

INVESTMENT DECISION-MAKING FRAMEWORK REVIEW

Final Report

WAKA KOTAHI NZ TRANSPORT AGENCY

10 JUNE 2020

Copyright information

Copyright ©. This copyright work is licensed under the Creative Commons Attribution 4.0 International licence. In essence, you are free to copy, distribute and adapt the work, as long as you attribute the work to Waka Kotahi NZ Transport Agency and abide by the other licence terms. To view a copy of this licence, visit <http://creativecommons.org/licenses/by/4.0/>.

Disclaimer

Waka Kotahi has endeavoured to ensure material in this document is technically accurate and reflects legal requirements. However, the document does not override governing legislation. Waka Kotahi does not accept liability for any consequences arising from the use of this document. If the user of this document is unsure whether the material is correct, they should refer directly to the relevant legislation and contact Waka Kotahi.

More information

Waka Kotahi NZ Transport Agency
June 2020

ISBN 978-1-98-856176-9

If you have further queries, call our contact centre on 0800 699 000 or write to us:

Waka Kotahi NZ Transport Agency
Private Bag 6995
Wellington 6141

This document is available on Waka Kotahi's website at <http://www.nzta.govt.nz>

FOREWORD

Tēnā koutou

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

Waka Kotahi uses the Investment Decision-Making Framework (IDMF) to guide its investment decisions; to develop, assess and prioritise funding in the land transport system. The IDMF ensures we 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 (NLTF) over a 10-year period.

A review of the IDMF was initiated in response to changes to the GPS 2018, and to address issues we were aware of around economic appraisal, prioritisation, business cases and benefits realisation.

This report summarises the outcomes of this review and the detail behind the changes that will come into effect on 1 July 2020.

The review represents the sustained collaborative efforts of many individuals: in Waka Kotahi, the Ministry of Transport and throughout the transport sector. We have also benefitted greatly from the ongoing support of Local Government New Zealand.

In the review, we have looked at opportunities for improvement across the entire IDMF. Improvements have been made at each stage that, together, we believe will result in a more coherent end-to-end framework that is easy to understand and simpler to use.

To reinforce this, we are putting in place a programme of training, workshops, guidance and ongoing support to help you confidently adapt to and apply the IDMF changes, and we encourage you to reach out to your usual Waka Kotahi contacts if you need more help.

We appreciate that you are facing significant challenges in the current COVID-19 environment and are under real pressure to get your local economy back up and running. Waka Kotahi is here to help you navigate this new landscape and, by making business case and funding application processes simpler, to make it easier for you to deliver better outcomes for your community.

The work to date is not the end of the story. We have also identified other areas where we can make things easier for the sector and will be working through these as part of our continuous improvement efforts.

Thank you to those of you who have contributed to the review and for your ongoing support and commitment to achieving better outcomes together. We look forward to continuing to work with you on future improvements and to helping you navigate the changes described in this report.

Ngā mihi

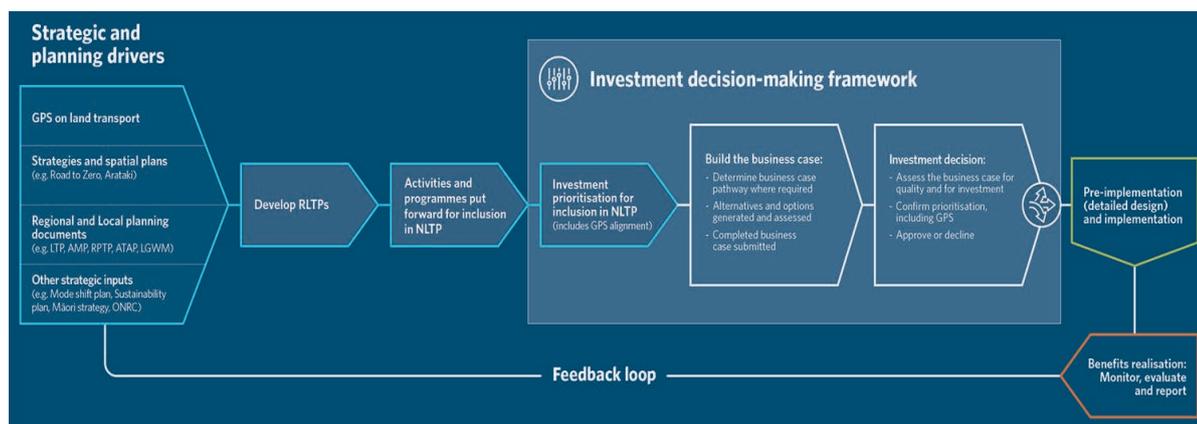
Howard Cattermole, Chief Financial Officer

