



Day 1 - Session 3 - Strategic Decision-making - How do other jurisdictions make infrastructure investment decisions?

The New Zealand Case

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Better Business Cases (BBC)

The primary objective of BBC is to enable smart investment decisions for public value.

If applied appropriately BBC can also help to:

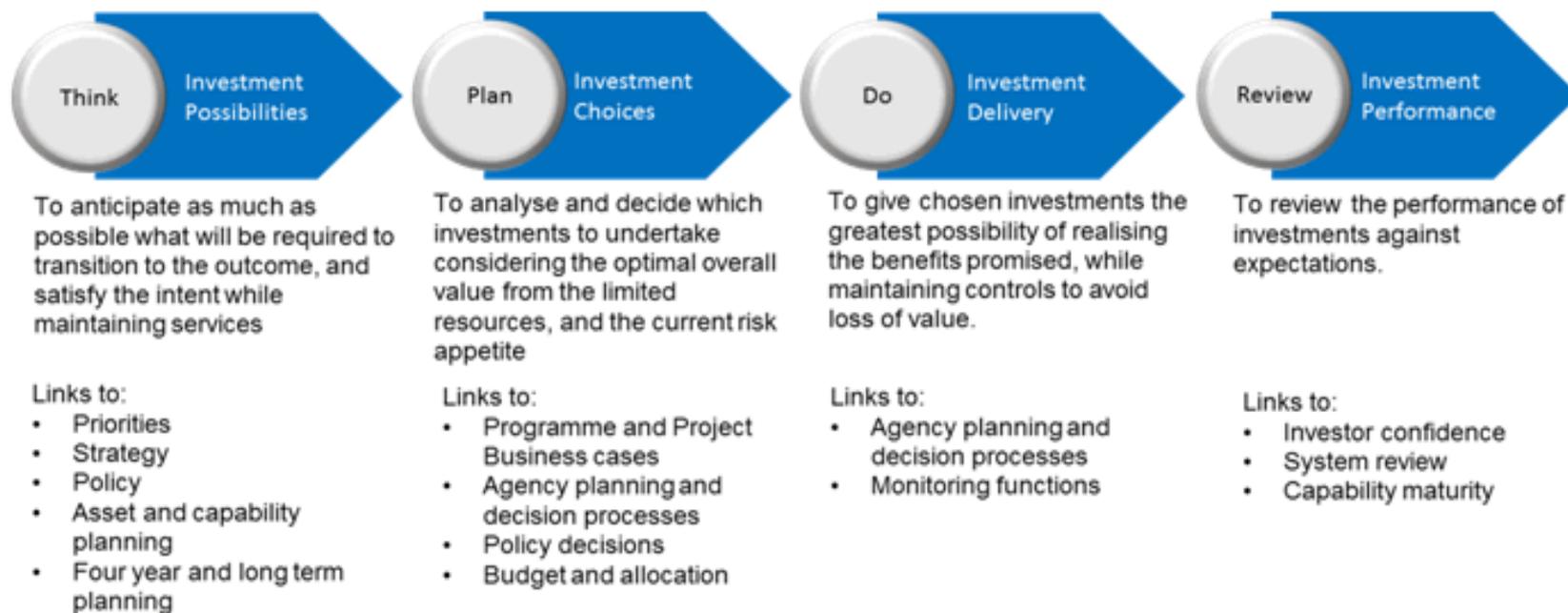
- reduce the costs of developing business cases
- reduce the time it takes to develop business cases, and
- meet recognised good practice.

BBC was designed to help mitigate the common reasons why programmes and projects fail being: lack of strategic fit, lack of senior management engagement, lack of stakeholder engagement, focus first on funding then value-for-money, lack of supply side engagement; and lack of a systematic approach to considering investment proposals.

Investment Management Life Cycle

Government’s investment life cycle is made up of four phases: think, plan, do and review. A business case turns an idea (think) into a proposal (plan).

