

Managing Government Investment Projects 2014/15

November 2015



New Zealand Government

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Foreword from the Minister of Finance

Investment – in 'vestment *to commit resources in anticipation of future benefit*

We have become used to information, services and products that are available on demand, and accessible anywhere, any time. As a result, New Zealanders are demanding higher standards of privacy, security, accessibility, performance and innovation from the public sector, in line with their experiences in the private sector.

The Government wants to meet these expectations while making the best use of scarce financial resources. To do this, good information is needed to support investment decisions, and once projects are underway, we need to be confident they will succeed.

This year the Government has made changes to its expectations about the way investments are managed. These changes enable more efficient and effective investment management – to better turn intent into outcomes – by reducing the risk of failure and increasing the likelihood of successful delivery.

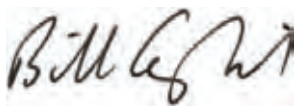
The changes to investment management include greater coordination and disclosure on the Government's investment intentions and the progress of work. These changes increase transparency about the status of these significant projects, and will increase accountability for the performance of these investments.

This is appropriate. New Zealand families work hard to pay their taxes, and if those families kept that money they could do a lot with it. It would make a big difference, so we need to treat it carefully. Where we use it, we need to make sure we get the most value out of doing so.

Investing resources to projects in anticipation of a future benefit is not without risk. Risk is not necessarily a bad thing – with no risk there is no reward, and doing nothing can also be risky. I want New Zealanders to have better access to information about investment risks, and how they are being managed.

This report, the first of its kind, provides an annual snapshot of the Government's overall investment programme, and the way this is managed. It should be read in conjunction with the *Major Projects Performance Report*, which goes into more detail about our biggest investment projects.

In the coming year I expect to see further results from the changes made to the investment system, including more evidence about benefits achieved, higher quality information to support decision-making, longer planning horizons and greater efficiency across the system.



Hon Bill English
MINISTER OF FINANCE

Introduction

Owning the right assets, managing them well, funding them sustainably and managing risks to the Crown balance sheet are all critical.¹

The New Zealand Government is investing billions of dollars to construct hospitals, schools, police stations and courts; maintain the fleets of our armed forces; and transform service delivery through greater use of ICT capabilities.

These significant investments span years, and many, 42%, are collaboratively delivered by two or more agencies working together. These investments are important in their own right to deliver better public services, and also as economic and social enablers.

In a climate of ongoing fiscal constraint, it is critical to choose investments that will deliver the most value to New Zealanders, make the best use of our assets, and limit risks that could reduce our resources, so that we can afford public services and investment now, and for years to come.

Managing major investment projects to deliver as planned is difficult, and requires strong leadership. Overruns of costs and schedules are common in public and private sector projects all over the world. Sound planning, effective governance and strong project management improve the likelihood a project will deliver as expected.

Even with these in place, things change through the life of a project – especially when projects are large and implemented over many years. Government priorities, market conditions, opportunities and risks can mean

further decisions are required, or earlier decisions need to be revisited, to continue to make the best use of scarce assets and resources.

Doing this well relies on a high-performing investment system. The system involves everyone who works with or on investments, including Ministers, Chief Executives, corporate centre agencies,² project managers, portfolio management offices, senior responsible owners, along with procurement, ICT, finance and legal leaders and professionals.

The purpose of this annual report is to:

- increase awareness on the scope and value of the investments the Government undertakes
- identify the approach the Government is taking to investment, and the resources available to departments, entities and stakeholders, and
- summarise new initiatives underway to strengthen the investment system.

This report is written for:

- members of the public with an interest in government projects
- businesses and providers who support government to deliver projects, and
- those working in the investment system.

¹ Gabriel Makhoul, 2014 Investment Statement www.treasury.govt.nz/government/investmentstatements/2014

² Refer to diagram 2 for more information

The Investment System

The investment management system helps to ensure investments align to government's objectives.

The investment management system is best defined as the processes, rules, capabilities, information and behaviours that work together to shape the way investments are managed throughout their life cycles.

