

# **INVESTMENT DECISION-MAKING FRAMEWORK REVIEW**

Consultation Document

10 DECEMBER 2019

# FOREWORD

Tēnā koutou

The transport investment decisions made by central and local government affect the lives and wellbeing of all New Zealanders, so it is vital these decisions consider the right information, at the right time and in the right way.

Waka Kotahi NZ Transport Agency (the Transport Agency) uses the Investment Decision-Making Framework (IDMF) to guide the development, assessment and prioritisation of investment in the land transport system.

As it does this, the Transport Agency is required to give effect to the Government Policy Statement on Land Transport (GPS), which sets out the government's priorities for expenditure from the National Land Transport Fund over a 10-year period.

The Transport Agency and Ministry of Transport (MoT) are working together to review the IDMF, which includes the Investment Assessment Framework and Economic Evaluation Manual. The review will ensure that the investment strategy within the GPS is being delivered.

Another objective of the review is to provide clarity. We've heard concerns from people who use the investment framework, particularly relating to how hard it can be to navigate the framework and to understand how the Transport Agency makes its investment decisions.

We're confident that this review will result in a more coherent framework that is easier to understand and simpler to use.

We are also aware of the need for a framework that is both enduring but also adaptable. As investment priorities and societal expectations evolve so must our investment framework. The changes outlined in this report are a key step forward. Further changes (for example investment prioritisation) will come in early 2020 and the framework will continue to evolve thereafter.

We've actively involved and have worked closely with local government and the broader transport sector during each stage of this journey. I now encourage you to provide us with feedback of the changes outlined below as we refine the design, to ensure we deliver the right outcomes for the sector and for our fellow New Zealanders.

Ngā mihi

**Howard Cattermole**  
Chief Financial Officer

# INTRODUCTION

## Purpose of the consultation

We're seeking your feedback on the substantive changes we're proposing across the investment decision-making framework.

We're making these changes in response to:

- changes to the GPS 2018, which directs the Transport Agency to consider all transport modes and alternatives in its planning and investment decisions, and to ensure the IDMF reflects new government expectations around social, economic, cultural and environmental outcomes in transport planning;
- a review of the existing system carried out late in 2018 which identified parts of the framework that could benefit from stronger reference or focus; and
- sector feedback that indicates concerns about the investment framework, particularly how hard it can be to navigate the system and to understand how the Transport Agency makes its investment decisions.

*This consultation document should be read alongside the [Draft Design Report](#).*

The Draft Design Report articulates the outcome of the design stage - a proposed new design for the IDMF. It details the key, substantive changes being proposed, and a broader range of changes that, together, will ensure the efficient, effective, and transparent prioritisation of the National Land Transport Fund (NLTF).

More information about each of the building blocks described here can be found in the Draft Design Report.

Timeline	
Consultation opens, Draft Design Report released	11 December 2019
Open information sessions to discuss the proposed changes and answer questions	Early February 2020
Consultation closes	21 February 2020
Submissions analysed and considered	March 2020
Consultation summary available	April 2020
Final design decisions published	May 2020

