

Paneke Poneke Business Case Refresh
Peer Review Report

9 May 2022





4 Leek Street, Newmarket
PO Box 128259, Remuera 1541, Auckland
Ph. 09 869 2825
www.commute.kiwi

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Report Status	Prepared By	Reviewed By	Approved By
Final Report	Tony Innes	Michelle Seymour	Tony Innes

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1 PEER REVIEW SUMMARY FINDINGS

Tony Innes from Commute was asked to undertake a review of the refresh of the Wellington Bike Network Plan Programme Business Case that has been updated with the recently endorsed 'Paneke Poneke – Bike Network Plan' in line with Waka Kotahi peer review guidelines.

This review was completed on the documentation completed to date being the latest version of the Business Case Refresh.

Based on the above review it is considered that the Business Case refresh is fundamentally fit for purpose to allow further investment decisions on the revised implementation plan for Wellingtons Bike Network to be made.

It is important to note that this is a refresh of an existing business case is this is part of the review consideration.

A key aspect of the review is the need for independent reviews of the cost estimation and also of the economics.

The reviewer agrees with the business case refresh that no economics peer review is appropriate in this case. Whilst this is a risk, the reviewer agrees the risk is small for the following reasons:

- The Investment Prioritisation score (Priority 2) is unlikely to change given a LOW BCR has been used in the identification of that score
- The BCR is similar to the previous (2015) business case
- Appropriate sensitivity tests show that the BCR remains robust even with reasonable changes to assumptions which could also apply to any potential issues a peer review could identify
- The SSBC process will undertake a more detailed assessment and a review at that time would make more sense

The reviewer also agrees with the business case refresh that no peer review of the cost estimate is appropriate in this case. Whilst this is also risk, the reviewer agrees the risk is small for the following reasons:

- as the appropriate Waka Kotahi cost estimation tool cost per km has been used and local expertise added to apply a complexity factor.
- Any review would struggle to add greater certainty in the reviewers view.
- The reviewer also notes the evolving nature of the proposals (of tactical implementation first) which also creates cost uncertainty at this time (making a review of less value) and the fact that there is an SSBC stage proposed where greater cost information will be available.

2 INTRODUCTION

The Wellington Bike Network Plan Programme Business Case was completed in 2015. This business case has recently been refreshed to take account of the latest strategic document 'Paneke Poneke – Bike Network Plan'

This peer review is focussed on this business case refresh.

The Waka Kotahi business case guidelines require an independent review of business cases of this scale to be completed. This report summarises the approach and findings of this review.

3 APPROACH TO REVIEW

3.1 APPROACH TAKEN

The review has focussed on a review of the refreshed business case documentation as well as meeting with the project team to understand specific issues and approaches in more detail.

The document reviewed was the “Wellington Bike Network Plan – Draft Programme Business Case Refresh, 2nd May 2022”.

A meeting was also held with the project team on the 4th and 11th of May 2022 to increase the understanding of the reviewer of the Project.

Once all the information was obtained the reviewer completed the review and provided this report to the client for consideration.

3.2 PEER REVIEW GUIDANCE

This review has been based on the Waka Kotahi guidance on what a business case peer review should consider¹. As detailed above this review has been prepared to inform the development the PBC refresh.

Notwithstanding this, the core matters include consideration of the following:

- **Conformity**

The reviewer must first determine whether the project is eligible for funding in that it fits the description of one of the activity classes in the current Government Policy Statement on Land Transport (GPS).

The reviewer must ensure that the project evaluation conforms to the requirements of this Knowledge Base, including that it has been assessed by the applicant in conformance with Waka Kotahi’s Investment Assessment Framework.

To check credibility, the reviewer must:

- *Ensure the transport issue, priority or opportunity has been identified, is reasonable and is adequately described.*
- *Critically assess the results of each stage of the project’s economic efficiency evaluation, avoiding unnecessary detail where possible. The test as to the level of detail to consider is whether the conclusion reached in the report is a reasonable and a credible result from the information and data used in the analysis.*
- *Assess the costs estimated for the project and consider how realistic these are, taking into account current market rates.*
- *Identify the key benefits and determine whether they are realistic (eg are the travel time savings realistic or are excessive delays being forecast under*

¹ <https://nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/201821-nltp/2018-21-nltp-investment-assessment-framework-iaf/peer-review-of-proposals/>

congested conditions in the do-minimum?). Some quick 'back-of-the-envelope' calculations are necessary to check the level of forecast benefits.

- *Identify the factors or assumptions, particularly forecasted estimates that have a major influence on the evaluation. Describe each of these factors/assumptions and include a commentary on the sensitivity of the evaluation to each factor or assumption.*
- *Highlight any significant areas of risk for costs and benefits.*

- **Choice of do-minimum**

The reviewer must assess the do-minimum as stated in the project report and must determine whether it is realistic, and does not represent another option to be considered in the analysis

- **Identification and selection of alternatives and options**

The reviewer must examine the evaluation and judge whether all feasible alternatives and options have been identified and considered adequately. These should include alternative transport modes, where applicable, and low cost options.