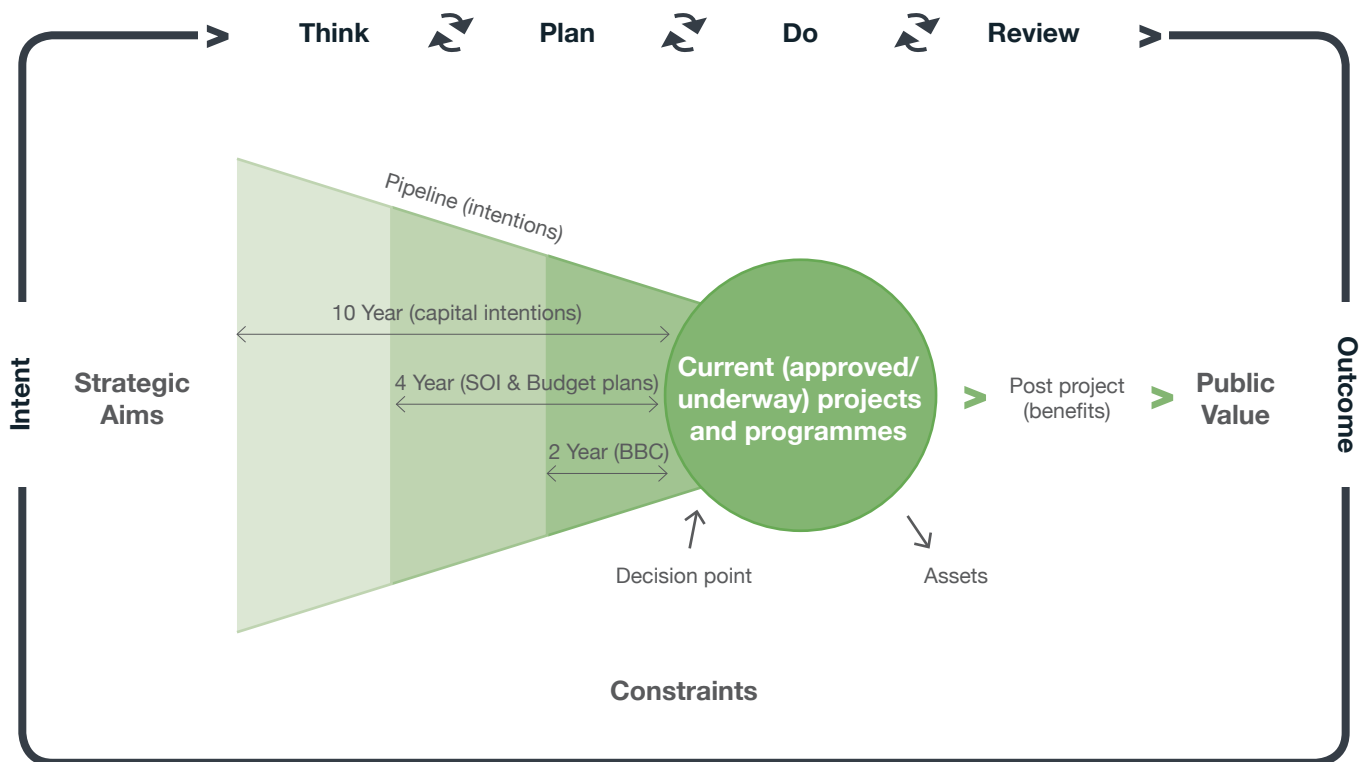
The system is complex. It operates across multiple agencies for diverse activities that can span years.

The investment management system has an integrated cycle approach to managing investment,

comprising four phases: think, plan, do and review. Together, these create an ongoing dynamic as ideas are tested, refined and adopted or discarded. This occurs within each agency and across government.

Each phase has different implications for agencies and decision-makers. The graphic below depicts the way the system translates intent into outcomes.

Diagram 1: The Investment Management System



Investment Intentions (“Think”)

Across government, investment intentions must be signalled early so that they can be considered against alternatives, and related intentions or constraints can be identified. Currently, government agencies use mechanisms such as the four-year planning process to articulate investment intentions.

In many instances, a four-year plan is not sufficient to outline an agency’s investment intentions. This is particularly true for agencies that maintain assets that have long useful lives or are intergenerational in nature. Examples of these types of assets include roads, schools and defence equipment.

Recognising this fact, the Treasury has defined a list of investment-intensive agencies³ and, from 1 July 2015, these agencies began to outline their long-term investment intentions in a Long-Term Investment Plan. The plans describe the investments that an agency intends to make over a period of at least 10 years to support the delivery of services and/or a government strategy.

The majority of the investment intentions of government departments and Crown entities are available on the Treasury’s website to enable departments and stakeholders to see an investment pipeline of potential investment activity.⁴ The investment pipeline includes significant investments and is updated three times a year.

“Significant” is defined in the *Investment Management and Asset Performance in the State Services Cabinet Office Circular*⁵. Significance is assessed by agencies, and includes investments likely to have major impact on the government or citizens, the fiscal strategy, or the investment strategy.

Once a significant investment intention is identified and is entering the planning phase, an agency completes a Risk Profile Assessment. This assessment provides an indication of the processes, controls, and level of oversight required from within the agency and the corporate centre.

Diagram 2: Agencies Within the Corporate Centre



³ www.treasury.govt.nz/statesector/investment-intensive-agencies

⁴ www.treasury.govt.nz/statesector/investmentmanagement/publications

⁵ www.dpmc.govt.nz/sites/all/files/circulars/coc_15_05_0.pdf

Investment Selection (“Plan”)

The Government takes considered and active stewardship of investment over a long-term horizon to:

- optimise the value generated from existing resources and new investments
- increase the efficiency and effectiveness of the investment management system, and
- enable investments to achieve their intended benefits.

Every investment prepares a business case, which explores its value, opportunities, costs, risks and feasibility. The Government has finite resources to

allocate to investments. Decision-makers consider the range and relative merit of proposals to determine which investments should proceed.