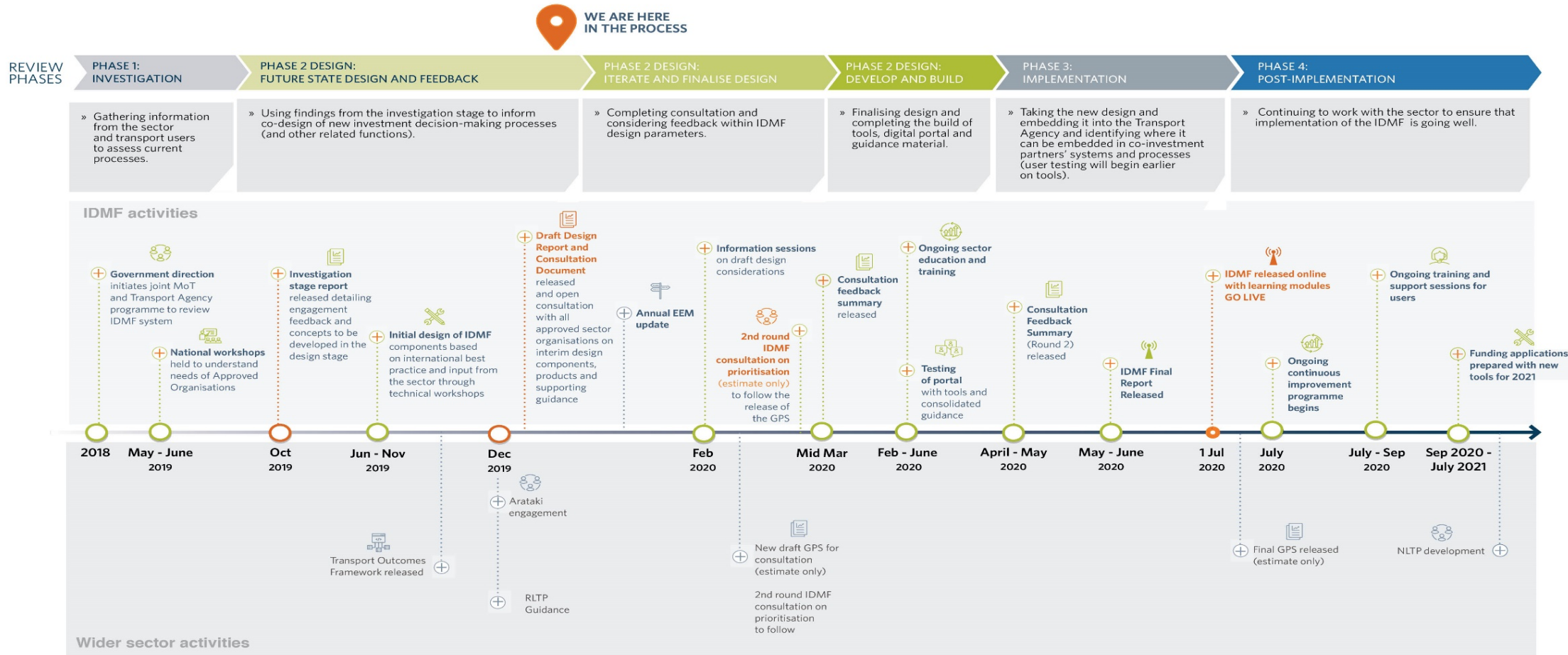
Further consultation on prioritisation and other IDMF building blocks will happen once the draft GPS is published in early 2020. This is because the Transport Agency must give effect to the GPS when assessing and prioritising investment proposals for funding, so the GPS is needed before we can finalise changes to these building blocks.

A roadmap of the IDMF review activity is on the following page. We can't confirm the timing of the second round of consultation until the GPS is published.

The IDMF review has been carried out in consultation with our key stakeholders.

Waka Kotahi NZ Transport Agency understands that the success of the Investment Decision-Making Framework (IDMF) review relies on strong sector support, which is why it has actively involved - and will continue to involve - local government at each stage of the review.

The diagram below shows what that looks like in practice and highlights key milestones on our journey to deliver a more coherent end-to-end framework that is easy to understand and simpler to use.



## HOW TO PROVIDE FEEDBACK

As part of the consultation process, the Transport Agency will have a team of people ready to respond quickly to queries. We'll monitor the IDMF consultation mailbox daily throughout the consultation period, except for the period 20 December 2019 – 13 January 2020.

We'll publish commonly asked questions on the IDMF pages on the Transport Agency website.

You are invited to provide feedback on the proposed building blocks featured in this consultation document. For each building block, we have questions we would like you to consider and respond to. You are also welcome to provide any other thoughts and feedback you would like to share.