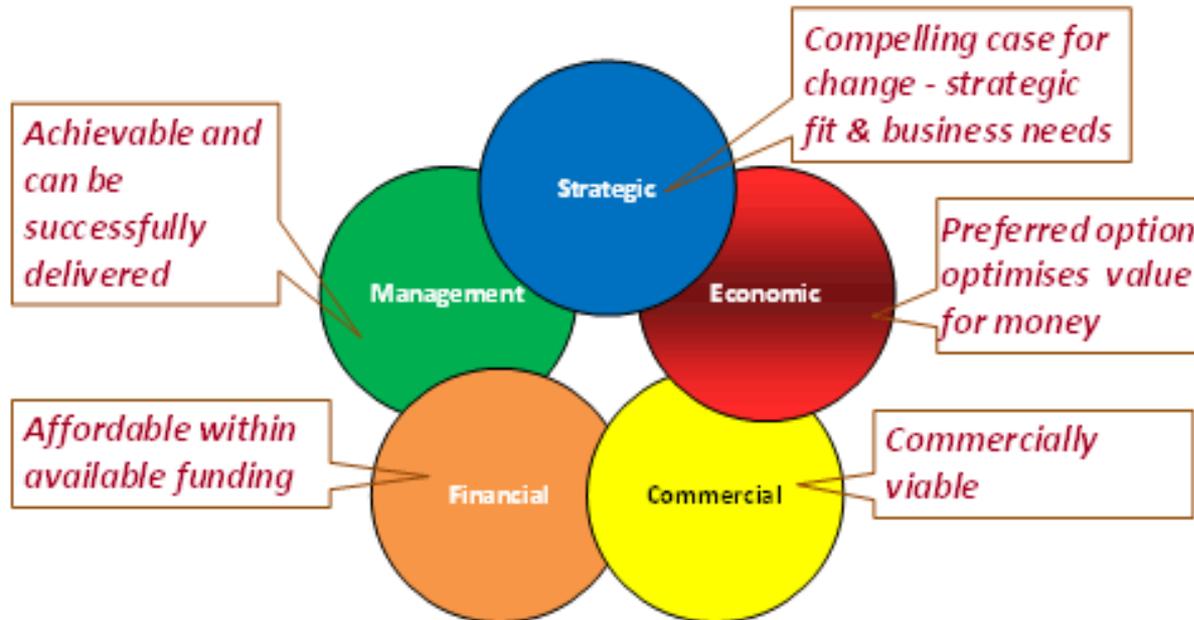
The four life cycle phases together create an ongoing dynamic as ideas are tested, refined and adopted or discarded within an agency and across government. Each phase has different implications for agencies and decision makers.



The BBC Framework

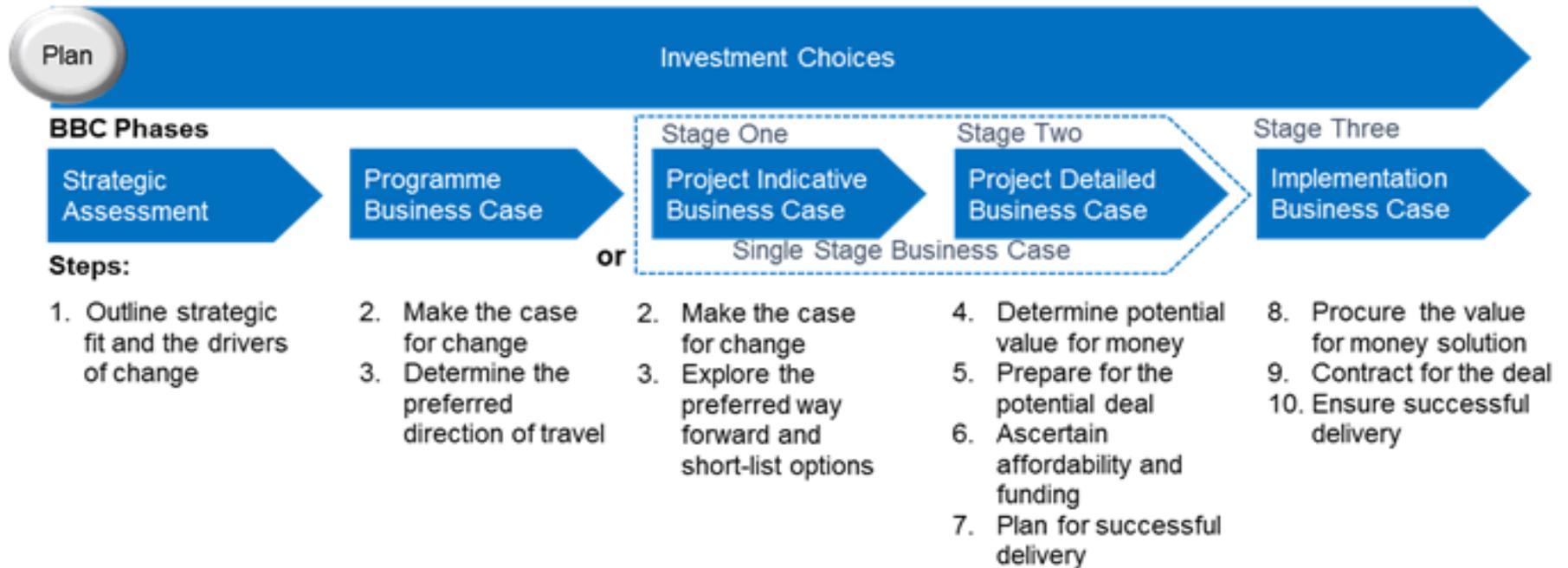
Better Business Cases (BBC) is a systematic way to prepare business cases for programmes or projects.