Decisions on significant investments are underpinned by the Investment Strategy, which contains 11 principles. Most of the rules and processes affecting the strategy are contained in the *Investment Management and Asset Performance in the State Services Cabinet Office Circular*, which came into effect on 1 July 2015.⁶

Box 1: Eleven Principles in the Government's Investment Strategy⁷

Considered and active stewardship	Take considered and active stewardship of taxpayer and Crown resources over a long-term investment horizon.
Continuous assessment	Continually assess whether existing investments and assets align with the Government's objectives and exit from assets, commitments or projects in development if it no longer makes sense to continue.
Balanced investment	Balance investment across the Government's interests and accountabilities when considering the make-up of the Government investment portfolio.
Informed decisions	Inform decision-making processes with information and evidence as well as analyses of the impacts of investing, not investing or divesting in public services.
Consideration of relative value	Consider the relative value of investment proposals against other proposals, existing investments, options and forecast future proposals, in order to make decisions that make the best use of the precious resources in our care.
Alignment to Government priorities	Give preference to initiatives aligned with the priorities of the Government. Collective and all-of-government approaches will be looked on favourably but must be able to demonstrate long-term value and show they have strong stakeholder support and commitment.
Optimal resource allocation	Move resources (including funding, assets and capability) to where they have the greatest overall effect, within the constraints of delegations and existing levers.
Appropriate risk management	Accept a level of risk in order to obtain the benefits from investments, but the risks need to be clearly identified and managed. Each decision carries risk, as does doing nothing. The Government is comfortable with a level of managed risk in its portfolio.
Good financial management	Expect agencies, in the first instance, to provide for current and future needs from within their existing baselines, and to understand: the costs of delivering their services; their medium to long-term planning; the impact of moving resources; and the performance of investments under their responsibility.
Alignment to fiscal strategy and balance sheet targets	Inform and constrain (eg, timing and maximums) its investment decision-making and management, at an all-of-government level, through the Government's fiscal strategy and balance sheet targets.
Regular reporting	Review, and periodically report on , the performance of the Government's investment portfolio against the outcomes it wants to achieve, to ensure transparency.

⁶ www.dpmc.govt.nz/sites/all/files/circulars/coc_15_05_0.pdf

⁷ www.treasury.govt.nz/statesector/investmentmanagement/publications

Investment Implementation (“Do”)

Once an investment proposal is approved and funded, monitoring and support from the corporate centre are provided as required. The Treasury reports to Cabinet on the performance of the most complex and risky investments in the portfolio three times a year.

These performance reports are prepared in coordination with the corporate centre. From November 2015, a redacted version of the full report will be available on the Treasury website.⁸

Investment Review (“Review”)

Reviewing investment is a process that occurs throughout the investment management system – it is how an idea is evaluated against the benefits it is to achieve.

In order to provide assurance to decision-makers that an investment has the best chance possible of realising its intended outcomes, a range of monitoring and review processes exist. These processes include

independent quality assurance (IQA) reviews and a review methodology called Gateway – an independent peer review that occurs at critical points in the lifecycle of an investment.

The Treasury requires that agencies report on benefits regularly, to ensure that the intended benefits of an investment are achieved.

⁸ Ibid

Treasury Services for the “Plan” Phase:

Better Business Cases support smarter investment decisions

“The lowest standards that are set at the start of a project are the highest standards that can be expected for the rest of the project. A project that starts poorly never improves.”⁹

The Treasury introduced the Better Business Case approach in 2011. The purpose of the framework is to build capability across government so decision-makers have high-quality information when making investment decisions and managing investment.

The approach comprises a business case framework, training programmes, an international standard and expert advice to help develop business cases.

The business case framework uses a Five-Case Model shown in the diagram below.

A recent independent evaluation completed in November 2015 showed a significant improvement in the application and use of the Better Business Cases programme and guidance in the New Zealand state sector over the past 18 months, which has resulted in more robust expenditure proposals.

Training on the business case approach is provided through a partnership with the Association of Project

Management Group (APMG), which offers training programmes for the Five-Case Model.

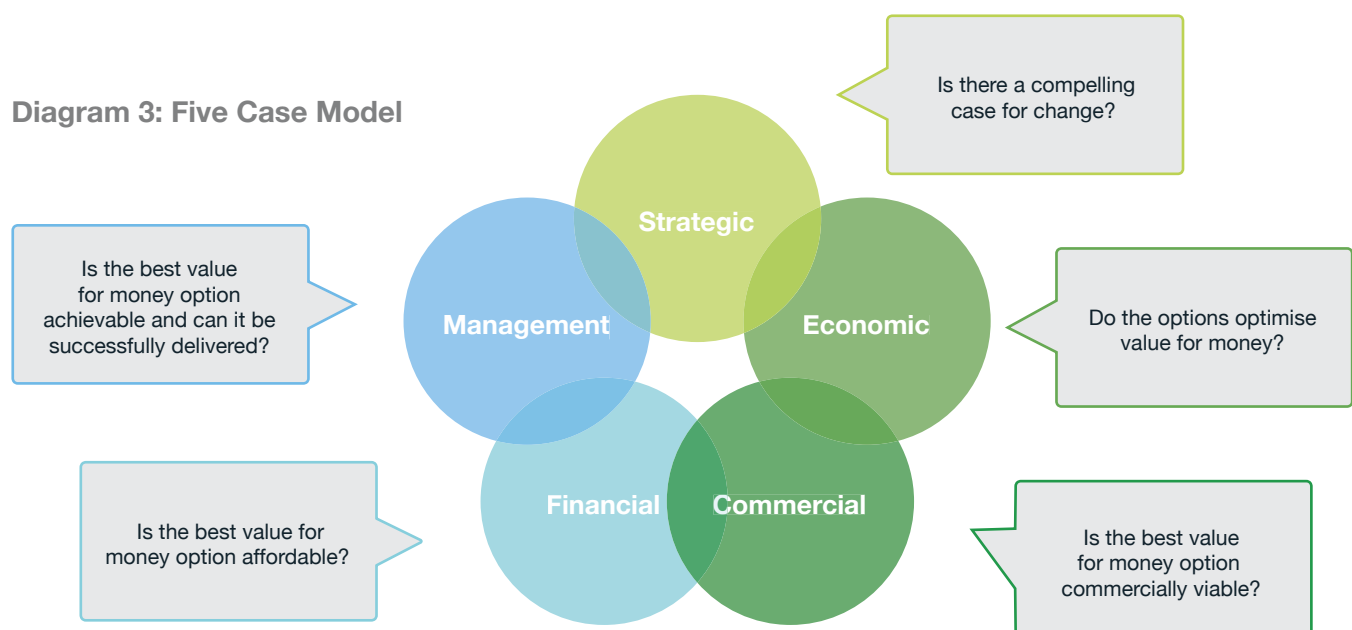
A range of support initiatives helps agencies develop high-quality business cases, including an endorsed expert programme, and a number of tools and guides, such as the recently updated toolkit for effective cost-benefit analysis.

