

Options assessment: moving beyond a simple assessment

Developing and assessing a range of options is central to policy analysis. Done well, it opens the minds of decision-makers to a broader set of solutions, and allows them to weigh the benefits, risks and trade-offs associated with the various options.

Done poorly, it can look like decision-makers are being shoehorned into a particular solution. Or that the solution is already decided.

Mindful of the requirements of the Local Government Act...

The Local Government Act 2002 (sections 77, 78 and 79) set out a number of requirements in relation to decisions. These of course impact on the nature of the advice officers provide. At a high level the Act requires:

- All practical options are identified (s77(1) (a)).
- The advantages and disadvantages of the options are considered (s77(1) (b)).
- Consideration be given to the views of stakeholders (s78).
- S79 requires that the depth of analysis of any issue should be in relation to the impact of the issue. So, for a decision which has a significant impact, the level of information and analysis required is greater.

In decision-making, there is also a need to comply with s14 of the Act which sets out the general principles which guide the operation of local authorities. This includes s14(c) which requires that consideration be given to future impacts as well as current ones in the decision-making process. From what we've seen in reviews of your papers, you all have processes in place to ensure compliance with these matters. These are often set out in your template, or checklists accompanying papers.

Identify a range of options

There will always be times when the choice between options is simple and binary i.e. you do something, or you don't.

However, in other cases the range of options will be more complex. We suggest starting with a wide range of options, then narrowing them down to a smaller number that you might present in your paper. This is the process suggested in the Treasury Better Business Case framework (Treasury 2018).

Some tips in determining a range of options:

- **Always start with the status quo** – or “do nothing” option (sometimes these might be different). This sets a base from which you can compare other options.
- **Organising your options on a continuum** is often helpful. At the simplest level this might be different levels of expenditure e.g. on a grants programme, or size or number of facilities. This helps expose the cost of the various options, against the benefits or impacts of each of them, often identifying a point of diminishing returns. As a variation, you could try a matrix. This allows you to organise options across two dimensions e.g. cost and timeliness.

But don't only use a continuum – think outside the square as well. In our swimming pools example (see below) you could look at different sizes or numbers of swimming pools, or alternative types of recreation e.g. more fitness equipment in existing parks, development of river-side or beach front facilities, or community gyms – as alternatives.

- Looking at **how others have addressed a similar problem** – both other Councils in New Zealand, as well as internationally. This can give you some ideas about new and different solutions
- **Evidence on best practice** can help identify options – this might take some research. In other cases, there will be guidelines, National Policy Statements, and the like which will help.
- Look at **regulatory and non-regulatory options** e.g. an education programme to get compliance, or a grants programme to encourage compliance, rather than an enforcement programme. The Treasury Guidance referenced below (2013) discusses this in more detail.
- **Look at arrangements in other sectors** – these can sometimes be adapted and applied in your sector. E.g. models for carbon emission limits may also be relevant to nutrient levels in water; public health promotion programmes have drawn heavily from marketing expertise.

A policy framework can also provide some guidance or underlying organisational principles to help you both identify a range of options and to assess them e.g. the Braithwaite framework on compliance and enforcement (Department of Internal Affairs, 2011).

The Treasury's guide (2013) to developing regulatory impact statements, contains some useful guidance on how to do this, and how to present the conclusions of your analysis. Government agencies often publish their regulatory impact statements – these can contain some useful examples.

Your options will need to be clearly explained in the paper so that decision-makers understand the differences between them. If this needs to be done in detail, you can do that in an appendix.

Poor options sets – things to watch out for

Sets of options can be manipulated to close off discussion. This is not in keeping with the spirit or letter of the law.

Common mistakes we see are:

- **The goldilocks choice**¹ – in simple terms presenting one option that is too small, an option that is too big, and one that is “just right.” This pushes people towards the middle. But it might not be the best option.
- **Two dead rabbits** – neither of the alternative options presented are palatable – leaving only one still viable.

Moving beyond advantages and disadvantages

Good practice is to use a set of criteria to assess options. These criteria should be derived from the problem or opportunity you are trying to address. They can also be based on a particular analytical framework.

This moves an analysis of options beyond advantages and disadvantages so:

- The relative strengths of each option against the criteria can be more clearly seen
- The trade-offs can be surfaced explicitly. For example, an option might be slightly more expensive, but provide a better solution because it reaches substantially more people.

The Treasury Better Business Case material (Treasury 2018) shows a way of doing this sort of multi-variate analysis.

We've also included some simple examples tables which summarise options analyses.

Criteria that could be used to assess options

There are some standard criteria which are useful in most circumstances. These may include:

- **Cost** (or savings), including the impact on rates, balance sheets, and whether or not something was budgeted for or not.
- **Strategic consistency** e.g. is it consistent with the Long Term Plan, or other Council (or government) strategies, National Policy Statements, and so forth.

