (www.pikb.co.nz) is the primary source of up-to-date information for our partners about the way we work, including our planning and investment principles, and detailed guidance on developing RLTPs and how to apply the business case approach. On the Knowledge Base you will find:

- **Background information** on how the Transport Agency has responded to the draft GPS and the structure of the IAF. This is also covered in Attachment One of this General Circular.
- Detailed draft **Investment Assessment Framework criterion**, for applying an assessment to programmes and activities (www.pikb.co.nz/assessment-framework/).

We acknowledge that some local authorities have already submitted their draft programmes to the Regional Transport Committee based on the current Assessment Framework. These activities do not need to be reassessed now. Please note, that the Transport Agency will always assess activities using the latest version of the IAF, and this may result in short term inconsistencies of approved organisation and Transport Agency profiles. Regional staff will work with submitters throughout the assessment process to ensure there is clarity and understanding of the Transport Agency's final determination of assessment profile for activities.

Activities submitted to the Transport Agency on 30 April 2015 as part of submitted final Regional Land Transport Plans will need to be assessed by approved organisations using the final IAF.

The key changes in the updated IAF include:

- increased clarity on the role of each of the three assessment factors
- rationalising the assessment factors and criteria
- using strategic fit and effectiveness as gateways for activity development
- encouraging innovation by adopting a more outcomes based assessment criteria
- increasing focus on resilience in line with the draft GPS
- changing the efficiency assessment for improvements
- increasing the transparency of the investment assessment framework, and
- increasing the transparency about how and why investment decisions are to be reported on.

Key Policy Changes

In responding to the draft GPS, and developing the 2015-18 NLTP, the Transport Agency is taking the opportunity to improve and clarify its practices. This has resulted in a number of policy changes which may affect the way activities are developed and included in the NLTP. These are identified below.

Activity Class changes

A number of activity classes in the current GPS have been combined in the draft 2015-25 GPS. The following table sets out the proposed differences between the Activity Classes used within the 2012-15 NLTP, and those proposed in the draft 2015-25 GPS.

Draft GPS 2015 Activity Classes	GPS 2012 Activity Classes
State highway improvements	New and improved infrastructure for State highways
State highway maintenance	Renewal of State highways
	Maintenance and operation of State highways
Local road improvements	New and improved infrastructure for local roads
Local road maintenance	Renewal of local roads
	Maintenance and operation of local roads
Public transport	Public transport services
	Public transport infrastructure
Walking and cycling improvements	Walking and cycling
Regional improvements	<i>New activity class</i>
Road policing	Road policing
Road safety promotion	Road safety promotion
Investment management	Sector research
	Transport planning
	Management of the funding allocation system

Regional Improvements

The regional improvements activity class has been added as a new activity class in the 2015-25 GPS, for improvements to roads in regional New Zealand. The Transport Agency has decided to adopt the existing road improvements criteria to give effect to this activity class. This means that all improvements activities will use the same work categories and assessment framework, and will be prioritised together.

The reason for this approach is to ensure that no application is disadvantaged, or duplicated, in order to be considered for investment from the NLTP.

Allocation of activities to the Regional Improvements activity class will be determined by the Agency, on the basis of eligibility and prioritisation through the Investment Assessment Framework. The general principles applying to the regional improvements activity class are that it:

- is restricted to road improvements work categories;
- is a nationally contestable fund, rather than a set distribution across regions or districts;
- allows a regional focus on national priorities of freight efficiency, resilience, road safety and tourism travel;
- is restricted to districts which are mainly rural and provincial, and do not include a Road of National Significance within their boundaries;
- uses the road improvement activity class assessment criteria.

Regional Improvements will represent the highest priority, eligible regional activities, which do not meet the investment threshold for investment through the local and state highway improvement activity classes.

Maintenance, Preventive Maintenance, and Associated Improvements

The maintenance and operations, and renewals activity classes have been combined into a new maintenance activity class. This applies to both state highways and local roads. The reason for this change is to better reflect the dynamic balance between maintenance and renewal activities and

enable the Transport Agency and approved organisations to develop more responsive maintenance and renewal programmes.

There is no longer a work category for preventive maintenance. Activities that would qualify for funding under work category 241 – preventive maintenance in the renewals activity class in the 2012-15 NLTP may now be eligible for funding from work category 341- minor improvements or work category 351 – resilience improvements. These are contained in the road improvements activity classes for local roads and state highways.

Funding will no longer be available from work category 231 - associated improvements. Eligible work will be funded from either the work category 341 - minor improvements, or the relevant road improvement work category if scale warrants. The required template for submission of minor improvements programmes include provision for associated improvement type activities.