The Treasury enables business case clinics, with representatives from the corporate centre, to support selected investments. In these clinics, agencies access expertise in each of the five case areas to help develop and review their business cases.

The framework has been reviewed regularly, and the most recent review was published in November 2015, which found a significant lift in the quality of investment proposals since the introduction of Better Business Cases in 2011.

Further information on the Treasury’s business case approach and offering is available at: www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc/

Diagram 3: Five Case Model



⁹ Lord Browne of Madingley (2013), *Getting a Grip: How to Improve Major Project Execution and Control in Government*

New Zealand Government Procurement

Procurement connects to investment management. It is the way government accesses third-party ideas, skills, resources and experience to help achieve its objectives.

Government procurement accounts for around \$39 billion of expenditure each year. What is procured, and how, can significantly influence the quality of public services as well as contribute to economic growth.

New Zealand Government Procurement is a branch based within the Ministry of Business, Innovation and Employment (MBIE) and works with government agencies to increase procurement and commercial capability. The branch reviews procurement plans for purchases greater than \$5 million, provides commercial expertise, endorses collaborative procurement, leads all-of-government contracts and builds workforce capability. To date, the branch has worked with government agencies to implement the Rules of

Sourcing,¹⁰ provide good practice guidance and enable capability development programmes on procurement.

Good procurement practice helps investment projects deliver successfully.

Over the coming year the branch will work with government agencies to increase the focus on supplier markets when forming investment intentions, measure the commercial maturity of agencies through a Procurement Capability Index and assist with the Canterbury rebuild.

Further information on procurement is available at: www.procurement.govt.nz

Box 2: Smart Procurement

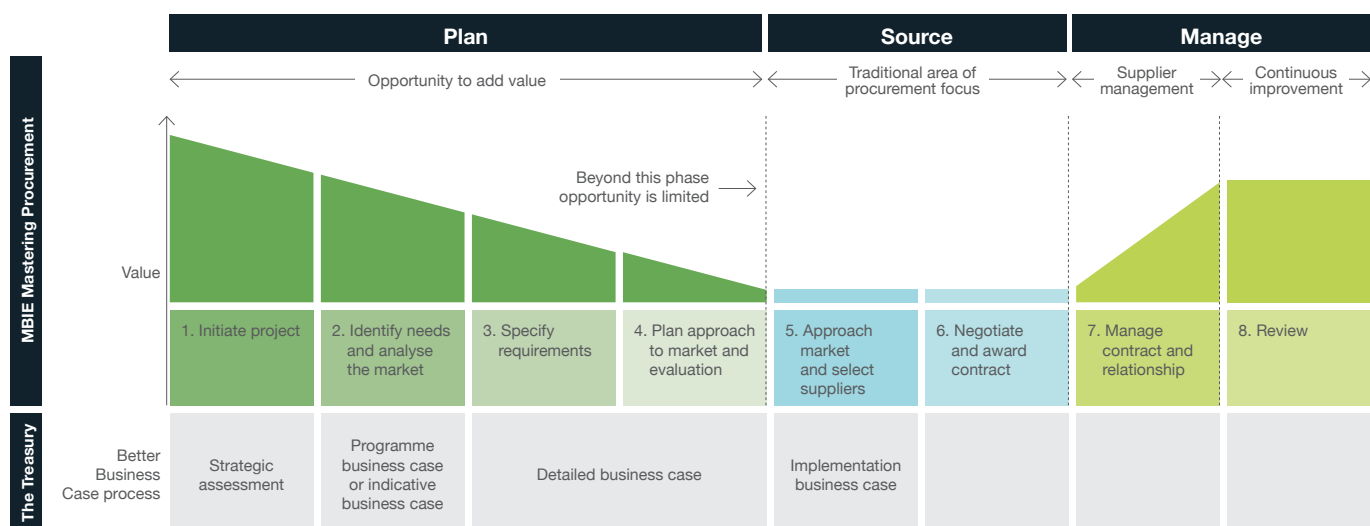
- Is well-planned and integrated into the investment decision-making process.
- Includes effective engagement with the supplier market pre-procurement.
- Includes appropriate incentives to allow innovation and continuous improvement.
- Sets expectations and works with the supplier market to ensure that the right solution is selected.
- Is based on considerations including whole-of-life cost and quality.
- Ensures that the relationship with suppliers is well-developed to ensure successful delivery.