BBC is structured around the proven Five Case Model. The Five Case Model provides a disciplined, step by step approach that helps to ensure that each of the key aspects of a robust investment proposal is explicitly and systematically addressed as part of the business case development process. The five cases are addressed within the business case development process



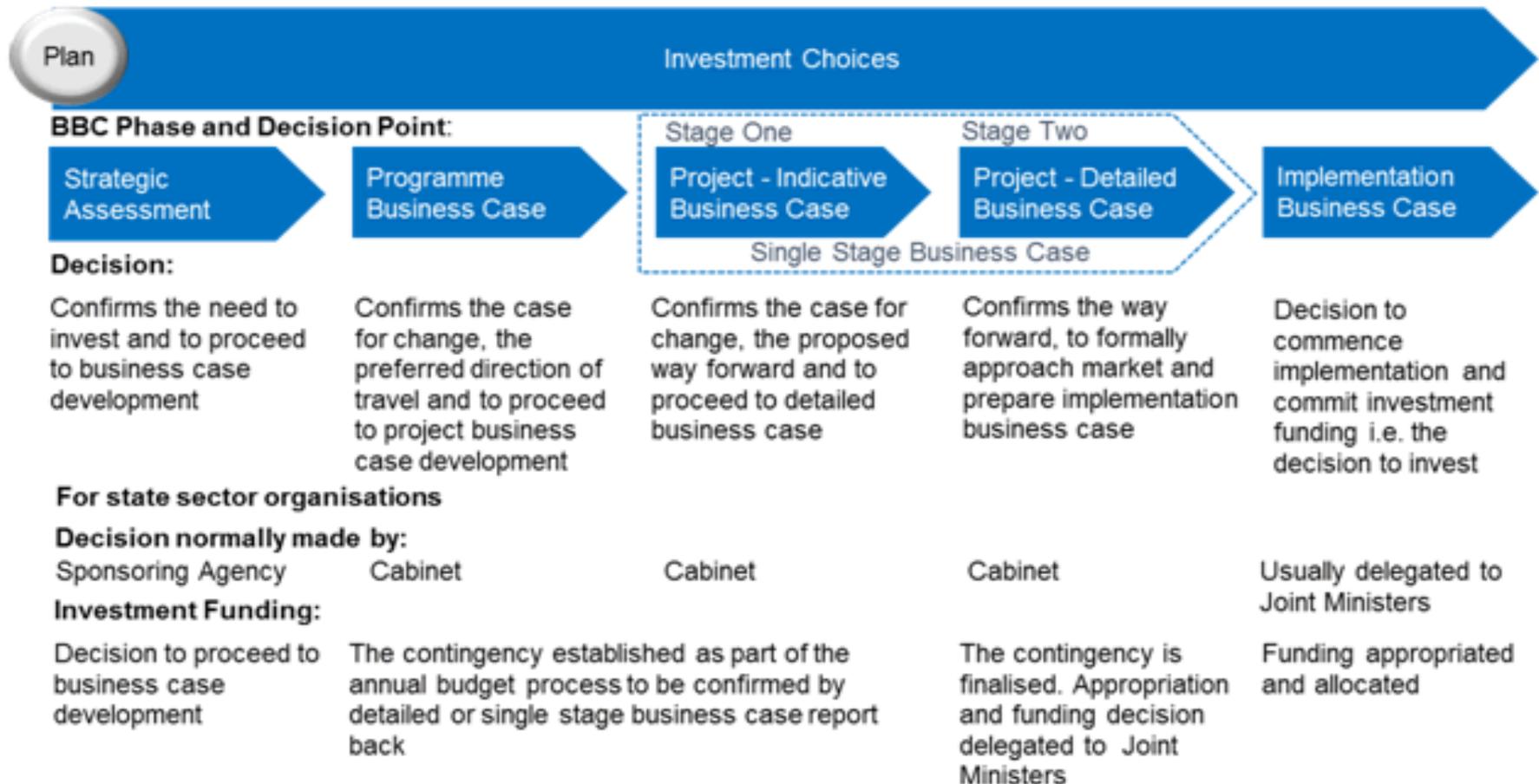
The BBC Framework

BBC is an iterative development process comprising a number of phases. The level of detail and completeness of each of the five cases are built up at different rates during the process using ten steps.



The BBC Framework

And, each phase supports a key decision point.



The BBC Framework

Pre-project	Start-up	Initiate		Implement & Close	BAU	Review
Strategic Assessment <ul style="list-style-type: none"> Strategic case: the case for change 	Indicative Business Case <ul style="list-style-type: none"> Strategic case: Agree strategic context Strategic case: determine benefits, risks constraints and dependencies Economic case: Identify the long list of options and undertake initial assessment 	Detailed Business Case <ul style="list-style-type: none"> Strategic and Economic cases: revisit IBC and confirm short list Economic case: economic assessment of the short listed options, Intangible benefits and costs, preferred option and sensitivity analysis Management case: Benefits management planning 	Implementation Business Case <ul style="list-style-type: none"> Strategic Case: revisit the case for change Economic case: revisit the detailed business case options Management Case: finalise benefit management arrangements Management case: Finalise post-project evaluation arrangements 	Implementation <ul style="list-style-type: none"> Monitor and report benefits realisation Review latest benefits with business case 	Benefits realisation and Reporting <ul style="list-style-type: none"> Monitor and report benefits realisation 	Assess Strategy Progress <ul style="list-style-type: none"> Identify strategy gaps Realign strategy