The reason for these changes to work categories is to ensure that costs are correctly apportioned across activity classes consistent with the activity class definitions.

Public Transport

The public transport services and public transport infrastructure activity classes in GPS 2012 have been combined into a single public transport activity class in the draft GPS 2015. This is to allow organisations to develop a more responsive public transport programme by optimising investment in services and infrastructure. The effects of these changes are to:

- ensure that existing PT services and operations programmes are appropriately ranked through the assessment process for continued funding
- enable improvements in services to be assessed in a transport network context

Minor improvement activities threshold and application template

Minor improvements have a simplified funding application process, which allows approved organisations flexibility in how they deliver their programme of low cost and low risk activities. The threshold value for minor improvements, which has been \$250,000 since 2009, has been updated to reflect subsequent increases to the construction price index.

All improvement activities of up to \$300,000 estimated total cost (including net property purchase cost) that fall within the definition of the following activity classes will be treated as minor improvements:

- State highway improvements;
- Local road improvements;
- Walking and cycling facilities;
- Public transport (see 2 below); and
- Road safety promotion (see 3 below).

Minor improvements programmes must be submitted using the Agency's templates in TIO, as appropriate to the underlying activity class – these three templates are available in the Planning and Investment Knowledge Base. This differs from the 2012-15 NLTP where only applications for greater than 5% were required to use the provided template. Programmes must clearly demonstrate how individual activities have been prioritised and assessed, and show a clear intention to deliver individual activities in priority order.

1. Road controlling authorities may be allocated up to 5% of their approved maintenance programme allocation as a guaranteed base allocation for **minor improvements**. These organisations may apply for and negotiate a lower or higher level of funding for minor improvements, with any increase over the 5% allocations being subject to assessment, funding availability and prioritisation.
2. Regional Councils, Unitary Councils and Auckland Transport will be allocated up to 5% of their region's approved bus, ferry and rail services programme allocation as a guaranteed base allocation for **public transport minor improvements**. These organisations may apply for and negotiate a lower or higher level of funding for minor improvements with any increase over the 5% allocations being subject to funding availability and prioritisation.

Regional Councils are expected to work with other Approved Organisations, particularly road controlling authorities who may be responsible for the implementation of public transport infrastructure, as required to manage the delivery of their minor improvements programmes.

3. Approved organisations may apply for a programme of **road safety promotion** activities for approval, relative to the scale of the network and level of safety risk. The Transport Agency may negotiate the requested allocation based on the activities strategic fit and overall programme effectiveness, subject to funding availability and prioritisation.

This represents a change to 2012-15 when the cost threshold was determined using annual cost. The reason for this change is to ensure consistency between different types of improvement activities. Individual activities in excess of \$300,000 will need to determine a benefit cost ratio to be considered for investment.

The reason for these changes is to ensure the ongoing justification of the simplified process for low cost/low risk activities, whilst ensuring the Transport Agency is able to report on the benefits achieved from the investment.

The funding allocation for the 2015-18 NLTP may be adjusted down from the guaranteed level of 5% for any organisations that have not demonstrated satisfactory performance in maintaining and updating their programmes and reporting progress during the 2012-15 NLTP.

Administration costs

In the 2012-15 NLTP the Transport Agency has applied an on cost reimbursement of administration costs to all local road controlling authorities' claims. As previously signalled (General Circular 14/01), the administration cost of 2.25% which has been paid on claims will no longer apply. Every approved organisation is expected to include all relevant costs within the requested activity cost.

Resources and assistance

- Visit the Transport Agency website (www.nzta.govt.nz) for detailed information including:
 - Planning and investing for outcomes – key information for approved organisations developing and delivering activities as part of the NLTP
 - A series of NLTP [investment signals](#) factsheets
 - An updated NLTP timeline (A3 overview)
 - Geospatial maps
 - Guidelines for Preparing regional public transport plans
 - Procurement manual
 - REG guidance and updates
 - FAR review

- Visit the Planning and Investment Knowledge Base (<https://www.pikb.co.nz/>) for information about the way we work, and detailed guidance on the draft IAF.
- Visit [Transport Investment Online](#) – for new templates, user guides, activity and programme development.

Please contact your Planning and Investment representative for further information or assistance in implementing these changes into your programme.

Attachments

Attachment One – Investment Assessment Framework factsheet

(Planning for NLTP 2015-18 <http://www.nzta.govt.nz/planning/nltp-2015-2018/index.html>)