*All feedback on the draft design must be sent through the [online feedback form](#).*

### Here is a summary of the ways you can take part in the consultation process:

If you want to	Then do this	By
Provide feedback on design questions	Complete your feedback <a href="#">online</a>	5pm 21 February 2020
Ask questions about the consultation process and/or timeline	Email the IDMF consultation mailbox: <a href="mailto:idmfconsultation@nzta.govt.nz">idmfconsultation@nzta.govt.nz</a>	11 Dec 2019 – 21 Feb 2020
Ask questions and/or understand more about the building blocks we are consulting on	Come along to one of our IDMF information sessions in early February (please check the <a href="#">IDMF web page</a> for more details of these).	February 2020

# CURRENT STATE AND THE CASE FOR CHANGE

## Design objectives

In 2018 the Transport Agency began this review, working in partnership with the Ministry of Transport and supported by Local Government New Zealand (LGNZ), with the aim of:

- Creating a **clear and unambiguous framework** for the assessment and prioritisation of investment proposals for the National Land Transport Programme;
- Ensuring that investment decision making supports a **system-based approach**, including integration of land use and transport planning, and a focus on outcomes rather than outputs;
- Encouraging and supporting a **mode-neutral approach** to identifying and assessing transport solutions;
- Supporting the delivery of **positive social, economic and environmental outcomes**, including wider benefits capture and placing due weight on benefits that cannot be monetised; and
- Moving to a more **customer-centric framework** that is transparent, and easy to access and understand.

The Transport Agency understands that the success of this review relies on strong sector support, which is why it has actively involved, and will continue to involve, local government at each stage of the review.

We're looking forward to receiving your feedback on the IDMF building blocks that form the basis of this consultation.

The IDMF review has considered issues across the entire investment decision-making framework. As a result, changes have been made at each stage of the investment decision-making process that, together, will result in a more coherent end-to-end framework that is easy to understand and simpler to use.

In particular, the Transport Agency has simplified the way business cases are developed and enhanced benefits measures and realisation, clarified investment principles and policies, the assessment of proposals and their investment prioritisation.

The Draft Design Report describes these changes in more detail, however, there are some aspects of the IDMF that will not change. For example, the business case approach will still be used to provide the evidence needed to make a case for investment from the NLTF. Cost benefit appraisal will also still be the preferred economic assessment tool for understanding the benefits and costs involved in a proposal, and to ensure it represents value for money.

## Engaging with the sector to support the work

The investigation stage of the review was completed mid-year, and was informed by national and international research, topic-specific workshops and regional workshops open to all Approved Organisations (AOs).

During the investigation phase, key issues raised to be addressed in the IDMF review included:

- Make the business case process simpler, including a reduced timeframe for smaller business cases, providing a short form business case, raising the \$1m threshold for low cost low risk programmes
- Give effect to regional priorities in the prioritisation and assessment of Approved Organisation (AO) activities
- Consider how to provide greater funding certainty when the NLTP is adopted, such as clearer prioritisation; or the RLTP or Activity Management Plan enable funding for an AO's full 3-year programme.

You or your colleagues may have participated in one or more of the following sessions:

- In October 2018, two workshops were held. The first included representatives from local government, MoT and Treasury to get input to the Transport Agency's overarching IDMF, including scope, problem statement and design requirements. The second was an internal Transport Agency workshop that focused on the investment principles.