Contents

FOREWORD.....	2
INTRODUCTION AND OVERVIEW.....	4
APPROACH.....	6
WHAT IS (AND ISN'T) CHANGING.....	7
Investment principles.....	8
Benefits framework.....	8
Business case improvements.....	8
Assessment.....	9
Prioritisation.....	10
Capability.....	10
Areas of ongoing improvement.....	10
IDMF Building blocks - the complete picture.....	11
Areas of ongoing improvement.....	19
ACKNOWLEDGEMENT.....	20
APPENDIX A - SCOPE OF REVIEW.....	21
APPENDIX B – UNDERSTANDING THE CHANGES.....	22
Learning support.....	22
InvestHUB – a new way to access investment and business case tools, information and support.....	22
Community of Practice – a new initiative to create connections and build sector capability.....	23
Getting ready.....	23
Ongoing support.....	23

INTRODUCTION AND OVERVIEW

Fig. 1 The New Zealand transport planning and investment system



The Investment Decision-Making Framework (IDMF) guides investment decisions and how activities are developed, prioritised and assessed for funding in the land transport system. Waka Kotahi 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. A review of the IDMF was initiated in response to changes to the GPS 2018, and to address known issues relating to economic appraisal, prioritisation, business cases and benefits realisation.

Specifically, Waka Kotahi was asked to ensure consideration of all land transport modes and alternatives in its planning and investment decisions, and to ensure the IDMF reflects government expectations around social, economic, cultural and environmental outcomes in transport planning.

In 2018 Waka Kotahi began this review, working in partnership with the Ministry of Transport and supported by Local Government New Zealand, with the aim of:

- Creating a **clear and unambiguous framework** for the assessment and prioritisation of investment proposals for the National Land Transport Programme (NLTP);
- 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;
- Moving to a more **customer-centric framework** that is transparent, and easy to access and understand.

Waka Kotahi also used this review as an opportunity to better understand and address sector concerns about the investment framework; particularly making it easier to navigate the framework and to understand how Waka Kotahi makes its investment decisions. To do

this, Waka Kotahi actively involved and worked closely with local government (and the broader transport sector) during each stage of the review. A summary of the scope of the review can be found at Appendix A.

Waka Kotahi understands that the ongoing stability of the system and consistency in its processes are important for those it works with, so it also focused on ensuring the new framework is both enduring and adaptable for the future.

Over time, it is expected that the IDMF will ensure better and more transparent decision making, so that it is clear how investments in the transport system support liveable, safe and connected communities, and contribute to a productive economy that delivers more jobs, higher incomes, and higher living standards for all New Zealanders.

APPROACH

Waka Kotahi used a three-stage approach to carry out this review:

- **Investigation** – gathering information from the sector and transport users to assess the current processes.
- **Design** – using findings from the investigation stage to inform co-design of new investment decision-making processes (and other related functions).
- **Implementation** – taking the new design and embedding it into Waka Kotahi and identifying where it can be embedded in co-investment partners' systems, processes and capability needs.

Waka Kotahi understood the success of the IDMF review depended on strong sector support which is why it actively involved local government at each stage of the review.

The investigation stage of the review was completed mid-2019, and was informed by national and international research, topic-specific workshops and national roadshows. The workshops and roadshows were developed and hosted jointly by Waka Kotahi, Ministry of Transport, and Local Government New Zealand.

[A report summarising these findings](#) was released in October 2019.

Waka Kotahi used the findings from the investigation stage to inform its thinking about the design of the new framework. As it did this, it continued to engage with internal and external technical subject matter experts to co-design the more technical components of the IDMF.

In December 2019 a [Draft Design Report](#) was released asking for feedback on specific aspects of the draft IDMF design relating to investment principles, the assessment of investment proposals, and the development of business cases and low cost, low risk programmes. A series of information sessions were held in February 2020 to answer stakeholders' questions about the proposed design.

Consultation on the proposed changes closed on 21 February and a [summary of the key themes](#) that came through in the feedback received was released in April 2020.

Between February and May 2020 Waka Kotahi continued to involve local government as it refined its thinking and welcomed the involvement of Approved Organisations (AOs) to test its new tools, templates and guidance, to ensure its final decisions continued to reflect the needs of its business and of local government.

This report therefore represents the combined, sustained efforts not only of Waka Kotahi and the Ministry of Transport, but of the transport sector as a whole, and has benefitted from the ongoing support of Local Government New Zealand.