The reviewer needs to be satisfied that the process to select the preferred alternative and option(s) has been robust and includes incremental assessment where appropriate.

- **Results alignment rating**

The reviewer needs to be satisfied that the results alignment rating for the activity is correct.

- **Cost estimate**

The reviewer shall check compliance with parallel cost estimate process requirements, where applicable.

- **Cost–benefit appraisal rating**

The reviewer must determine whether the cost-benefit appraisal has conformed to all the relevant requirements of the Waka Kotahi Monetised benefits and costs manual (MBCM; from August 2020) and Economic Evaluation Manual (EEM; superseded August 2020). The reviewer must determine whether there are any outstanding issues not addressed in the project report.

If there is a departure from the requirements, or any defect or omission, the reviewer must comment on its significance.

Where the reviewer considers that there have been discrepancies and departures from procedure, or has concerns on cost and/or benefit estimation, the reviewer will determine the project benefit–cost ratio (BCR) and compare this with the applicant's calculations.

The reviewer must determine whether the options identified in the analysis are mutually exclusive options of the same project.

In special cases, other economic impacts may be considered (eg wider economic benefits). These are to be shown as sensitivity analyses, in addition to the MBCM (from August 2020) and EEM (superseded August 2020) procedure economic analysis.

Where supplementary (third party) funding is involved, a government BCR must be determined in addition to the national BCR.

- ***Risk assessment, analysis and mitigation***

The reviewer must ensure that:

- *risks have been assessed adequately in the applicant's evaluation*
- *realistic mitigation measures have been considered*
- *a full risk analysis has been undertaken for large/complex and high-risk projects.*

- ***Sensitivity analysis***

The reviewer must consider whether the sensitivity of critical aspects of the project evaluation has been covered off adequately, paying particular attention to:

- *key assumptions that underlie the project and its delivery of desired outcomes, in particular future growth and demand assumptions*
- *information and data values that are 'out of the ordinary' or unusual*
- *the sensitivity of the project's outcomes to the input parameters.*

This guidance has been used as the basis for reporting back on this business case

4 REVIEW FINDINGS

When undertaking this review, the findings have been provided as a review against the specific criteria. Where there is an expectation that further information will be provided in the development of SSBC this has been specified.

4.1 SPECIFIC CRITERIA

Using the guidelines outlined in this report the table below summarises the findings of this peer review

Consideration	Review Findings
<p>Conformity</p> <p>The reviewer must first determine whether the project is eligible for funding in that it fits the description of one of the activity classes in the current Government Policy Statement on Land Transport (GPS).</p> <p>The reviewer must ensure that the project evaluation conforms to the requirements of this Knowledge Base, including that it has been assessed by the applicant in conformance with Waka Kotahi's Investment Assessment Framework.</p> <p>To check credibility, the reviewer must:</p> <ol style="list-style-type: none"> 1. Ensure the transport issue, priority or opportunity has been identified, is reasonable and is adequately described. 2. Critically assess the results of each stage of the project's economic efficiency evaluation, avoiding unnecessary detail where possible. The test as to the level of detail to consider is whether the conclusion reached in the report is a reasonable and a credible result from the information and data used in the analysis. 3. Assess the costs estimated for the project and consider how realistic these are, taking into account current market rates. 4. Identify the key benefits and determine whether they are realistic (eg are the travel time savings realistic or are excessive 	<p>The project is a refresh of a previous PBC that was endorsed at the time and has funding allocated in the NLTP for projects. The Project/Programme is therefore considered to be eligible for funding consideration and is well aligned with the GPS.</p> <p>The Business Case is a refresh of a previously endorsed business case and has been considered in this regard and is generally assessed to have been undertaken in accordance with the Investment Assessment Framework. Comments on the specific areas for review are provided below:</p> <ol style="list-style-type: none"> 1. The Business Case has reviewed (and refined) the previous problems, benefits, investment objectives and outcomes sought. <ol style="list-style-type: none"> a. The problem changes proposed have evidence to back them up, the changes are generally refinements in wording, with the significant change being slow delivery impacting on the network benefits of the approach. There is appropriate evidence for these changes. b. The most significant change has been the amalgamation of the previous five investment objectives to a single objective. This is unusual, but not an issue in itself. The use of a single investment objective as simplified the outcome sought and risks losing some of the outcomes sought from the previous PBC.

delays being forecast under congested conditions in the do-minimum?). Some quick 'back-of-the-envelope' calculations are necessary to check the level of forecast benefits.

