

## 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.

### 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. But make sure you don't move to this, if there are wider options.

In most 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. Remember also that this might not be static, i.e. doing nothing can make the situation worse over time – so you might need an option that the situation deteriorates as well as a holding steady position.
- **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, a rise in payment rates, or size or number of pilot programmes. 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.

This could be a matrix if it is best to organise the options based on two variables, e.g. cost and timeliness. A diagram can be helpful.

But don't only use a continuum – think outside the square as well so you look at different ways of addressing the same problem. 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** – international examples can be particularly useful when you are dealing with a unique issue. Many agencies do this as a standard part of their business. But there are others where this isn't considered.
- **Evidence on best practice** can help identify options – this might take some research. In other cases, there will be guidelines, 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's (2013) guidance 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, asset management in the health sector has similarities to asset management in the tertiary education sector.

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.

Remember to clearly explain the options so the differences between them are clear.

### 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 of free and frank policy advice.

Common mistakes we see are:

- **The goldilocks choice**<sup>1</sup> – 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), balance sheet impacts, whole of life costs, and whether something was budgeted for or not.
- **Strategic consistency**, e.g. is it consistent with the existing policy and any relevant strategies.
- How easy something is to **implement** – this might include conspiring timeframes, implementation costs, or risks.
- **Impacts on agency** 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 **particular sectors**, e.g. farming.

Then there are other criteria peculiar to the set of options you are considering.

<sup>1</sup> Terms courtesy of Prof Claudia Scott, School of Government, Victoria University of Wellington.

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 similar issues have been dealt with in your agency, or by other agencies might help you decide on appropriate criteria.

Remember to explain why you chose this set of criteria.

### 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. A full assessment doesn't need to be in the paper itself. But if needed could be in an appendix or other background material, e.g. an A3.

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 to 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.

### Practice makes perfect

We see examples in papers from most agencies. But it isn't done consistently for all major pieces of analysis. So, identify where it has been done, 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.

This type of analysis can be developed iteratively – say in discussion with your Minister. This will help identify options, short list them, and further refine them. In these cases, you might end up writing a series of papers or using A3s or slide packs to start with – ending in a formal paper.

### References and further reading

Department of Internal Affairs (2011) Achieving Compliance, A Guide for Compliance Agencies in New Zealand. (can be found on their website).

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/regulator/propose/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)

<https://www.treasury.govt.nz/sites/default/files/2019-08/bbc-options-framework-analysis.pdf> (one-page summary of options assessed using a multi-variate analysis).

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For further information please contact anyone from our policy advice team:

Cathy Scott at [cathy.scott@nzier.org.nz](mailto:cathy.scott@nzier.org.nz)

John Yeabsley at [john.yeabsley@nzier.org.nz](mailto:john.yeabsley@nzier.org.nz)

NZIER (04) 472 1880

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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.

## Appendix A 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 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
<b>Option one:</b> Status quo	●	●	●	●	●	●	●	<ul style="list-style-type: none"> <li>No input for targeted rate payers or transparency of decision-making so it is inadequate.</li> </ul>
<b>Option two:</b> Advisory body	●	●	●	●	●	●	●	<ul style="list-style-type: none"> <li>Advisory only.</li> <li>Activities and decisions most relevant to targeted rate payers sit with ATEED, not the council.</li> </ul>
<b>Option three:</b> ATEED board appointment	●	●	●	●	●	●	●	<ul style="list-style-type: none"> <li>Input at the decision-making level.</li> <li>Inflexible, as one appointment only.</li> <li>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.</li> </ul>
<b>Option four:</b> ATEED sub-committee	●	●	●	●	●	●	●	<ul style="list-style-type: none"> <li>Advisory only.</li> <li>Membership is flexible enough to provide representation for a range of targeted rate payers and incorporate others in the future.</li> </ul>
<b>Option five:</b> Independent body	●	●	●	●	●	●	●	<ul style="list-style-type: none"> <li>Body is directly accountable to targeted rate payers.</li> <li>Requires the sector to come together to establish the body.</li> <li>Could duplicate or compete with ATEED's activities.</li> </ul>
<b>Option six (preferred)</b> Both options 3 and 4	●	●	●	●	●	●	●	<ul style="list-style-type: none"> <li>Provides input at both advisory and decision-making levels on activities most relevant to targeted rate payers.</li> </ul>

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](http://infocouncil.aucklandcouncil.govt.nz/Open/2017/12/GB_20171214_AGN_6766_AT.pdf)

### Example 3 Addressing homelessness – position and role options – using words

	<b>Option 3 Responsive</b> "do more"	<b>Option 4 Progressive</b> "do a lot more"
	In addition to Option 2:	In addition to Option 3:
<b>Addresses the identified gaps</b>	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.
<b>Effectiveness and impact on: Improving, ending and preventing homelessness</b>	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.
<b>Addresses the continuum of homelessness and priority groups, including Māori</b>	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.
<b>Supports cross-sectoral collaboration</b>	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.
<b>Provides a strong voice for Aucklanders</b>	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](http://infocouncil.aucklandcouncil.govt.nz/Open/2017/08/ENV_20170808_AGN_6831_AT.pdf)