WHAT IS (AND ISN'T) CHANGING

The IDMF review considered opportunities for improvement across the entire investment decision-making framework. As a result, improvements have been made at each stage of the investment decision-making process that, together, create a more coherent end-to-end framework that is easy to understand and simpler to use.

There are some important aspects of the IDMF that the sector is familiar with that are not changing. For example, the **business case approach** will still be used to provide the evidence needed to make a case for investment from the National Land Transport Fund. **Cost benefit analysis** will also remain as a key component of assessment, when valuing the benefits and costs involved in a proposal, and to ensure it represents value for money.

There are five substantive changes for investment decision-making arising from the IDMF review (summarised in the table below). In particular, Waka Kotahi has simplified the way business cases are developed and enabled lower cost activities to be approved for funding in a streamlined way. It has also made improvements to the assessment of investment proposals, allowing for more transparent consideration of monetised and non-monetised impacts, and clarified investment principles and policies. To ensure these improvements are easy to understand and apply, Waka Kotahi has developed clear guidance, tools, templates and exemplars.

The change
Investment principles: Waka Kotahi is moving from 10 investment principles down to five easy-to-understand principles to guide investment choices.
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.
Right-sizing business cases: Waka Kotahi 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: Assessment of monetised and non-monetised benefits and costs will enable us to deliver on a wider range of outcomes. Tools and guidance have been developed to help in the assessment of options and in the decision-making process.
Capability: Waka Kotahi has developed new ways to increase the capability of users across the sector, to ensure they understand and can confidently apply the changes being made.

Each of the key improvements are described in more detail below. This information will be available in the Planning and Investment Knowledge Base (PIKB) on 1 July 2020.

Guidance is also available on transitioning to the IDMF (see IDMF Building blocks - the complete picture, below), clarifying that the new guidance and tools for use in developing and assessing business cases applies to new business cases started after 30 June 2020. Business cases already underway at 30 June can continue to meet existing requirements and no rework will be required.

Ongoing training and support will be available to the transport sector, to ensure it can confidently adapt to and apply the IDMF changes – more details can be found below and in 'Understanding the changes' (see Appendix B).

Investment principles

Investment principles have been updated to better reflect current investment priorities and practice, and to make them clearer and easier to understand. Five new, high-level investment principles have been created to sit alongside the Land Transport Management Act operating principles. These new principles will guide the application of existing, and the development of new, investment policies.

Benefits framework

A **new benefits framework** has been developed to make the use of benefit information in planning and reporting easier and more consistent. The supporting guidelines detail the qualitative, quantitative and monetised benefits that will be presented to investment decision makers and will enable benefits from transport investments to be monitored. The benefits align with the Ministry of Transport's Transport Outcomes Framework and are mode neutral, i.e. can be used for any transport mode.

To support this, the Economic Evaluation Manual (EEM) has been updated and renamed the **Monetised Benefits and Costs Manual (MBCM)**. The MBCM provides guidance on monetised benefits and costs. It has been made mode neutral and is easier to understand and use. New ways of monetising some benefits – for example health impacts, urban amenity, tourism, and the benefits of transformational transport investments (known as dynamic land use impacts) – have also been included.

A separate **Non-Monetised Benefits Manual (NMBM)** has been developed to provide guidance on quantifying or describing impacts that either cannot be monetised or are not appropriate to monetise. These benefits have been drawn from the benefits framework, from non-monetary guidance within the EEM, and from guidance on how to determine impacts on Māori.

Business case improvements

Waka Kotahi has responded to sector feedback that **better guidance and more flexibility** is needed around the business case process. It has developed guidance on preparing a right-sized business case, based on the level of risk, uncertainty and complexity involved. Business case pathways are clearer and simpler. Templates and business case exemplars will also make it easier to prepare a business case. For example:

- Waka Kotahi has increased the threshold for **low cost, low risk (LCLR) activities** from \$1M to \$2M for the 2021-24 National Land Transport Programme (NLTP). Activity Management Plans or the equivalent for public transport activities are expected to provide the overall business case for these LCLR activities, so business cases are only required for activities with a total cost exceeding \$2M in the 2021-24 period. However, additional information about location, benefit and strategic priority is required for each LCLR activity.
- New **programmes and packages** guidance details when a business case can be prepared for more than one activity. Different pathways are available for programmes and packages through the business case process to funding approval, including a streamlined process for standard interventions.
- Business cases have been simplified for non-complex activities where the whole-of-life cost is less than \$15M. A new, short-form business case – known as a **‘single stage business case lite’** – is now available for these investments. **Simplified procedures** for calculating the benefit cost ratio can be used for activities that fit the criteria, with an increase in the threshold from \$5M to \$15M whole-of-life costs.
- **Assessment tools** (described below) are also available to help in the ‘optioneering’ process – the process by which alternatives and options are refined to a preferred solution.