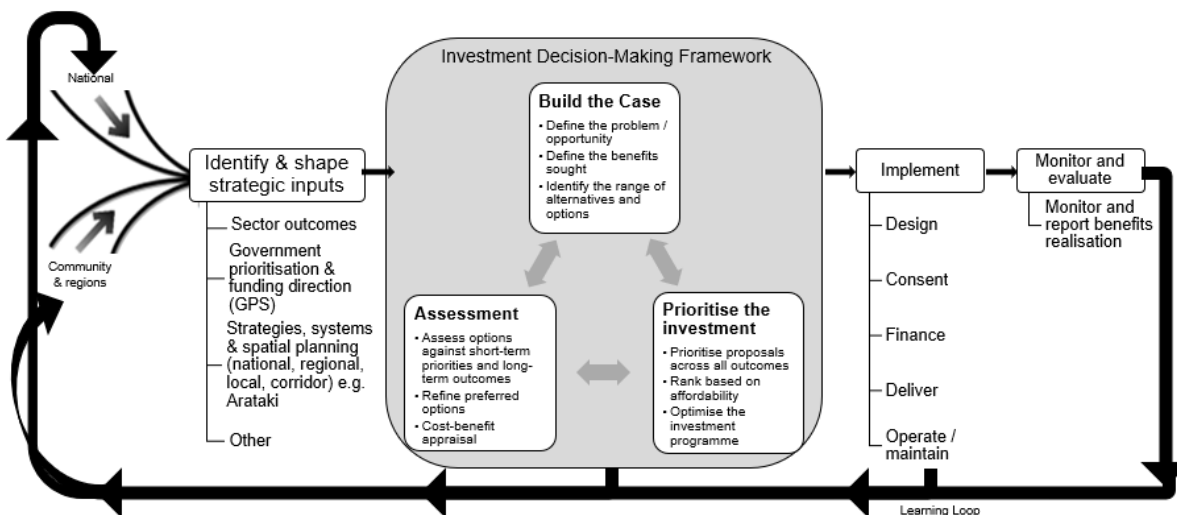
- In March 2019, the Transport Agency held a workshop with internal representatives to discuss issues and opportunities in relation to specific components of the IDMF and to review international and national best practice.
- In April and May 2019, several workshops were held with internal representatives to map the current business case process and to identify opportunities for improvement. Meetings with subject matter experts documented the business case process for continuous programmes, low cost, low risk programmes, travel demand management, and road safety promotions.
- In late April 2019, a joint MoT/Transport Agency workshop was held to look at opportunities to improve our approach to transport assessment and scope an approach that could apply across policy, portfolio, programme and projects. Attendees included local government representatives, Ministry for the Environment, Treasury, and Housing and Urban Development.
- Regional workshops were held through May and June 2019 and were developed and hosted jointly by the Transport Agency, MoT, and LGNZ. Over 60 percent of AOs were represented at workshops in Auckland, Wellington, Christchurch and Dunedin.

In mid-October 2019, we published the [IDMF Investigation Stage Report](#).

During the design stage we've held a series of workshops seeking input from Transport Agency and sector technical subject matter experts on the more technical aspects of the IDMF design. In these sessions we've reviewed, tested and refined content as it has been developed.

This topic-specific co-design work has resulted in the Draft Design Report, which provides the foundation for the feedback we're now seeking from you.

Fig. 1 The New Zealand transport planning and investment system



## Key features of the proposal

The review identified five big shifts for investment decision-making:

### Investment principles

The Transport Agency is moving from 10 investment principles down to five easy-to-understand principles to guide investment choices.

### Right-sizing business cases

The Transport Agency has developed tools and guidance to make it clear how much information is needed for business cases based on risk and complexity.

### Assessment of business cases

Tools and guidance have been developed to help in the assessment of options and in the decision-making process.

### Capability

The Transport Agency is introducing new ways to increase the capability of users across the sector, to ensure they understand and can confidently apply the changes being made.

### New 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.

In this consultation, we're seeking your feedback on nine building blocks that are part of the IDMF framework. Refer to the Draft Design Report for information about all building blocks.

The following table provides information on the building blocks we'd like your feedback on. There are questions designed to guide your feedback but we welcome any comments you have whether related to the questions or not.

When you're ready to submit your feedback, go to the [online feedback form](#).



### Investment decisions made by central and local government affect the lives and wellbeing of all New Zealanders.

The Investment Decision-Making Framework (IDMF) review has set out to achieve a broad range of outcomes - more details can be found in the Draft Design Report. In short, we have been working to:

#### Improve assessment & prioritisation

The IDMF needs to ensure efficient, effective and transparent assessment and prioritisation of the National Land Transport Fund (NLTF).

#### Incorporate positive social, economic and environmental outcomes

Collectively, the Ministry of Transport and Waka Kotahi NZ Transport Agency (the Transport Agency) need to ensure the IDMF review reflects new government expectations around social, economic and environmental outcomes. In the future applications will need to be assessed on a 'mode neutral' basis and as a part of a broader planning and investment system.