Box 3: Focus Areas

Engaging the supplier market pre-procurement	Managing contractual relationships to deliver value	Allocating and managing risk where it is best managed
<ul style="list-style-type: none">– Agencies need to conduct research and analysis to ensure sufficient capacity and capability, and to identify whether new solutions or market entrants are needed.– For complex activities, projects need to provide time and information to ensure markets, especially New Zealand companies, can respond.	<ul style="list-style-type: none">– Government looks to focus on managing relationships.– A more planned, transparent and prioritised pipeline will be produced to enable the market to better plan and manage service.– Better management of supplier performance and benefits realisation is needed.	<ul style="list-style-type: none">– There has been consistent feedback from industry that government needs to better identify, manage and allocate risk.– Work with the construction sector to produce guidance on construction procurement including risk management has been completed.

¹⁰ www.business.govt.nz/procurement/for-agencies/key-guidance-for-agencies/the-new-government-rules-of-sourcing

Diagram 4: Procurement Lifecycle Alignment to Better Business Case Process



Box 4: Construction Procurement Guidance

In conjunction with industry New Zealand Government Procurement has developed Construction Procurement Guidance. The Planning Construction Procurement guides aim to modernise the Government's approach to construction procurement to align with good international practice and deliver value to New Zealanders. The guides encourage government agencies to take a strategic approach early in the planning of construction procurement. The guides link to other government-directed requirements such as Treasury's Better Business Case (BBC).

Details on the Construction Procurement Guidance is available at: www.procurement.govt.nz

Government Chief Information Officer

Information Communication and Technology (ICT) is transforming the delivery of public services, enabling New Zealanders to interact with government any time, anywhere.

ICT Functional Leadership

Strong management of ICT across government underpins the Government's transformation of public services by securing economies and efficiencies across departments, improving services and service delivery and developing expertise and capability across the State Services.

ICT Functional Leadership spans information management, technology infrastructure and technology-enabled business processes and services.

ICT Strategy

Since its launch in 2013, the Government ICT Strategy and Action Plan to 2017 has laid the foundation for service and system transformation. Achievements include:

- Over 100 agencies are now using common capabilities.

- Security and privacy practices across the public sector have strengthened.
- Establishment of the ICT assurance function and the Chief Government Privacy Officer.
- Major agency transformation programmes have progressed.
- Significant cost savings (both actual and avoided) have also been achieved.

In 2015, a mid-term review of the Strategy was carried out. The review offered an opportunity to refocus the Strategy to enable the public sector to take advantage of several 'game-changing' trends that have emerged, and Cabinet agreed the revised ICT Strategy in October 2015.

Further information on the Strategy is available at: www.gcio.govt.nz

Box 5: Enduring Opportunities Underpinning the Strategy

Exploiting emerging technologies	The accelerated pace of disruptive change generated by cloud services presents an opportunity to change the way the public sector operates, exits costs and delivers services to citizens and businesses.
Unlocking the value of information	Increased availability of government-held information and data analytics and predictive modelling have the potential to unlock the value of information to help solve complex problems and generate innovative ideas.
Leveraging agency transformations	Major agency transformation programmes have a critical role in delivering key components of an ICT ecosystem for the public sector that enables the integration of services across multiple agencies and their delivery partners.
Partnerships with the private sector	Partnerships with the private sector are increasingly being used to drive innovation and encourage greater risk-taking.

The Government Investment Portfolio

The government investment portfolio contains 409 investment projects, with an estimated whole-of-life cost of \$74 billion, to run, grow or transform government services.

The government investment portfolio represents the largest and most significant capital investments occurring across the State sector.

The investment portfolio is made up of two parts: an investment pipeline and works in progress.

Investment pipeline – these are projects and programmes identified by government agencies in their planning documents. The Government has not yet committed to these projects.

Works in progress – these projects and programmes are approved and funded, and implementation is underway.

Diagram 5: Government Investment Portfolio

# of projects	409
Whole-of-life cost	\$74b
2014-15 project budget	\$6.4b
2014-15 total government expenditure	\$94.5b

Investment Drivers

Government investments can be grouped by three basic investment drivers: Run, Grow and Transform.

Diagram 6 shows the number and whole-of-life cost of projects and programmes in the investment portfolio for each of the three categories: Run, Grow and Transform.

Investments in continuing to run core services make up around half of the investment portfolio, with an estimated whole-of-life cost of \$33 billion.