¹ Terms courtesy of Prof Claudia Scott, School of Government, Victoria University of Wellington.

- How easy something is to **implement** – this might include conspiring timeframes, implementation costs, or risks.
- **Impacts on Council** staff and resources.
- **Stakeholder support** – although it may be that different groups of stakeholders have different views, so this might need to be looked at in more detail.
- **Durability** – how long the proposed options might last – for example, the difference between upgrading a building and constructing a new one is likely to be around its useful life. Or whether something will cope with the current population, but won't meet needs in 10 years due to population growth.
- **Environmental** impacts.
- **Population impacts** e.g. on individuals, groups of individuals or on particular areas. This can involve analysing winners and losers – this type of analysis is typical in rates setting discussions, and changes to Council user charges.
- **Cultural** factors.
- Implications for the **Treaty of Waitangi** policy and relationships.
- Implications for **local business** – or particular sectors e.g. farming.

Then there are other criteria peculiar to the particular set of options you are considering. These can be distilled from the problem definition, i.e. what are you trying to fix? These might include things like public safety, privacy, economic development etc.

You need to choose a set of criteria relevant to the issue at hand.

Looking back at how other issues have been dealt with in your organisation, or at other Councils² might help you decide on appropriate criteria.

Remember to explain why you chose these criteria in your paper.

Presenting the options analysis: a simple example

Then you will need to undertake a systematic analysis of the options against the criteria.

This may end up being quite lengthy – so might be best in an appendix, with just a summary in the main body of the paper.

Although, you will need to clearly summarise the conclusions of your analysis in the body of the paper, as this is critical information for decision-makers.

We often suggest using a table to summarise the options analysis.

See the Appendix for examples of options analysis. This shows a range of different ways of presenting a summary of your analysis.

Ticks and crosses, or traffic lights can be used for good visual effect. You could also use key words, summing up the differences.

It can be taken another level by using weightings for the key criteria and therefore ending up with an overall score across all dimensions. The Treasury guidance includes material on this. But use caution, it's easy to over engineer this type of approach and present results with somewhat spurious accuracy. Scoring systems should probably be left for very significant decisions where there is good data and evidence and general agreement on the criteria that matter.

Options and options analysis can be developed iteratively

For larger more complex projects, it's likely that this type of analysis might be over time starting with a long list which is whittled down to a short list, or high-level options which can be expanded upon to identify options at a more detailed level.

This process can be done in a discussion or in a workshop with decision-makers.

Try using A3s or slide packs for this, rather than a formal paper, as they can incorporate visuals better and promote discussion.

² Councils tend to publish their decision papers on the internet – these have search functions which allow you to identify relevant papers.

Practice makes perfect

This type of analysis is more complex and will take a while to get right. We see examples in work from most Councils.³ (Some of your staff, of course are doing it well all of the time.) So, pull their work out, and share the examples around.

A team brain storm, or a workshop session using a white board is a good way to start this sort of thinking.

References and further reading

Department of Internal Affairs (2011) Achieving Compliance, A Guide for Compliance Agencies in New Zealand.

Ministry for the Environment (2011) Professionalising Policy: Cost Opportunity, Benefit Risk Analysis.

<http://www.mfe.govt.nz/sites/default/files/About/cobra-mfe-policy.pdf>

Productivity Commission (2013) Toward Better Local Regulation.

<http://www.productivity.govt.nz/sites/default/files/towards-better-local-regulation.pdf>

Treasury (2013) Regulatory Impact Analysis Handbook – this sets out the basic requirements for developing and assessing regulatory options. <http://www.treasury.govt.nz/regulation/regulatoryproposal/ria/handbook>

Treasury (2015) Guide to Social Cost Benefit Analysis.

<http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/guide>

Treasury (2018) Better Business Case Guidance website.

<http://www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc/guidance> (for the overall website and sets of guidance).

<http://www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc/guidance/bbc-indbus-gd.pdf> (one-page summary of options assessed using a multi-variate analysis).

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Thanks to the team at Auckland Council which allowed us to use some of their real world examples, which have been included in published Council papers. References are attached.

³ See the Appendix for some Auckland Council examples.