Assessment

Consistent with its approach to business cases, Waka Kotahi has made changes to match the level of assessment with the level of risk and complexity involved. A fundamental change is the introduction of the appraisal summary table, which makes it easier to ensure both **monetary and non-monetary impacts** are considered when deciding whether a proposal represents value for money. **New tools and guidance** have also been developed that help both in the assessment of alternatives and options and in the decision-making process. Together, they enable wider outcomes and impacts to be considered, ensure proposals are aligned to the GPS, and enable more transparent decision-making:

- An **early assessment sifting tool** is available, to support the coarse screening of alternatives and options to confirm a long list of options.
- A **multi-criteria analysis tool** is available to assess alternatives and options at the long list and short list stage and is suitable for both investment and Resource Management Act purposes.
- A new **appraisal summary table** is required for all business cases started after 30 June 2020 to show the impacts of short-listed options. The appraisal summary table is a structured way to show the monetised and non-monetised benefits and costs of short-listed options and the preferred solution. This tool plays a key role in demonstrating how a preferred solution contributes to outcomes and also enables Waka Kotahi to track benefits.

- To support greater innovation in the sector, new guidance is available on putting forward **trial or pilot activities**.

Prioritisation

Waka Kotahi has created a **draft investment prioritisation method** (IPM), which will replace the Investment Assessment Framework for the 2021-24 NLTP. It proposes moving from two prioritisation factors to three (as was the case before 2018), to give effect to the draft GPS 2021. This includes a three-factor priority order matrix and an indicative efficiency rating tool, to prioritise activities for inclusion in the 2021 – 24 NLTP.

The draft IPM has been developed based on the draft GPS that was released for consultation in March 2020. Consultation on the draft IPM will take place once any changes to the draft GPS 2021 are understood.

Capability

Waka Kotahi wants to ensure users can confidently apply the changes when needed. It has developed new ways to **build capability and support users** across the sector, helping them to understand and use the system, and to use the new tools it has developed.

Not only has it ensured its information, tools and guidance are in plain, easy-to-understand language, it has also created **InvestHUB** – a new, centralised portal where users can access all the information, training, tools and guidance they need.

Areas of ongoing improvement

Waka Kotahi takes a continuous improvement approach to its policies, guidance and tools, including:

- Updating Transport Investment Online (TIO)
- Calculating resilience benefits
- Impact on greenhouse gas emissions
- Impact on health (noise)
- Treatment of Risk and uncertainty in Cost Benefit Appraisal
- Updating values of travel time, reliability and the value of statistical life

More information can be found below.

IDMF Building blocks - the complete picture

All of these building blocks will be effective from 1 July 2020, although changes to the LCLR take effect for the 2021 – 24 NLTP, so will only apply from July 2021.

More detailed, technical information on each of these can be found under ‘Additional information’ in the table below.

The building blocks	The improvement	Additional information
<p>Planning and investment decision-making framework</p> <p>An end-to-end, high-level diagram shows the context within which investment decisions are made. It supports conversations about how the investment decision-making framework sits within the wider system.</p>	<p>AOs can better understand the context in which investment decisions are made.</p>	<p>Refer to introduction and overview</p>
<p>Investment principles</p> <p>Investment principles have been reviewed and rewritten to clarify their role in investment decision making to both internal and external customers 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. These new principles are high level, holistic and enduring. They are supported by investment policies that guide investment decision making.</p> <p>These investment principles will guide new investment policies, the application of existing investment policies, and the development of transport solutions to be funded by the National Land Transport Fund.</p>	<p>AOs can better understand what is guiding Waka Kotahi as it applies existing, and develops new, policies.</p>	<p>Link to technical paper</p>