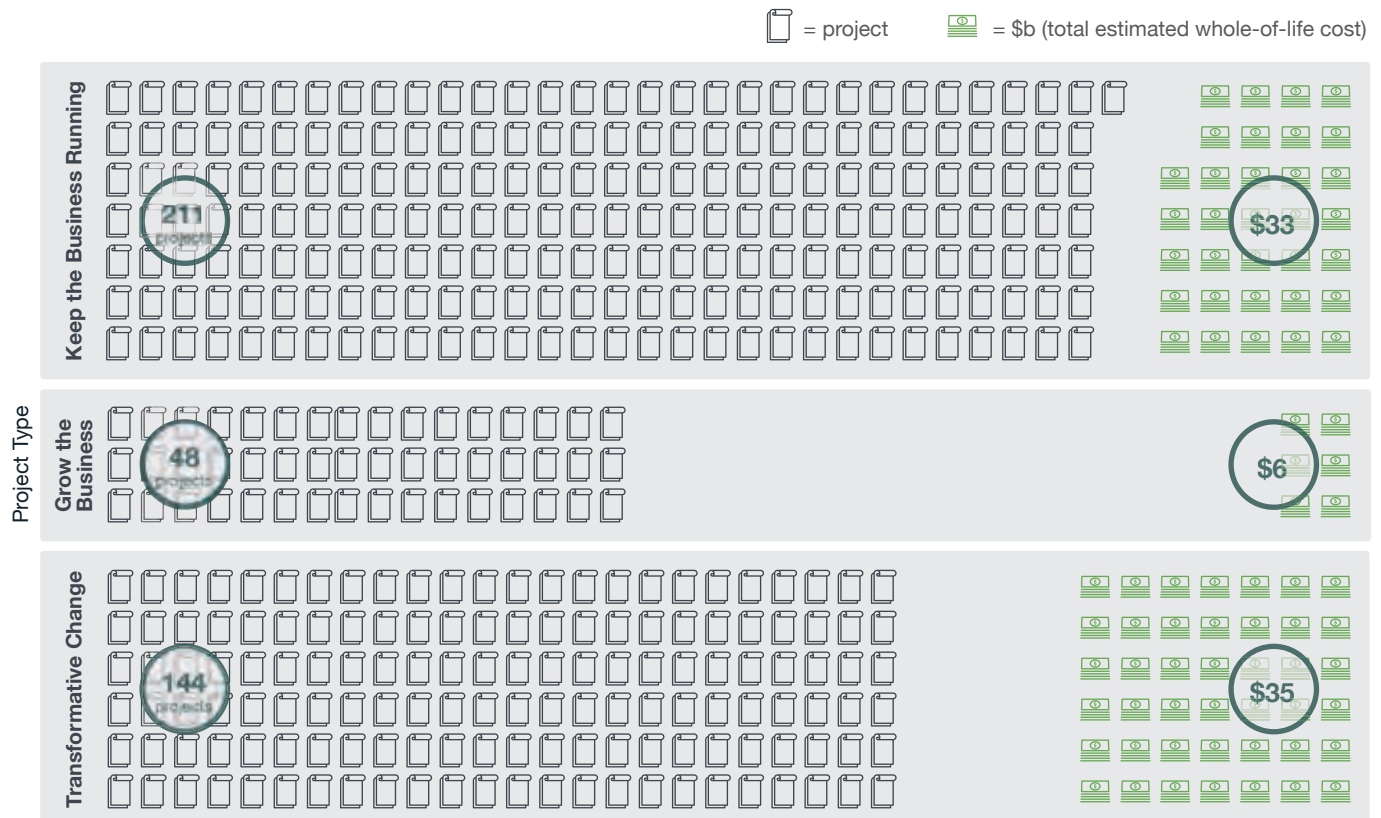
Transformation investments account for around a third of investment projects, but make up almost half of the whole-of-life cost of the government investment portfolio, with a total estimated whole-of-life cost of \$35 billion. This indicates that transformative investments are comparatively more costly. As such, the Government expects that the benefits will be greater too.

Growing the scope and quality of government services is the smallest category of investment, made up of just 48 investments with an estimated whole-of-life cost totalling \$6 billion.

Box 6: Drivers of Investment

Run	Grow	Transform
These investments enable government to continue to run core services. Investments in this category include property and equipment maintenance or replacement, and software procurement.	New government policies and agency strategies can grow the scope or quality of public services. This investment extends or enhances existing services; for example, building new education facilities to match a growing population.	Some initiatives transform and fundamentally change the way services are delivered. These investments typically involve significant business change, supported by system procurement.

Diagram 6: The Number and Cost of Investments in the Investment Portfolio



Note: Six projects did not provide data on their primary investment driver and are not included above.

Investment by Region

Fifty-eight percent of the Government's investment portfolio, estimated at \$43 billion, is addressing local needs.

In the current investment portfolio, regional investments range from motorway developments, to mental health services, to new police stations. The most common regional investments are in the transport, justice and health sectors.

Investing in Auckland

Nearly 40% of all regional investment is focused on the Auckland region. Home to 1.5 million people and expecting a population increase of more than 50% over the next 30 years, the region is facing an increase in demand for services.¹¹ To help meet this demand, the investment portfolio shows over \$11 billion in planned and underway Crown investments in transport initiatives in Auckland.

Regeneration in Canterbury

Since the 2010 and 2011 earthquakes in Canterbury, the Government and its partners have worked to coordinate an effective and sustainable strategy to recovery. At the heart of the recovery is a vision to make the region a place to be proud of; an attractive and vibrant place to live, work, visit and invest **mō tātou, ā, mō kā uri ā muri ake nei** – for us and our children after us.