#### Make it better for people who use the system

A collaborative design process has identified that users of the IDMF need more transparency, clearer guidance and easier navigation to enable them to consider a broader range of investment considerations/criteria as they apply the Government Policy Statement on Land Transport (GPS).

#### Key for consultation documents

- Key product for consultation
- Informing on this product
- This product is still under development

**1** Document reference aligned to consultation material

- Guidance material to support usability
- Tools to make it easier for users

### The key areas of substantive change

We've identified five major shifts for investment decision making, spread across a range of products and tools. We know you're also interested in any changes to our approach to prioritisation - any changes we make need to align with the next GPS, so we'll share more detail about our thinking once the draft GPS 2021 is released early next year.

#### Investment principles

We're moving from 10 investment principles down to five easy-to-understand principles to guide investment choices.

#### Right-sizing business cases

We've developed tools and guidance to make it clear how much information is needed for business cases based on risk and complexity.

#### Assessment of business cases

We've also developed tools and guidance to help in the assessment of options and in the decision-making process.

#### Capability

We're introducing new ways to increase the capability of users across the sector, to ensure they understand and can confidently apply the changes we're making.

#### New benefits framework

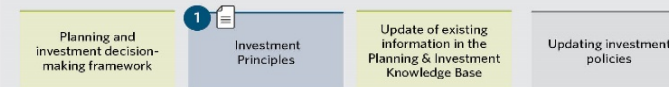
We've developed a new benefits framework to make identification, measurement and use of benefits easier and more consistent. It includes quantitative, qualitative and monetised benefits.

### Seeking your feedback on the tools and guidance under development

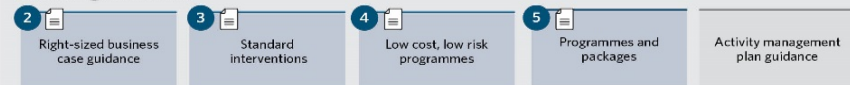
As we refine our thinking, we're seeking feedback on some specific aspects of the proposed design. In particular, we want to know how you think we can improve certain aspects of the design, and to understand some of the opportunities

and challenges you think you'll experience as a result of these changes - we want to make sure we have as complete a picture as possible before finalising the IDMF design.

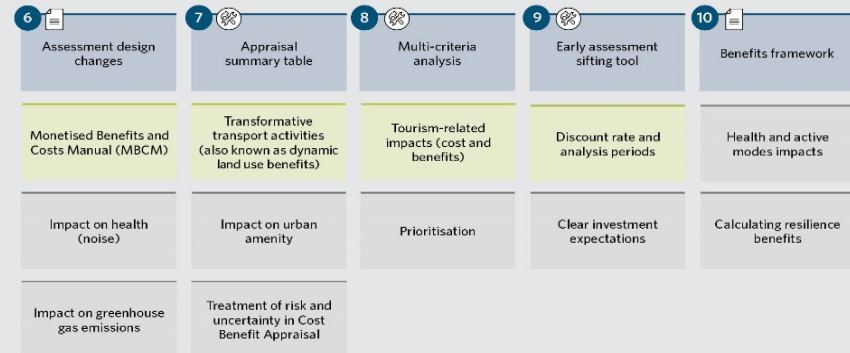
#### Strategic alignment



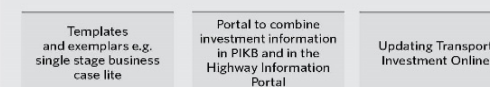
#### Building the case



#### Assessment and prioritisation



#### Capability



The following table provides information on the building blocks we'd like your feedback on. When you're ready to submit your feedback, go to the online feedback form.

