

Submission by

Hamilton City Council

INVESTMENT DECISION-MAKING FRAMEWORK REVIEW

21 February 2020

1.0 INTRODUCTION

- 1.1 Hamilton City Council (HCC) welcomes the opportunity to provide feedback to Waka Kotahi NZ Transport Agency's consultation on the Investment Decision-Making Framework Review.

2.0 INVESTMENT PRINCIPLES

- 2.1 *IDMF building block: Investment principles - 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.*

Five new investment principles have been created, to sit alongside the 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.

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.

The five principles are:

- Invest in the transport system to achieve multiple government outcomes.
- Take a comprehensive approach to delivering best value for money.
- Ensure solutions are future focused and adaptable.
- Promote alignment on local and national priorities and impacts.
- Make decisions following a transparent process linked to a strong evidence base.

IDMF building block: Right-sized business case guidance - 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.

The Transport Agency is also developing a short-form business case known as a 'single stage business case lite' for investments up to \$5m.

- 2.2 **How can we improve these?**

- 2.3 HCC supports the five proposed Investment Principles as an improvement, being more targeted on investment (and not planning) and have removed unnecessary duplication with legislative requirements.

- 2.4 HCC requests that consideration of “cultural” impacts be added to Principle 2.
- 2.5 HCC requests the replacement of “costs and benefits” in the expansion of Principle 2 be changed to “whole of life costs and benefits”.

3.0 RIGHT SIZING THE BUSINESS CASE

- 3.1 *IDMF building block: Right-sized business case guidance - 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. The Transport Agency is also developing a short-form business case known as a ‘single stage business case lite’ for investments up to \$5m.*
- 3.2 **What could be done to improve the guidance for right-sizing your business case effort?**
- 3.3 HCC welcomes the new Guidance and the new tools being developed to expedite investment decision-making, including the development of a ‘business case lite’.
- 3.4 HCC requests that Asset Management Plans be accepted as the business case without the need for a separate process for certain activities. For example, the simple refurbishment of a transport facility, developing a transport model.
- 3.5 HCC request the Transport Agency to continue looking at its consideration of business cases across different parts of their complex business, noting that the process for review and Guidance indicates judgement is required. As stakeholders we need consistency of assessment. It is recognised that there is a competency gap in this area and we believe that it is an issue for both local government and the Transport Agency to work together to address. This would build on the activities outlined in Arataki ‘Supporting the Sector’ in the National Summary document and recognise the existing competencies that exist in both sectors.
- 3.6 *IDMF building block: Standard interventions - 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.*
- 3.7 **In your opinion, what type of standard interventions would be appropriate to develop and use this framework for?**
- 3.8 HCC requests that consideration be given to public transport improvements and walking and cycling improvements as further standard interventions and that packaging of individual low-cost initiatives into a corridor approach be supported.
- 3.9 **Are the criteria for standard interventions appropriate?**
- 3.10 HCC requests that further consideration is given to setting realistic cost ranges for SSI - our experience is that the real costs to do work is higher than the cost ranges indicated in the toolkit.
- 3.11 **How could we improve them?**
- 3.12 HCC requests that more flexibility needs to be given to consideration of SSI that might deliver on more than safety. As an example, when making an intersection safety improvement it is appropriate to also look at PT and active mode improvements which are not strictly driving the initial need for the safety project, but which should be included in any work being delivered i.e. utilise a ‘package’ approach.
- 3.13 *IDMF building block: Low cost, low risk programmes (LCLR) - 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.