Appendix Examples

Example 1 A new pool - options analysis presented in a table – ticks and crosses

Options	Assessment criteria					
	Cost	Impact on debt	Alignment with Council recreation objectives	Ease of public access	Local economic impacts	Likely public reaction
Build central new pool	x x x	x x	✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓ ✓
Extend existing pool in suburbs	x x	x	✓ ✓	✓	✓ ✓	✓
Redirect funds to other leisure activities	x	x	✓	✓	✓	✓ x
Redirect funds to reduce debt	-	✓ ✓ ✓	x	-	-	x x

Source: NZIER example

Example 2 Freedom camping options – ticks and crosses

	Criteria		Option 1	Option 2	Option 3	Option 4
			<i>revoke legacy bylaw provisions</i>	<i>Maintain status quo</i>	<i>New bylaw under the Freedom Camping Act</i>	<i>New bylaw under the Local Government Act 2002.</i>
Policy	1.	Consistency with central government freedom camping policy	✓	x	✓ ✓	-
	2.	Potential to manage primary harms and secondary harms	x	✓	✓ ✓	✓
	3.	Ability to respond to community and stakeholders	✓	-	✓ ✓	✓ ✓
Processes	4.	Longevity/futureproofing	✓	x	✓	-
	5.	Ease of implementation	x	✓	✓ ✓	✓
	6.	Cost to deliver	x	-	-	-

Rating against criteria	✓ ✓	✓	x	-
	Good rating	Medium rating	Poor rating	Neutral

Source: Auckland Council: Approaches to managing freedom camping in Auckland (CP2017/15422)
http://infocouncil.aucklandcouncil.govt.nz/Open/2017/08/REG_20170810_AGN_6973_AT.pdf

Example 3 Accommodation provider targeted rates options – using traffic lights

	Trans- parency	Over- sight	Ability for input	Flex- ibility	Auckland perspect- ive	Cost & efficient	Propor- tionate	Key considerations
Option one: Status quo	●	●	●	●	●	●	●	<ul style="list-style-type: none"> No input for targeted rate payers or transparency of decision-making so it is inadequate.
Option two: Advisory body	●	●	●	●	●	●	●	<ul style="list-style-type: none"> Advisory only. Activities and decisions most relevant to targeted rate payers sit with ATEED, not the council.
Option three: ATEED board appointment	●	●	●	●	●	●	●	<ul style="list-style-type: none"> Input at the decision-making level. Inflexible, as one appointment only. Includes decisions on matters wider than activities funded by the targeted rate. Appointment through the council's policy and process mitigates risk of an unsuitable appointee as a director.
Option four: ATEED sub-committee	●	●	●	●	●	●	●	<ul style="list-style-type: none"> Advisory only. Membership is flexible enough to provide representation for a range of targeted rate payers and incorporate others in the future.
Option five: Independent body	●	●	●	●	●	●	●	<ul style="list-style-type: none"> Body is directly accountable to targeted rate payers. Requires the sector to come together to establish the body. Could duplicate or compete with ATEED's activities.
Option six (preferred) Both options 3 and 4	●	●	●	●	●	●	●	<ul style="list-style-type: none"> Provides input at both advisory and decision-making levels on activities most relevant to targeted rate payers.

Source: Auckland Council: Governance options for the accommodation provider targeted rate (CP2017/22163)
http://infocouncil.aucklandcouncil.govt.nz/Open/2017/12/GB_20171214_AGN_6766_AT.pdf

Example 4 Addressing homelessness – position and role options – using words

	Option 3 Responsive “do more”	Option 4 Progressive “do a lot more”
	In addition to Option 2:	In addition to Option 3:
Addresses the identified gaps	Addresses the key gaps as far as possible within the council's current mandate.	Addresses the gaps comprehensively, with a clear focus on the primary determinants – housing supply and services for vulnerable people.
Effectiveness and impact on: Improving, ending and preventing homelessness	Increases the focus on ending and preventing homelessness. Effectiveness will improve. However, the impact will be limited and delayed without a strong focus on the housing supply.	Increases the focus on prevention. Increasing the supply of affordable housing will have the biggest impact on homelessness outcomes.
Addresses the continuum of homelessness and priority groups, including Māori	A strategic plan would span the continuum of homelessness, with targeted interventions for priority populations, including Māori.	There would be a stronger focus on at-risk groups.
Supports cross-sectoral collaboration	A cross-sectoral strategic plan provides a shared vision and goals to galvanise a more cohesive, integrated approach. Provides a foundation to increase collective impact.	Represents a greater role for the council in the delivery and management of affordable housing. Would cross into central government responsibilities.
Provides a strong voice for Aucklanders	Provides clarity at a regional and national level on the position of Auckland Council. Provides a platform for a strong voice for Aucklanders.	Would solidify Auckland Council's role as a lead agency in addressing affordable housing, and a stronger mandate to be a strong voice for Aucklanders.

Source: Auckland Council: Auckland Council's position and role in improving, ending and preventing homelessness (CP2017/14815)

http://infocouncil.aucklandcouncil.govt.nz/Open/2017/08/ENV_20170808_AGN_6831_AT.pdf