<p>Investment policies</p> <p>Investment policies have been reviewed, updated and put into plain language.</p>	<p>AOs can more easily understand investment policies</p>	<p>Planning & Investment Knowledge Base (PIKB)</p>
<p>Right-sized business case guidance</p> <p>Waka Kotahi has developed guidance on preparing a right-sized business case, based on the level of risk, uncertainty and complexity involved. This guides the point of entry discussions, so the level of effort needed to complete a business case is clear at the outset and the right pathway is chosen.</p> <p>A short-form business case – known as a ‘Single Stage Business Case Lite’ – can be used for non-complex activities where the whole-of-life cost is less than \$15M.</p> <p>An exemplar business case will help with the preparation of different types of business cases.</p>	<p>Determining the right level of effort and the correct business case pathway is expected to reduce the cost and time involved in developing business cases, particularly those under \$15m.</p>	<p>Link to technical paper</p>
<p>Low cost, low risk programmes</p> <p>Waka Kotahi has increased the threshold for low cost, low risk (LCLR) activities from \$1M to \$2M for the 2021-24 NLTP period. Waka Kotahi expects Activity Management Plans or the equivalent for public transport activities to provide the overall business case for these LCLR activities, including setting out its approach to addressing gaps in the existing customer level of service and optimising its programme. LCLR activities can also arise from other programme business cases, such as the Safe Network Programme. Business cases are only required for activities with a total cost exceeding \$2M in the 2021-24 period.</p> <p>Additional information about location, benefit and strategic priority will be required to help with tracking investment against the delivery of GPS priorities, and on closing gaps in customer level of service. Waka Kotahi has updated guidance on LCLR programmes to</p>	<p>More activities can be included in a funding-approved LCLR programme. AOs will have information that better demonstrates the value of LCLR programmes.</p>	<p>Link to technical paper</p>

reflect this.		
<p>Programmes and packages</p> <p>Waka Kotahi has updated its guidance to clarify what is meant by a programme or package and to help AOs determine whether to develop a business case for an individual activity or for a programme or package of activities. The guidance clarifies what is needed if the business case is being developed to obtain approval for funding.</p> <p>The guidance also helps Waka Kotahi make investment decisions based on a business case for a programme. This guidance builds on existing approaches to programmes (e.g. maintenance programmes, public transport services continuous programmes, the Safe Network Programme, and LED lighting programmes).</p>	<p>AOs will have greater clarity about the approach they should take when developing business cases for a package or a programme.</p>	<p>Link to technical paper</p>
<p>Standard interventions</p> <p>A standard intervention is a simple, repeatable solution that is used for a particular problem that is well understood, and where the solution has been used for similar projects in the past and will continue to be used for those projects in the future.</p> <p>Waka Kotahi has developed guidance to outline the criteria that needs to be met before new standard interventions are developed to streamline the business case approach.</p> <p>Transport optimisation has been identified as a potential area where standard interventions could be developed in 2020/21.</p>	<p>New standard interventions create an easier and quicker process for AOs to get funding approval.</p>	<p>Link to technical paper</p>
<p>Assessment</p> <p>Guidance on the appraisal of options and for the assessment of business cases has been clarified. This includes consideration of both monetised and non-monetised benefits. Waka Kotahi has developed tools to help with options appraisal and investment decision-</p>	<p>AOs can more easily demonstrate the benefits of a proposed investment.</p>	<p>Link to technical paper</p>

<p>making to ensure it can demonstrate effect is being given to the GPS and that local government can demonstrate its investment in community outcomes.</p> <p>There is clearer differentiation between assessment and prioritisation - the Investment Assessment Framework will be replaced by the Investment Prioritisation Method.</p> <p>The new assessment tools and guidance (Appraisal summary table, Early assessment sifting tool and Multi-criteria analysis) are discussed separately below.</p>		
<p>Appraisal summary table</p> <p>A new appraisal summary table (AST) has been created that provides a structured way of presenting decision-makers with an overview of monetised, quantitative and qualitative benefits and costs, at both the short list and preferred option stage.</p> <p>The use of the AST is required for any new business cases started after 1 July 2020, to align with the benefits framework.</p> <p>The AST is widely used internationally and has been adapted to the New Zealand transport context.</p>	<p>AOs can more easily present decision-makers with both monetised benefits and costs and non-monetised benefits.</p>	<p>Can be found in the Assessment technical paper, above</p>
<p>Early assessment sifting tool</p> <p>A new early assessment sifting tool (EAST) has been created to support the 'coarse' screening of alternatives and options. The EAST has been designed to quickly and robustly rule out alternatives and options that are non-starters. It has been adapted from UK best practice.</p>	<p>Helps with coarse screening of alternatives and options, including documenting decisions made.</p>	<p>Can be found in the Assessment technical paper, above</p>
<p>Multi-criteria analysis</p> <p>Multi-criteria analysis (MCA) is a tool that uses quantitative and qualitative criteria to assess alternatives and options. MCA is used to help determine a short list of options or</p>	<p>The updated MCA guidance and template will</p>	<p>Can be found in the Assessment technical paper, above</p>