- 3.14 **What constraints do you see for your organisation in providing the additional information?**
- 3.15 HCC believes that the additional information requested is not onerous and is in keeping with the level of information that we are currently providing in our regular discussions with the Transport Agency staff in our Hamilton Office.
- 3.16 HCC notes that 'Promotion of Road Safety and Demand Management' activities are also proposed to be included in this work category moving forward and assume therefore that these will no longer have separate work categories. The additional information requirements for LCLR need to recognise the very different nature of these activities from the traditional LCLR engineering orientated activities.
- 3.17 HCC requests that the reporting requirements are sized appropriately to the level of expenditure and the ability to directly measure the benefits that could be expected to result from that expenditure.
- 3.18 **What do you consider an appropriate threshold to be for your LCLR activities and why?**
- 3.19 HCC considers that the LCLR threshold should remain at \$1M but be no less than \$1M, noting that the Transport Agency is working on a Business Case Lite for projects up to \$5M and is looking to introduce further standard interventions.
- 3.20 **Additional Comments**
- 3.21 HCC request that clarity is provided in regard to the funding of Innovating for Streets projects and whether these can also be funded from LCLR work category. The increasing focus on 'place' is exciting but this often requires trialing layouts and treatments in order to achieve an optimal outcome that is embraced by the community. This takes time and money and currently it is not clear where these activities should be funded from.
- 3.22 HCC requests that the current funding associated with the 'Promotion of Road Safety and Demand Management' activities is transferred to the LCLR work category to ensure that there is sufficient funding to continue to provide these very important activities.

4.0 PROGRAMMES AND PACKAGES

- 4.1 *IDMF building blocks: Programmes and Packages - The Transport Agency has updated its guidance for AOs 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 of activities. It:*
- *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.*
 - *Helps the Transport Agency make investment decisions based on a business case for a programme.*
 - *Builds on existing approaches to programmes (e.g. maintenance programmes, public transport services continuous programmes, the Safe Network Programme, and LED lighting programmes).*
- 4.2 **What further clarity do you need about the application of programmes and packages?**
- 4.3 HCC is satisfied with the clarity required and notes the need for appropriately evidenced and sized business cases.

5.0 BENEFITS FRAMEWORK

- 5.1 *IDMF building blocks: Benefits framework - 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. 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. 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 problems, assessing and prioritising investment, and tracking benefits realisation into the future.

5.2 **Do the benefits represent what your community values?**

5.3 HCC confirms the benefits are comprehensive and represent our community values.

5.4 HCC would like to see consideration of the current frameworks being used by local government (the four dimensions of Wellbeings), national government (Living Standards Framework) and internationally (Sustainable Development Goals) regarding the Wellbeing benefits of economic and non-economic decisions.

5.5 While the Transport Agency has indicated where they have central data, it needs to be clear on qualifications on data that is provided by councils.

5.6 The Benefit Framework consists of 52 quantitative investment performance measures split over 12 benefit clusters. However, there is no direction as to the 'priority or weighting value' of each benefit cluster or benefit. Hence it will be difficult to link the decision in relation to the impact on the benefits.

5.7 **Are there any benefits missing?**

5.8 The list of benefits appears to be comprehensive.

6.0 BUSINESS CASE ASSESSMENT TOOLS

6.1 *IDMF building blocks: Early assessment sifting tool - 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.*

6.2 **What issues or opportunities do you see in using the EAST?**

6.3 HCC is supportive of any tools that assist in providing a streamline, consistent and easy to assess Business Case. Like all new tools, it is not until it has been used for several different projects that the kinks and opportunities for improvement or benefits are fully recognized. HCC would support the inclusion of a monitoring and review process for the EAST and active involvement of local government in this process.

6.4 *IDMF building blocks: Appraisal summary table - 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.*

6.5 **What issues or opportunities do you see with the use of an appraisal summary table?**

6.6 HCC would welcome any tools that assist with the decision-making process, but would ask that this is reviewed regularly to see that the desired outcomes are being achieved.

6.7 *IDMF building blocks: Multi-criteria analysis - 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 refreshed, 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.*

6.8 **What issues or opportunities do you see in using the multi-criteria analysis template and guidance?**

6.9 HCC is supportive of any tools and guidance that assist in providing a streamline, consistent and easy

to assess Business Case. Like all new tools, it is not until it has been used for several different projects that the kinks and opportunities for improvement or benefits are fully recognised.

6.10 Do you have any further comments or feedback you would like considered?

6.11 No further comments or feedback, thank you.

7.0 FURTHER INFORMATION

7.1 Should Waka Kotahi NZ Transport Agency require clarification of the above points, or additional information, please contact Chris Allen (General Manager Development) on 07 838 6748 or 021 224 7939, email chris.allen@hcc.govt.nz in the first instance.

Yours faithfully



Richard Briggs
CHIEF EXECUTIVE