## INVESTMENT PRINCIPLES

*We're looking for your feedback on whether these principles are appropriate.*

IDMF building blocks	Description	What this means for you	Question	Applies from
<b>Investment principles</b>	<p>The Transport Agency's existing investment principles have been reviewed and rewritten to ensure that their role in investment decision making is clear, from both an internal and external customer perspective, and to better reflect current investment priorities and practice.</p> <p>Five new investment principles have been created, to sit alongside operating principles set out in the Land Transport Management Act. The new principles are high level, holistic and enduring, supported by underlying investment policies that will help guide investment choices and provide more detailed information, where needed.</p> <p>The revised investment principles will be used to guide new investment policies, the application of existing investment policies, and in developing transport solutions to be funded out of the National Land Transport Fund.</p>	<p>You can better understand what's guiding the Transport Agency as it applies existing, and develops new, policies.</p>	<p>How can we improve these?</p>	<p>1 July 2020</p>

## RIGHT SIZING THE BUSINESS CASE

*The following questions seek your feedback on the draft guidance and changes proposed to the different business cases that can be developed to support requests for funding.*

IDMF building blocks	Description	What this means for you	Questions	Applies from
<b>Right-sized business case guidance</b>	<p>The Transport Agency has developed guidance on preparing a right-sized business case, based on the level of risk, uncertainty and complexity involved. This will be added to point of entry guidance so that the level of effort needed to complete a business case is clear at the outset.</p> <p>The Transport Agency is also developing a short-form business case</p>	<p>You'll be clear from the outset about the level of effort needed to complete a business case</p> <p>You'll have guidance to help determine the amount of information needed given the level of risk and complexity involved in your case</p>	<p>What could be done to improve the guidance for right-sizing your business case effort?</p>	<p>1 July 2020</p>

	– known as a ‘single stage business case lite’ - for investments up to \$5m.	It’s expected to reduce the cost and time involved in developing business cases, particularly for those under \$5m		
<b>Standard interventions</b>	Guidance has been developed to streamline the investment pathway for standard interventions. Standard Safety Interventions (SSIs) provide an efficient approach to access funding for 15 SSIs for which the costs and benefits are already well understood. The guidance sets out high-level requirements that need to be supported by a robust evidence base.	The process by which you can get funding approval for standard interventions will be easier and quicker.	In your opinion, what type of standard interventions would be appropriate to develop and use this framework for?  Are the criteria for standard interventions appropriate?  How could we improve them?	1 July 2020
<b>Low cost, low risk programmes (LCLR)</b>	The Transport Agency is reviewing the threshold for low cost, low risk (LCLR) activities. (The threshold was increased by the Transport Agency to \$1M in 2017).  The Transport Agency is updating guidance on LCLR programmes to ensure an appropriate level of information is provided about benefits.	You’ll have information that better demonstrates the value of LCLR programmes. If the threshold is raised, you’ll also be able to include higher cost activities in an LCLR programme.	What constraints do you see for your organisation in providing the additional information?  What do you consider an appropriate threshold to be for your activities and why?	1 July 2021

## PROGRAMMES AND PACKAGES

*This question relates to programmes and packages. The Transport Agency has updated its guidance on programmes and packages in the context of business case development.*

IDMF building blocks	Description	What this means for you	Question	Applies from
<b>Programmes and Packages</b>	The Transport Agency has updated its guidance on programmes and packages in the context of business case development. This guidance will help AOs determine whether to develop a business case for an individual activity or for a programme or package	You’ll be able to determine, at the point of entry, whether to develop a business case for an individual activity or for a programme or package	What further clarity do you need about the application of programmes and packages?	1 July 2020

	<p>of activities.</p> <p>It:</p> <ul style="list-style-type: none"> <li>clarifies what is needed if the business case is being developed to obtain funding approval for implementation, and what is needed if it is seeking to develop a further business case</li> <li>helps the Transport Agency make investment decisions based on a business case for a programme</li> <li>builds on existing approaches to programmes (e.g. maintenance programmes, public transport services continuous programmes, the Safe Network Programme, and LED lighting programmes).</li> </ul> <p>While this change will apply from 1 July 2020, AOs can seek the Transport Agency's support now for developing a case for a programme/package.</p>	of activities		
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## BENEFITS FRAMEWORK

*The following questions seek your feedback on a new benefits framework that has been developed to show how benefit information is used in planning and reporting.*