5. Identify the factors or assumptions, particularly forecasted estimates that have a major influence on the evaluation. Describe each of these factors/assumptions and include a commentary on the sensitivity of the evaluation to each factor or assumption.
6. Highlight any significant areas of risk for costs and benefits.

However the reviewer notes that there are a wide range of KPI and measures to ensure the wide range of outcomes sought are captured and considered in the business case process.

2. The option selection process is focussed and efficient, which is considered appropriate given the fact that the business case is an update of a previous more detailed assessment process. undertaken is considered appropriate and robust. An area-based prioritisation approach is considered an appropriate recommendation based on the analysis undertaken. The Investment Prioritisation score (Priority 2) is also considered appropriate based on the analysis undertaken and the importance and urgency of the programme to the wider region.
3. The costs for the project have been developed using the guidance from the Waka Kotahi Cycle Facility Cost Estimation Tool and then had a project specific factor based on the experience of the project team. The approach of using a general per km rate and then adding a complexity factor and specific intersection costs is endorsed by the reviewer as being appropriate at this level of business case (PBC). No peer review of these costs has been undertaken as outlined in the refresh document. The reviewer considers this appropriate as the appropriate cost per km has been used and local expertise added to apply a complexity factor. Any review would struggle to add greater certainty in the reviewers view. The reviewer also notes the evolving nature of the proposals (of tactical implementation first) which also creates cost uncertainty at this time (making a review of less value) and the fact that there is an SSBC stage proposed where greater cost information will be available.
4. The key benefits identified in the programme are related to user health benefits, which makes sense. The recommended option has a BCR of

	<p>approximately 2.1. A peer review of the economics has not been undertaken but the reviewer notes that the BCR remains at a similar level to the previous (2015) PBC. The refresh outlines the reason why no peer review has been undertaken. This is a risk, however the reviewer considers the risk small for the following reasons:</p> <ol style="list-style-type: none"> a. The Investment Prioritisation score (Priority 2) is unlikely to change given a LOW BCR has been used in the identification of this prioritisation score b. The BCR is similar to the previous (2015) business case c. Appropriate sensitivity tests show that the BCR remains robust even with reasonable changes to assumptions which could also apply to any potential issues a peer review could identify d. The SSBC process will undertake a more detailed assessment and a review at that time would make more sense <p>5. The cost of the preferred option has increased considerably from the earlier business case, which is not surprising given escalation and increasing complexity of cycling project's implementation. A key assumption in the approach is a tactical initial response then the implementation of the final scheme. This is a sound approach and will deliver good outcomes. It is a key assumption that there will be limited changes in the final implementation. Again, this makes sense and is an appropriate assumption but is a key assumptions that should be understood by decision makers.</p>
<p>Choice of do-minimum</p> <p>The reviewer must assess the do-minimum as stated in the project report and must determine whether it is realistic, and does not represent another option to be considered in the analysis</p>	<p>The PBC identifies the Do Minimum Scenario and assumptions.</p> <p>There are some important assumptions, such as components of the LGWM network that are included or not. This is a tricky area as the</p>

	<p>LGWM Programme is yet to confirm its preferred Programme.</p> <p>The choice to remove the Mt Victoria Tunnel Ruahine St -Wellington Rd is the trickiest of these assumptions and the proposed approach is considered appropriate and clearly documented.</p>
<p>Identification and selection of alternatives and options</p> <p>The reviewer must examine the evaluation and judge whether all feasible alternatives and options have been identified and considered adequately. These should include alternative transport modes, where applicable, and low-cost options.</p> <p>The reviewer needs to be satisfied that the process to select the preferred alternative and option(s) has been robust and includes incremental assessment where appropriate.</p>	<p>The option selection process has focussed on the delivery of the Network Plan, rather than different networks. This is consistent with the previous PBC.</p> <p>A long list of delivery options were considered (six) and three short listed. A brief description in table 10 outlines the reasons for this. This initial assessment was undertaken by SME's from WCC who had knowledge of the previous business case and of the outcomes and impacts of the options.</p>
<p>Results alignment rating</p> <p>The reviewer needs to be satisfied that the results alignment rating for the activity is correct.</p>	<p>The Investment Prioritisation score (Priority 2) is considered appropriate based on the analysis undertaken and the importance and urgency of the programme to the wider region.</p>
<p>Cost estimate</p> <p>The reviewer shall check compliance with parallel cost estimate process requirements, where applicable.</p>	<p>As outlined above the costs for the project have been developed using the guidance from the Waka Kotahi Cycle Facility Cost Estimation Tool and then had a project specific factor based on the experience of the project team. The approach of using a general per km rate and then adding a complexity factor and specific intersection costs is endorsed by the reviewer as being appropriate at this level of business case (PBC).</p> <p>No peer review of these costs has been undertaken as outlined in the refresh document. The reviewer considers this appropriate as the appropriate cost per km has been used and local expertise added to apply a complexity factor. Any review would struggle to add greater certainty in the reviewers view. The reviewer also notes the evolving nature of the proposals (of tactical implementation first) which also creates cost uncertainty at this time (making a review of less value) and the fact that there is an</p>