<p>when selecting the preferred option. MCA guidance has been updated and will help with the selection of criteria, scoring and sensitivity analysis. The process for carrying out MCA is clearly outlined, ensuring alignment with Resource Management Act and Public Work Act requirements. The MCA template reinforces the need for a broad range of alternatives and options to be considered.</p>	<p>help with the assessment of alternatives and options.</p>	
<p>Benefits framework</p> <p>A new benefits framework has been developed that outlines and organises types of benefits that align with enduring transport outcomes.</p> <p>The framework is mode neutral and aligns with the Ministry of Transport's Transport Outcomes Framework and Treasury's living standards 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>Three guidance documents have been developed:</p> <ul style="list-style-type: none"> • Land transport benefits management and benefits framework guidelines • Non-monetised benefits manual • Monetised benefits and costs manual (updated EEM) <p>While the benefits framework will not apply until 1 July 2020, the measures are already being used. Data and benefit information will be updated on an ongoing basis.</p>	<p>One set of qualitative, quantitative and monetised benefits to better understand the overall benefit of a transport investment.</p>	<p>Link to technical paper</p>
<p>Non-Monetised Benefits Manual (NMBM)</p> <p>The Non-Monetised Benefits Manual provides detailed information and instruction on how to use the quantitative and qualitative benefit measures (formerly called the investment performance measures).</p> <p>This manual includes guidance on the consideration of cultural and Māori values and guidance on other non-monetised benefits that was previously in the Economic Evaluation</p>	<p>Waka Kotahi and AOs can take into account other benefits when considering an investment proposal.</p>	

Manual.		
<p>Monetised Benefits and Costs Manual (MBCM)</p> <p>Waka Kotahi has developed a new Monetised Benefits and Costs Manual to replace the existing Economic Evaluation Manual (EEM). The MBCM is an updated EEM with a focus on the monetised costs and benefits (including disbenefits) in a cost benefits analysis. New values for benefits, along with new calculation methods for some benefits are also included.</p> <p>Simplified procedures can be used for activities that fit the criteria, with an increase in the threshold from \$5M to \$15M whole-of-life costs.</p> <p>The following changes i) to v) are included in the new MBCM:</p>	<p>The manual will be shorter and it will be easier to find information solely about costs and monetised benefits. AOs will be clearer about how to estimate the benefit cost ratio for an investment proposal.</p>	
<p>i) Dynamic WEBs and land use benefits for transformative transport projects</p> <p>Waka Kotahi has developed a methodology that can be used to recognise the benefits arising from transformational transport investments in urban areas. These are investments that are expected to result in significant changes to where people live and work. The methodology can be used in business cases involving rapid transit or new strategic routes, in urban areas which significantly increase access to an employment centre. This methodology is available now, for immediate use.</p>	<p>AOs will be clearer about how to calculate dynamic land use benefits.</p>	<p>Link to technical paper</p>
<p>ii) Tourism-related impacts (cost and benefits)</p> <p>The practice note on tourism-related impacts provides a consistent approach for estimating benefits related to international tourism for New Zealand. While the calculation of tourism benefits has been allowed in</p>	<p>AOs will be clearer about how to calculate tourism-related impacts.</p>	<p>Link to technical paper</p>

<p>previous business cases, the methodology provides guidance not only on how to calculate benefits, but also how to avoid common errors.</p>		
<p>iii) Discount rate and analysis periods</p> <p>Waka Kotahi has revised the discount rate used in cost benefit analysis from 6% to 4% in order to better assess long-term impacts. This change also permits increases in the analysis period to 60 years, from the current 40-year time period. Guidance recommends sensitivity testing at 6% and 3% is carried out. This change makes the quality of demand forecasting even more important. It also increases the need for a range of options and scenarios to be developed, and for reporting on distribution and uncertainty in business cases and economic evaluation.</p>	<p>Long-term impacts will be given more weight.</p>	<p>Link to technical paper</p>
<p>iv) Health and active modes impacts</p> <p>Parameter values for health and active modes, including the use of e-bikes, have been updated.</p>	<p>AOs will have revised values for health benefits</p>	<p>Link to technical paper</p>
<p>v) Impact on urban amenity (pedestrian environments)</p> <p>Guidance and values have been developed for the impact of pedestrian and footpath improvements on pedestrian experience.</p>	<p>AOs will be clearer about how to value urban amenity in pedestrian environments.</p>	<p>Link to technical paper</p>
<p>Trials and pilot activities</p> <p>In recognition of the unique characteristics of trials and pilot activities, guidance clarifies the pathway for investment and how applications for trials/pilots are assessed.</p>	<p>AOs will have a clearer understanding about the investment pathway for trials and pilot activities.</p>	<p>Link to technical paper</p>