Techniques <ul style="list-style-type: none"> Investment logic mapping (ILM) (incl benefits profiles and maps) Benefits Logic Mapping (MSP) Value Chain Analysis or other proven methodology 	Techniques <ul style="list-style-type: none"> Benefits profiles and mapping (ILM and Managing Successful Programmes (MSP)) Categorisation (Better Business Cases (BBC)) Multi-criteria decision analysis (Treasury, BBC) Options assessment 	Techniques <ul style="list-style-type: none"> Benefits profiles and mapping Cost benefit analysis (Treasury, BBC) Multi-criteria decision analysis (Treasury, BBC) Benefits plan and strategy (ILM, MSP) MoP) 	Techniques <ul style="list-style-type: none"> Benefits profiles and mapping Benefits plan and strategy (ILM, MSP, Management of Portfolio (MoP)) Benefits mapping (ILM and MSP) 	Techniques <ul style="list-style-type: none"> Benefits realisation plan Benefits tracking and reporting (MSP, MoP) 	Techniques <ul style="list-style-type: none"> Benefits tracking and reporting (MSP, MoP) 	Techniques <ul style="list-style-type: none"> Benefits tracking and reporting (MSP, MoP) Review Strategic Plans (SOI, ISSP, Long Term Investment Plan, Four Year Plan)

Strategic Case

BBC workshop: Determine the case for change and identify options.

Investment Logic Mapping (ILM): The Victoria Department of Treasury and Finance Investment Management Standard (2013) provide a series of workshop based tools to aid the development of the investment story into separate, logical components. For more information see:

- [Investment logic mapping](#)

PESTLE(C), SWOT analysis, Porters Five Forces: Particularly for vision-led or transformational change.

Results-based Accountability: A simple, common sense framework to keep the focus on the results/outcomes <http://www.familyservices.govt.nz/working-with-us/programmes-services/connected-services/ngo-capacity-building/results-based-accountability.html>

Strategic and Economic Cases - Approaches

Appreciative inquiry: A model for analysis, decision-making and the creation of strategic change, particularly within organisations. It was developed at [Case Western Reserve University's](#) department of [organizational behaviour](#).