There are 26 recovery and regeneration projects in the investment portfolio, with an estimated whole-of-life cost of \$11 billion. These investments include the reconstruction of horizontal infrastructure, the acquisition and development of land in the red zone and the redevelopment of central Christchurch. Many of these projects are managed and funded jointly or wholly by local government.

Collaboration and partnership have been central to the recovery effort. This is led by the Christchurch Earthquake Recovery Agency, and the recovery has a range of contributors such as central and local government agencies, Te Rūnanga o Ngāi Tahu, local communities, business and non-governmental organisations. As the recovery progresses, local ownership is crucial to ensuring a sustained recovery and planning for this is underway.

Significant progress has been made in the past four years with 85% of horizontal infrastructure completed, and facilities such as the Christchurch Bus Interchange open. Yet the scale and complexity of the recovery has presented a range of challenges. Settlement of remaining dwelling claims, the future use of land in the red zone and supporting the wellbeing of communities represent just a few of the challenges that continue to receive focus.

Box 7: Investment Underway in Canterbury

- | | |
|---|---|
| <ul style="list-style-type: none">– Canterbury Spatial Data Infrastructure– Christchurch Schools Rebuild– Horizontal Infrastructure Programme– Earthquake Memorial Project– An Accessible City Project– Te Papa Otakaro / Avon River Precinct– Residential Red Zone Programme– Archives New Zealand Christchurch Building– Housing New Zealand Christchurch Programme– Central Library– The Square– Health Precinct– Demolitions and Operations Programme | <ul style="list-style-type: none">– Christchurch Justice & Emergency Services Precinct (refer to Case Study on page 20)– Future Use of Red Zone Land– East Frame Public Realm Project– Convention Centre Precinct– Stadium Project– University of Canterbury Earthquake Recovery– Lincoln University Earthquake Recovery– Metro Sports Facility– South Frame Project– Performing Arts Precinct– Christchurch & Burwood Hospital Redevelopment |
|---|---|

Note: Although this section discusses projects that are funded, or jointly funded, by the Christchurch City Council, local government projects are not included in the Government Projects Portfolio ie, local government projects are not reported on in this report.

¹¹ Auckland Council 10-Year Budget 2015–2025

www.aucklandcouncil.govt.nz/EN/planspolicies/projects/plansstrategies/longtermplan2015/Pages/fullbudget.aspx#volume1

Diagram 7: Investment by Region



Reporting on Performance of the Government Investment Portfolio

Assessing Portfolio Performance

All investments in the government portfolio are required to self-assess their performance status and report this to the corporate centre three times a year. This information is used to track the performance of the entire portfolio and to inform reporting on government investments. Investments can report their performance status as:

- Green** On track; no forecast breach of project tolerances
- Amber** Forecast breach of project tolerances (any)
- Red** Breach of project tolerances

Project tolerances define the range within which the project can vary from its plan without being subject to additional approval processes.

A subset of the government investment portfolio, constituting the most complex and risky investments, is subject to additional oversight and monitoring delivery confidence assessment by the Treasury.

Section Six, on page 26, of this report contains more detailed information about these projects.