IDMF building blocks	Description	What this means for you	Questions	Applies from
<b>Benefits framework</b>	<p>A new benefits framework has been developed to show how benefit information is used in planning and reporting. The framework allows both benefits and disbenefits to be identified, forecast and measured.</p> <p>The framework is mode neutral and aligns with the Ministry of Transport's Transport Outcomes Framework. The framework will be used in business cases, when recording information in Transport Investment Online (TIO) about new activities, and when reporting on benefits that are realised.</p> <p>The investment performance measures (the benefit measures) are the quantitative component of the framework. The set of 52 measures and associated centralised data provide the basis for an evidence-based approach to identifying transport</p>	There'll be one set of benefits that will be measured to understand the overall benefit of a transport investment.	<p>Do the benefits represent what your community values?</p> <p>Are there any benefits missing?</p>	1 July 2020

	<p>problems, assessing and prioritising investment, and tracking benefits realisation into the future.</p> <p>The benefits framework will apply from 28 February 2020. The measures are currently being applied. Data and benefit information will be updated on an ongoing basis.</p>			
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## BUSINESS CASE ASSESSMENT TOOLS

The following questions seek 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.

IDMF building blocks	Description	What this means for you	Questions	Applies from
<b>Early assessment sifting tool</b>	A new early assessment sifting tool (EAST) will support the 'coarse' screening of alternatives and options at the long list stage of a business case. The EAST has been adapted from UK best practice to quickly and robustly document options that need to be ruled out.	You'll have a template to help you screen alternatives and options at the long list stage of a business case to enable options to be ruled out early.	What issues or opportunities do you see in using the EAST?	1 July 2020
<b>Appraisal summary table</b>	The appraisal summary table (AST) is a new tool that can be used to present decision-makers with concise information about benefits and costs. It can be used at the short list and preferred option stages of a business case. The AST is widely used internationally and has been adapted to the New Zealand transport context.	You'll have a structured way of presenting decision-makers with an overview of monetised, quantitative and qualitative benefits and costs.	What issues or opportunities do you see with the use of an appraisal summary table?	1 July 2020
<b>Multi-criteria analysis</b>	Multi-criteria analysis (MCA) is an analysis technique (or tool) that can be used to consider a range of criteria, both quantitative and qualitative. The Transport Agency's MCA methodology/guidance is being updated, and an MCA template is being created to ensure that a broad range of alternatives and options have been considered, and to ensure consistent investment decisions are made at the long list stage. The MCA will be used when options are being appraised in the business case process.	The updated MCA template will make it easier for you to transition from the assessment of investment proposals to the assessment of alternatives and options in the pre-implementation and RMA phases	What issues or opportunities do you see in using the multi-criteria analysis template and guidance?	1 July 2020

## NEXT STEPS

### Your next steps

1. Review the [Draft Design Report](#) and the consultation questions and discuss them with your colleagues.
2. Complete the [online feedback form](#) once you and/or your team have considered the feedback you'd like to provide.
3. If you need support or have questions, contact us on [idmfconsultation@nzta.govt.nz](mailto:idmfconsultation@nzta.govt.nz)
4. If you would like to ask questions and/or understand more about the building blocks we are consulting on, come along to one of our information sessions in early February (please check the IDMF web page for more details of these).

### Our next steps

1. Once the consultation closes on 21 February, we'll review your feedback and consider the changes we need to make.
2. We'll provide you with a summary of the feedback we've received.
3. Our IDMF Review team will complete the design process with the feedback we've received.
4. The final IDMF Design Report will be made available on the Transport Agency's website.

Before any tools and templates are finalised, we'll invite people who use them to try them out to make sure they're fit for purpose.

The Transport Agency, together with the Ministry of Transport, would like to thank you for your ongoing involvement in making improvements to the investment decision-making framework.

### For more information

- <https://www.transport.govt.nz/> MoT website
- <https://www.nzta.govt.nz/> Transport Agency website
- <https://www.lgnz.co.nz/> LGNZ

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