Collective Impact: A framework to tackle deeply entrenched and [complex social problems](#). It is an innovative and structured approach to making collaboration work across government, business, philanthropy, non-profit organisations and citizens to achieve significant and lasting social change <http://www.collaborationforimpact.com/collective-impact/>

Service design methods: These are flexible and iterative. For example Better by Design unlocks better business, better thinking, better insights, better products and services, and better customer experiences <http://www.betterbydesign.org.nz/>

Human-Centred Design: is an approach that focuses on what a user wants and needs, and supports a broad exploration of potential solutions that are tested for desirability, feasibility and viability via a disciplined prototyping and testing process. For more information see <http://www.aucklandco-lab.nz/>. This approach is particularly well suited to complex socio-economic challenges. In the Strategic case, you are defining the driver for change/problem from the perspective of the system and users, using data analysis, systems thinking, ethnographic research, persona development etc, etc. In the Economic case, you are developing the long list and a shortlist of likely solutions, with a main focus on whether the solutions meet customer needs.

Economic Case

BBC workshop: Identify the long list of options

BBC workshop: Assess the short listed options from the long list

Government Procurement has tools to support early market engagement (in the identification of and assessment of options) <http://www.business.govt.nz/procurement/for-agencies/guides-and-tools/procurement-toolkit>

BBC workshop: Developing the economic analysis on the shortlisted options

- [Cost Benefit Analysis Guide](#)

CBAx tool for social investments: To find the best way to get better results for people whose needs are not being met by existing social services, we need to look at the costs and benefits of different approaches. To help compare different options in New Zealand, the Treasury has developed a CBA tool called CBAx. CBAx is a spreadsheet model that contains a common database to help agencies monetise impacts and do return on investment analysis. More information can be found at:

- [CBAx tool for social investments](#)

There are a number of techniques that can be used to quantify the risk and uncertainty on the economic analysis.

- [Techniques to Quantify Risk and Uncertainty](#)

Commercial Cases

BBC workshop: Developing the deal

Government Procurement has tools to support the development of the procurement strategy <http://www.business.govt.nz/procurement/for-agencies/guides-and-tools/procurement-toolkit>

Financial Case

Testing the robustness of the preferred option to changes in key assumptions and/or variables can be done by using sensitivity analysis.

- [Approaches to sensitivity analysis](#)

The Treasury has developed the Cross-agency Funding Framework to make funding cross-agency initiatives easier. The framework provides clarity on the range of funding models available, when they should be used and resets expectations about where it is reasonable to pursue particular funding arrangements.

- [Cross-agency funding framework](#)

Management Case

BBC workshop: Successful delivery arrangements.

Programmes and projects can be delivered using programme (eg, MSP-Managing Successful Programmes) and project management (eg, PRINCE 2). [Best Practice and Methodology - Projects, Programmes and Portfolios](#)

Agile is an alternative delivery method. There are a range of agile delivery methods.

