An updated draft investment assessment framework (IAF) has been developed to give effect to changes signalled in the draft Government Policy Statement on Land Transport for 2015/16 to 2024/25 (GPS 2015).

The new IAF will be used to support our investment partners to develop land transport activities for inclusion in Regional Land Transport Plans (RLTP), as part of the development and delivery of the 2015-18 National Land Transport Programme (NLTP). It will remain draft until the GPS is finalised.

**THE ROLE OF THE IAF IN THE INVESTMENT DECISION MAKING PROCESS**

In responding to the draft GPS, and in developing the NLTP, the NZ Transport Agency is taking the opportunity to change the way we work to deliver greater value to users of the transport system as part of a one network way of thinking, by:

- being clear on the outcomes and priorities we want to achieve for users of the transport system
- working together to do the right things at the right time for the right price - optimising programmes so they deliver the outcomes and improve the transport system for users
- getting the right balance of investment between direct land transport system users and ratepayers.

There are a number of building blocks that come together to support this approach which include the investment assessment framework, the One Network Road Classification, the funding assistance rates review, improving the evidence base and the business case approach.

Our investment partners should follow the four-stage business case approach as they develop transport activities and projects. The outputs from each stage of the business case approach are evaluated using the IAF to ensure the right issues and opportunities are identified, appropriately timed and scaled responses are developed and whether those potential responses are eligible for funding through the NLTP.

**THE IMPACT OF THE DRAFT GPS ON THE IAF**

The draft GPS 2015, released for sector engagement in June 2014, proposes to continue the three key priorities from GPS 2012:

- Economic growth and productivity
- Road safety
- Value for money.

The GPS does not determine individual activities which will be funded, or how much funding any particular activity will receive. Rather, the government sets priorities, key results areas and allocates ranges of funding through the GPS to guide decision makers where to invest.

The Transport Agency gives effect to the GPS by using the IAF to determine what activities will receive funding within the overall funding range.
WHAT’S DIFFERENT ABOUT THE UPDATED IAF

The updated investment assessment framework will continue to use three criteria, but one has been renamed:

1. **Strategic fit** assesses whether the benefits identified from a business case approach align with the GPS results.

2. **Effectiveness** assesses the consistency of a proposal with the business case and how well it delivers on the results identified in the strategic fit assessment.

3. **Benefit and cost appraisal** (previously economic efficiency) assesses the whole-of-life benefits and costs based on the *Economic evaluation manual* for improvement activities and cost effectiveness and performance comparisons for road maintenance and public transport operations and services.

Other key changes in the updated IAF are:

- rationalising assessment factors and criteria, including improving:
  - integration with the business case approach
  - clarity of the principles and outcomes-based criteria
  - the strategic fit assessment’s link to GPS results
  - the way the effectiveness assessment shows how the GPS results can be delivered
- encouraging innovation by adopting a more outcomes-based assessment criteria
- increasing the focus on resilience in line with the draft GPS
- ensuring that the new *regional improvements activity class* is assessed and prioritised in line with the draft GPS. This new activity class is different from the old regionally distributed ‘R’ funds. The key features are:
  - it is a single nationally contestable fund rather than a set distribution across regions
  - it is designed to allow a regional focus on national priorities of freight efficiency, resilience, road safety and tourism travel
  - it is restricted to road improvements
  - it is restricted to eligible districts (defined by the Transport Agency) where network improvements are not being addressed under national priorities
  - it uses assessment criteria from the state highway and local road improvement activity classes
- changing the efficiency assessment for improvements:
  - now called the **benefit and cost appraisal**
  - changing to numerical bands to show this is a quantitative assessment; 1 to 3, 3 to 5, 5+ bands replace low, medium and high rating for benefit cost ratios (BCR)
  - programmes will continue to use low, medium and high rating as determined through performance comparisons and cost effectiveness
> increasing the transparency of the investment assessment framework by:
> presenting the framework clearly and concisely
> clearly outlining how the framework fits within the overall funding system
> increasing the transparency about how and why investment decisions are made by reporting on the:
> driver for investment to identify the GPS results being addressed within the strategic fit assessment
> reasons for the effectiveness assessment to show the investment delivers on the results
> actual quantitative assessment (BCR for improvements) at funding approval.