	<p>SSBC stage proposed where greater cost information will be available.</p>
<p>Cost–benefit appraisal rating</p> <p>The reviewer must determine whether the cost-benefit appraisal has conformed to all the relevant requirements of the Waka Kotahi Monetised benefits and costs manual (MBCM; from August 2020) and Economic evaluation manual (EEM; superseded August 2020). The reviewer must determine whether there are any outstanding issues not addressed in the project report.</p> <p>If there is a departure from the requirements, or any defect or omission, the reviewer must comment on its significance.</p> <p>Where the reviewer considers that there have been discrepancies and departures from procedure, or has concerns on cost and/or benefit estimation, the reviewer will determine the project benefit–cost ratio (BCR) and compare this with the applicant’s calculations.</p> <p>The reviewer must determine whether the options identified in the analysis are mutually exclusive options of the same project.</p> <p>In special cases, other economic impacts may be considered (eg wider economic benefits). These are to be shown as sensitivity analyses, in addition to the MBCM (from August 2020) and EEM (superseded August 2020) procedure economic analysis.</p> <p>Where supplementary (third party) funding is involved, a government BCR must be determined in addition to the national BCR.</p>	<p>The key benefits identified in the programme are related to health benefits, which makes sense. The recommended option has a BCR of approximately 2.1.</p> <p>It is unclear if the timing of the recommended delivery approach is included in the economics as the economics appears to have been done before the recommended delivery option was selected.</p> <p>Based on the information provided in the business case refresh the reviewer notes there is no reason to think there is an issue with the economics.</p> <p>The refresh outlines the reason why no economics peer review has been undertaken. This is a risk, however the reviewer considers the risk small for the following reasons:</p> <ol style="list-style-type: none"> 1. The Investment Prioritisation score (Priority 2) is unlikely to change given a LOW BCR has been used in the identification of that score 2. The BCR is similar to the previous (2015) business case 3. Appropriate sensitivity tests show that the BCR remains robust even with reasonable changes to assumptions which could also apply to any potential issues a peer review could identify 4. The SSBC process will undertake a more detailed assessment and a review at that time would make more sense
<p>Risk assessment, analysis and mitigation</p> <p>The reviewer must ensure that:</p>	<p>Risks have been considered in the business case update, including mention in the main body of the report as well as a dedicated Risk Register.</p>

<ul style="list-style-type: none"> • risks have been assessed adequately in the applicant's evaluation • realistic mitigation measures have been considered • a full risk analysis has been undertaken for large/complex and high-risk projects. 	<p>A number of HIGH risks have been identified, along with mitigation. Many of these relate to integration with other Programmes of work and also engagement.</p> <p>Treatments have been identified for each risk.</p> <p>Programme risk due to process delays is identified and the use of SSBC lite is strongly supported by the reviewer to accelerate the approvals process and enable delivery as soon as possible, ongoing delay and process focus is a critical part of social frustration with these types of projects and making early and regular progress will assist managing this risk. The reviewer also suggests using the SSBC lite for implementation funding as well as pre-implementation if the project remains as originally envisaged.</p> <p>Included in the management case is the organisation structure for delivery of the Programme. This also shows the high level of interface with LGWM which will be an important part of the success of this Programme.</p>
<p>Sensitivity analysis</p> <p>The reviewer must consider whether the sensitivity of critical aspects of the project evaluation has been covered off adequately, paying particular attention to:</p> <ul style="list-style-type: none"> • key assumptions that underlie the project and its delivery of desired outcomes, in particular future growth and demand assumptions • information and data values that are 'out of the ordinary' or unusual • the sensitivity of the project's outcomes to the input parameters. 	<p>Sensitivity analysis has been considered in the Economic analysis and shows a range of economic outcomes if different scenarios were to eventuate. Rather simplistic scenarios have been adopted (cost and discount rate ranges)</p> <p>This analysis is considered robust and appropriate for the stage of the Programme.</p>

5 SUMMARY

Based on the above review it is considered that the Business Case refresh is fundamentally fit for purpose to allow further investment decisions on the revised implementation plan for Wellingtons Bike Network to be made.

It is important to note that this is a refresh of an existing business case is this is part of the review consideration.

A key aspect of the review is the need for independent reviews of the cost estimation and also of the economics.

The reviewer agrees with the business case refresh that no economics peer review is appropriate in this case. Whilst this is a risk, the reviewer agrees the risk is small for the following reasons:

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Commute Transportation Consultants