<p>Cultural and Māori values</p> <p>Guidance helps with the consideration of cultural and Māori values in the assessment of options in a business case. Tools such as the EAST, MCA and AST have been developed to enable consideration of cultural and Māori values. ‘Impact on heritage and other cultural values’ and ‘impact on Te Ao Māori’ are included in the benefits framework.</p>	<p>AOs will be clearer about how they should consider cultural and Māori values in their planning.</p>	
<p>Capability</p> <p>Waka Kotahi has developed new ways to build capability and support users across the sector, helping them to understand and use the system, and to use the new tools it has developed.</p> <p>Information, tools and guidance are in plain, easy-to-understand language. InvestHUB is a new, centralised portal where users can access all the information, learning modules, tools and guidance they need. Waka Kotahi has also established a ‘community of practice’ to enable users to network, share knowledge and experiences, and discuss any challenges with colleagues across the transport sector.</p> <p>All current investment-related content in the Planning and Investment Knowledge Base (PIKB), the Highway Information Portal (HIP), and the Waka Kotahi website (e.g. Business Case Approach guidance) is being systematically reviewed, rationalised and, in some cases, rewritten or retired. New landing pages and links have been developed to improve the experience for users and to enable further improvements to be made over time.</p>	<p>AOs will be confident in applying the investment decision-making changes and in using the new tools.</p>	
<p>Transition guidance</p> <p>This guidance clarifies that IDMF changes apply to new business cases started after 30 June 2020. Business cases already underway at 30 June can continue to meet existing requirements and no rework will be required.</p>	<p>AOs have clarity that rework is not required to business cases already underway.</p>	<p>Link to technical paper</p>

Areas of ongoing improvement

Change	Availability
<p>Updating Transport Investment Online</p> <p>Waka Kotahi has reviewed Transport Investment Online (TIO) with a view to reducing the number of information fields. Information from the IDMF review about the system's future needs is also informing other changes to the TIO system.</p>	<p>Updates to TIO are expected over the August to December 2020 period</p>
<p>Calculating resilience benefits</p> <p>Waka Kotahi has funded research to update the calculation of resilience benefits. This research is expected to be available in late 2020.</p>	<p>2021</p>
<p>Impact on greenhouse gas emissions</p> <p>The Ministry for the Environment (MfE) is responsible for updating the cost of carbon for use by all agencies. Waka Kotahi has provided its work as an input to the MfE update and will publish the appropriate values when available.</p>	<p>To be determined</p>
<p>Treatment of Risk and uncertainty in Cost Benefit Appraisal</p> <p>Guidance and a tool are being developed on how to consider risk and uncertainty in a business case when carrying out an economic assessment of the outcomes being sought from a business case. Risk and uncertainty implications will be particularly useful for decision makers when gathering evidence to support a business case.</p>	<p>This is expected to be available in the first half of 2021</p>
<p>Impact on health (noise)</p> <p>The Ministry of Transport is leading a research project to estimate and visualise transport noise exposure in New Zealand, and to provide a tool for estimating the related</p>	<p>2021</p>

<p>social costs. Waka Kotahi is awaiting the results of this research and will update the valuation of land transport noise in the MBCM in 2021.</p>	
<p>Update of major parameter values</p> <p>Waka Kotahi and the Ministry of Transport have commissioned research to update parameter values, including the value of travel time, value of Statistical Life (including for serious and minor injury), value of reliability and other values. Updated values would replace those currently in the Monetised Benefits and Costs Manual.</p>	<p>2021</p>

ACKNOWLEDGEMENT

Waka Kotahi, together with the Ministry of Transport, would like to thank Local Government New Zealand and the transport sector for their invaluable support and commitment to creating an investment decision-making framework that is robust, transparent, easy to understand, and that delivers the best transport outcomes for all New Zealanders.