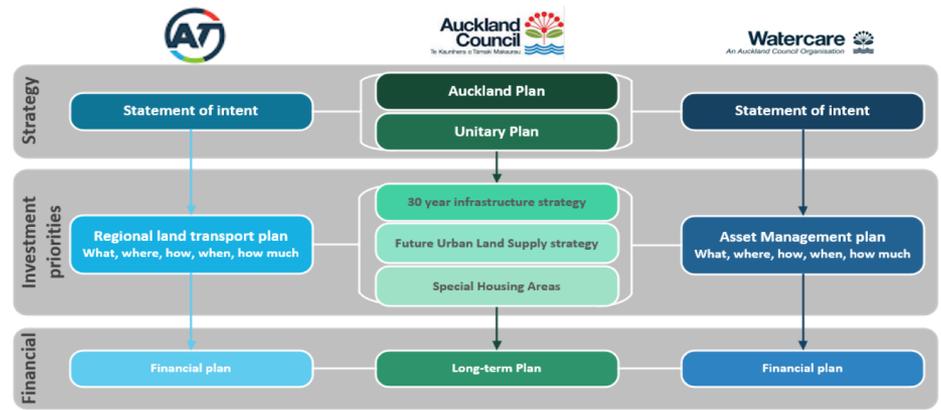
BBC expert practitioner and reviewer

Expert practitioner	Expert reviewer
<ul style="list-style-type: none"> Assist organisations with the scoping, planning and production of the business case at key stages. To act as an adviser to the management team on the application of the BBC processes, including technical issues associated with the supporting methodology and the application of investment tools and techniques. To act as a facilitator in supporting workshops whilst ensuring the prescribed products are completed to the required standard. To challenge workshop attendees whilst permitting views to be expressed and a way forward to emerge. 	<ul style="list-style-type: none"> Assist organisations with the quality assurance of their business cases. To provide independent and impartial confirmation to the management team and/or decision maker that the BBC processes, tools and techniques have been applied to the required standard and that the resulting deliverables are fit-for-purpose, prior to approval. To maintain the standards of the BBC as set out in the BBC guidance, supporting templates, Cost Benefit Analysis Primer and associated sources.

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Supporting growth in Northwest Auckland

Housing Infrastructure Fund Detailed Business Case – April 2018



	Who benefits?	Financial benefits	Qualitative benefits
Auckland	All Auckland residents Multiple groups	<ul style="list-style-type: none"> One off economic benefit of building (e.g. jobs) Access to more affordable housing 	<ul style="list-style-type: none"> Improved access to Northwest Preservation of taonga Environment
	Current and future ratepayers	<ul style="list-style-type: none"> More ratepayers to share the burden 	<ul style="list-style-type: none"> None
	Northwest (and surrounding areas) residents & businesses	<ul style="list-style-type: none"> Improved access to work Capacity – ability to add infrastructure Employment 	<ul style="list-style-type: none"> Reduced traveling Community identity Access to services/amenities Public health Housing availability Quality of life
	Private sector (land owners/ developers)	<ul style="list-style-type: none"> Very high capital gain Profit from selling dwelling Profit from construction of infrastructure and housing 	<ul style="list-style-type: none"> None
Rest of NZ	Private sector	<ul style="list-style-type: none"> Profit 	<ul style="list-style-type: none"> None
	Government (NZ Inc)	<ul style="list-style-type: none"> One off economic benefit of building (e.g. GST) Ongoing increase in revenue (e.g. Individual, corporate tax and GST) Reduced social costs (e.g. social housing, rent subsidy) 	<ul style="list-style-type: none"> Social cohesion Higher living standards Preservation of taonga Environment Cultural benefit

Auckland Council's Housing Infrastructure Fund Business Case

Executive summary

To help address the funding constraints of high-growth councils, the Government has established a \$1 billion contestable Housing Infrastructure Fund (HIF). That fund is used to provide funding support over 10 years to accelerate the bulk infrastructure required to increasing housing supply.

On 31 March 2017, Auckland Council (the Council) submitted a proposal which sought \$973m from the HIF to enable the accelerated development of 37,100 houses within the Greenfield areas identified in the Future Urban Land Supply Strategy. As part of that application, Auckland requested \$370m to provide the infrastructure necessary to enable 13,000 new homes to be built in Northwest Auckland.

On 11 July 2017, the Crown announced its recommendation (in principle) to fund \$300 million (no inflation allowance) of bulk infrastructure in Northwest Auckland. This is \$70 million less than the Council sought for the Northwest in its original HIF proposal. This reduced amount of funding for infrastructure provision is proposed to enable the early construction of 10,500 new homes in Northwest Auckland.

The business case considered two questions on the achievability of this recommendation.

- With the \$300 million (no inflation allowance) HIF funding support, to what extent can Auckland Council and its CCOs fund the investment in **all** the infrastructure required to support the accelerated development of 10,500 homes in the Northwest, especially given other competing priorities?
- Can developers fund the development of that housing and associated local infrastructure at the pace needed to satisfy the conditions the HIF funding support? And do they have the will to do so?

Based on that assessment of these questions, this Detailed Business Case (DBC) proposes that \$300 million (no inflation allowance) is invested between the 2019 to 2026 financial years for infrastructure in the highest density areas of the Northwest, to enable the accelerated development of 6,200 to 7,771¹ new dwellings depending on final transport costs. This is the only option that provides accelerated new housing development and can be accommodated within council's financial constraints.

Then comes 'the did what'.....

Better Business Cases