THE IAF PROCESS

1. Strategic fit assessment

The strategic fit assessment has components that look at the relevance and significance of the issue/opportunity in relation to desired transport results. It assesses how the proposal:

- matches the desired GPS result(s)
- is significant in relation to the desired GPS result(s)
  > the scale of the performance gap or desired change to level of service, and its
  > significance from a national perspective (national/regional/local)

- is significant in relation to GPS timeframes – within 3/6/6+ years based on the optimum timing for addressing the issue/opportunity.

2. Effectiveness assessment

The effectiveness assessment has components that look at how well the proposed activity or programme:

- is outcomes focused – rated low, medium or high based on factors including:
  > tangible change in performance to results/outcomes identified in the strategic fit assessment
  > consistency with levels of service in a classification system

- is integrated – rated low, medium or high based on factors including:
  > its consistency with the current network and future transport plans
  > its consistency with other current and future activities
  > its consistency with current and future land use planning
  > whether it accommodates different needs across modes
  > whether it’s an agreed activity across partners

- is correctly scoped – rated low, medium or high based on factors including:
  > the degree of fit as part of a justified strategy or business case
  > the proposal has followed the intervention hierarchy to consider alternatives and options including low cost alternatives and options
  > if it’s of an appropriate scale in relation to the issue/opportunity
  > whether it covers and/or manages the spatial impact (with the wider environment)
  > whether it mitigates any adverse impacts on other results

- is affordable – rated low, medium or high based on factors including whether it:
  > is affordable through the lifecycle for all parties
  > represents the best whole-of-life cost approach
  > properly apportions benefits and costs between transport users and other parties

- is timely – rated low, medium or high based on factors including whether it:
  > delivers enduring benefits over the timeframe identified in the justified strategy or business case
  > provides the benefits in a timely manner

- provides confidence – rated low, medium or high including whether the proposal:
  > manages current and future risk for results/outcomes
  > manages current and future risk for costs.

The overall effectiveness assessment is reported as the lowest component.

3. Benefit and cost appraisal assessment

The benefit and cost appraisal assessment considers how well the proposed solution provides value for money. The BCR is used for improvements and cost effectiveness and performance comparisons are used for road maintenance, public transport operations and services. Non-monetised benefits that are not included in the BCR may be considered in support of the benefit cost appraisal assessment.
### BENEFIT COST APPRAISAL

<table>
<thead>
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<th>NO RATING</th>
<th>1 TO 3</th>
<th>3 TO 5</th>
<th>5+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements to: Local roads, state highways, new public transport initiatives, walking and cycling</td>
<td>When no assessment provided</td>
<td>BCR ≥ 1 and &lt; 3</td>
<td>BCR ≥ 3 and &lt; 5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NO RATING</th>
<th>LOW</th>
<th>MEDIUM</th>
<th>HIGH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programmes for: road maintenance, public transport operations, public transport services, road policing, minor improvements and road safety promotion</td>
<td>When no assessment provided</td>
<td>Below average cost-effectiveness</td>
<td>Average cost-effectiveness</td>
</tr>
</tbody>
</table>

### RESOURCES AND TOOLS

- Visit the Knowledge Base website for more information about the draft IAF, including detailed assessment tables (www.pikb.co.nz/assessment-framework/).
- Take a look at the NLTP guidance material on our website which includes information about the business case approach, one journey approach, One Network Road Classification, guidelines for preparing regional public transport plans and Safer Journeys.
- An overview of the NLTP and the business case approach – outlines four key stages.
- Toward the NLTP timeline (A3 overview) – outlines key timeframes, actions and guidance for working together to develop RLTPs and the NLTP.
- More information about the draft GPS is available at www.transport.govt.nz/gps.

### TIMING

At this stage, it’s anticipated that the government will release the confirmed GPS in late 2014, so that that organisations can consider it when developing their transport plans as part of the 2015-18 NLTP.

The Transport Agency will then release the final Investment Assessment Framework which will be based on the direction set by the confirmed GPS.