APPENDIX A - SCOPE OF REVIEW

The IDMF review focused on five key aspects of the framework:

Area of focus	Purpose
Investment Principles and Policies - focused on existing investment principles and policies.	<ul style="list-style-type: none"> • recommend principles and policies for the future framework, and provide a clear distinction about the relationship between them, and; • understand key policy gaps and make recommendations to address these.
Benefits management – focused on identifying benefits that contribute to outcomes	<ul style="list-style-type: none"> • monitor and report on the benefits of transport investment and their contribution to the GPS • identify a common set of benefits to measure • use in the assessment of business cases
Building the Case - focused on the IDMF business case approach and links across the workstreams.	<ul style="list-style-type: none"> • develop tools and processes that allow agile development of proposals; • ensure the right level of effort is applied according to scale, risk, and complexity, and provide clarity on pathways for building the case for investment; • recognise and use existing strategic documents; and • bring all the requirements for business cases and their assessment together.
Investment Assessment - focused on how investment proposals perform and compare.	<ul style="list-style-type: none"> • ensure assessment approaches are consistent with whole of government, informed by research and international best practice, and enable a wider view of costs and benefits to be considered in investment decision-making; • ensure alignment across all aspects of benefits management and realisation, in particular between indicators and measures we are using to tell the benefits realisation story and how we use this information within assessment; and • improve cost-benefit appraisal to better account for qualitative and quantified benefits, alongside monetised benefits, within decision making.
Investment Prioritisation (formerly called the “Investment Assessment Framework”) - focused on the method and factors for prioritising investment in the NLTP.	<ul style="list-style-type: none"> • review and improve the method of prioritising activities in the NLTP to achieve outcomes for Government and communities; • make the process for prioritisation simple; and • provide confidence that the factors and methods for prioritisation enable the NLTP to deliver on strategic priorities and outcomes.
Capability – focused on embedding the improvements and changes made throughout the IDMF review programme.	<ul style="list-style-type: none"> • build staff and sector capability in preparing, appraising, assessing, and prioritising business cases; and • make information, guidance, tools etc easy to find, understand and use.

[The Government Policy Statement on Land Transport 2018](#) provides guidance and details government expectations for the IDMF review: “An investigation into the appropriateness of current economic evaluation approaches will be a priority to ensure they are fit for purpose”. In particular, paragraphs 135-139 and 149 have helped scope the review.

APPENDIX B – UNDERSTANDING THE CHANGES

Waka Kotahi has developed new ways to build capability and support users across the sector, helping them to understand and use Investment Decision-Making Framework tools and guidance.

Investment-related information and new training, tools and guidance are in plain, easy-to-understand language and will be accessed through a new, centralised portal – InvestHUB.

Learning support

Waka Kotahi has developed self-paced learning modules about the new tools that allow users to check their knowledge. These modules help users focus on key concepts, and questions reinforce concepts as they are applied in practice.

Three learning modules have been updated: two Business Case Approach introductory modules and an introduction to the Investment Decision Making Framework. (These and other learning modules will be available via Learning Zone and then via InvestHUB.)

InvestHUB overview ('navigation') sessions will also be available for registered users.

More detailed briefing sessions will also be held for external users covering key components of the IDMF, tools & guidance.

InvestHUB – a new way to access investment and business case tools, information and support

InvestHUB lets users access all the information they need about investment decision-making and business case development in one place; including guidance, exemplars, a Community of Practice, a knowledge checker, events and learning activities.

Waka Kotahi is making it easy to access the right resources to develop an investment proposal, whether that's an exemplar for a single-stage business case, a tool to quantify non-monetary benefits of an investment or accessing mentors through the Community of Practice.

Personas have been developed to help deliver content that is relevant to each user. They also allow more targeted communications, reducing unwanted 'noise'.



Users will be able to register for InvestHUB in July 2020. Waka Kotahi will be providing more details about the registration process closer to this time.

Community of Practice – a new initiative to create connections and build sector capability

Waka Kotahi has also established a 'community of practice' to enable users to network, share knowledge and experiences, and discuss any challenges with colleagues across the transport sector.

With a membership made up of practitioners of all levels of experience and ability, it has been established to support competent, professional practitioners who are committed to best practice and continuous sector improvement.

Waka Kotahi is committed to investing time in the Community of Practice to support the development of skills and capabilities in the transport sector.

Getting ready

Waka Kotahi is running overview and information sessions for its people, approved organisations and consultants who will apply aspects of the IDMF. An online session for approved organisations and consultants will help them understand what is changing, transition arrangements and the benefits of using the new tools and templates.

This Information will also be available in the usual way – including on the Waka Kotahi website and through its regular external newsletter, the NLTP Bulletin.

Ongoing support

All registered users will have access to learning content, tools and guidance through InvestHUB. Questions can be sent to decisionmaking@nzta.govt.nz. Waka Kotahi investment advisors are available to help resolve issues, and subject matter experts will be available to address any issues of a technical nature.