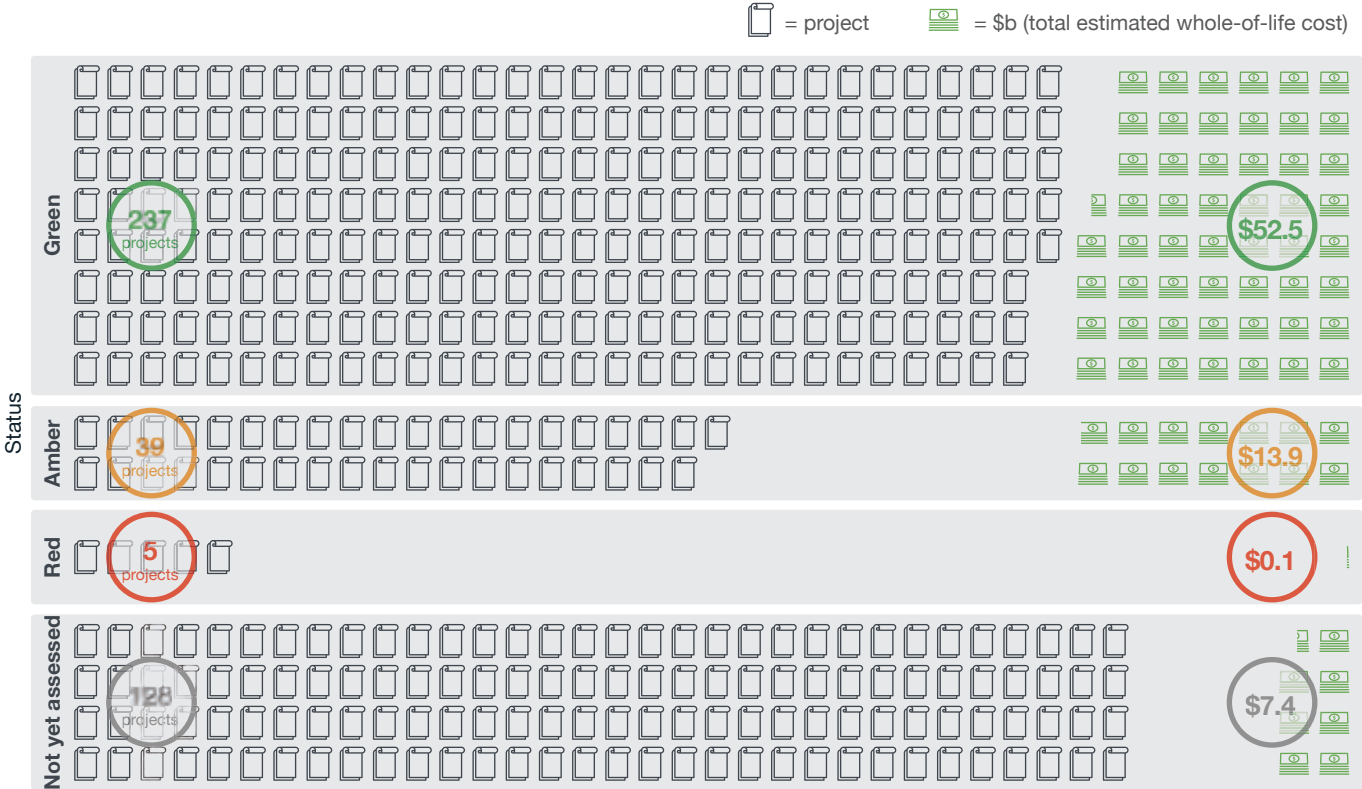
Summary of Portfolio Performance

As at 30 June 2015, of the 409 investment projects in the investment portfolio, the majority (71% by value) are reporting a green status. Only a minority (0.1% by value) report a red status, as shown below in Diagram 8.

Project Performance by Investment Type

Of the projects with a red status, two refer to service transformation initiatives and three refer to ICT investments.¹² Note that these “Red” projects do not necessarily match those identified in the Treasury monitoring delivery confidence assessments of major projects, as the Treasury and agencies can take different views about the performance of a project.

Diagram 8: Status of Investment Projects and Programmes



¹² One of these investments is Treasury monitored, the remainder are monitored within their relevant department.

There is a noticeable difference in the status assessments between different investment types. Excluding those projects not assessed, construction investments appear the riskiest, with the lowest proportion of 'green' projects, at 52.2%. In contrast, Defence projects have the highest proportion of 'green' projects, at 86.3%.

Project Performance and the Investment Management Lifecycle

The performance of a project is influenced by its position in the investment management lifecycle. Projects in the 'think' stage have typically not had

sufficient planning and assessment to identify the level of risk the project might present. Sixty percent of projects in the 'think' stage have yet to receive a status rating. Given that the Government has yet to commit to an investment when it is only an intention, it is appropriate for these projects to not yet have a performance status.

Of the 74 investments in the plan stage, 16.7% are assessed as amber or red, compared to just 6.6% of those in the 'think' stage. 69.1% of projects in the 'do' stage are green.

Diagram 9: Project Performance Self-assessments



Investment by Type and Sector

The majority of government investment is in construction. There is significant construction activity underway in the health sector and a large proportion of construction investment is also allocated to the rebuild efforts taking place in Canterbury.

Forty-two percent of the projects in the investment portfolio involve two or more agencies collaborating to deliver the investment.

Spending on transport makes up a large proportion of government investment, and this is set to continue with over \$21 billion identified in planned works. Some of these projects are maintenance works, but many more are transformative, intended to improve and expand the transport network.

Diagram 10: Investment by Type

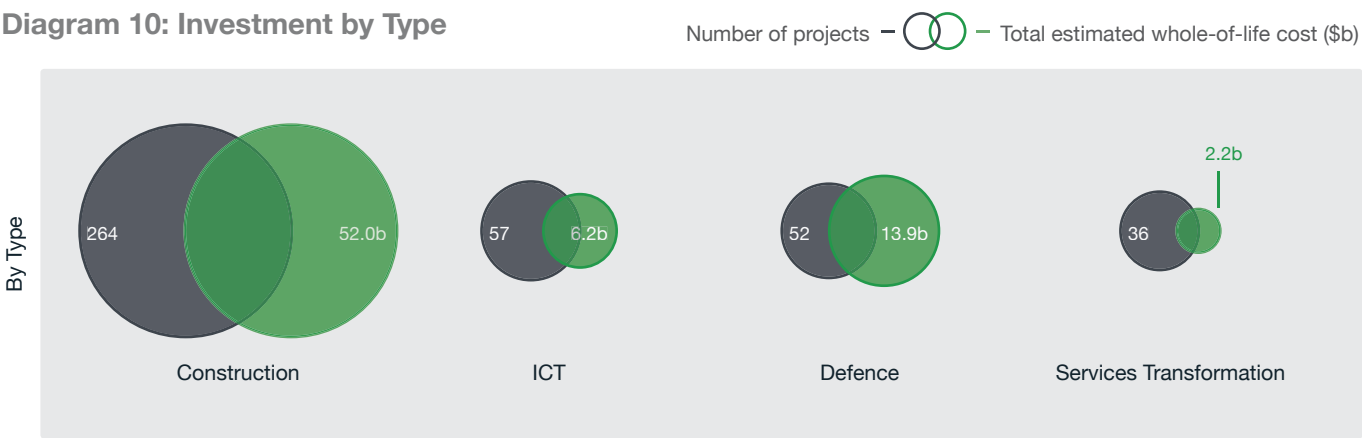
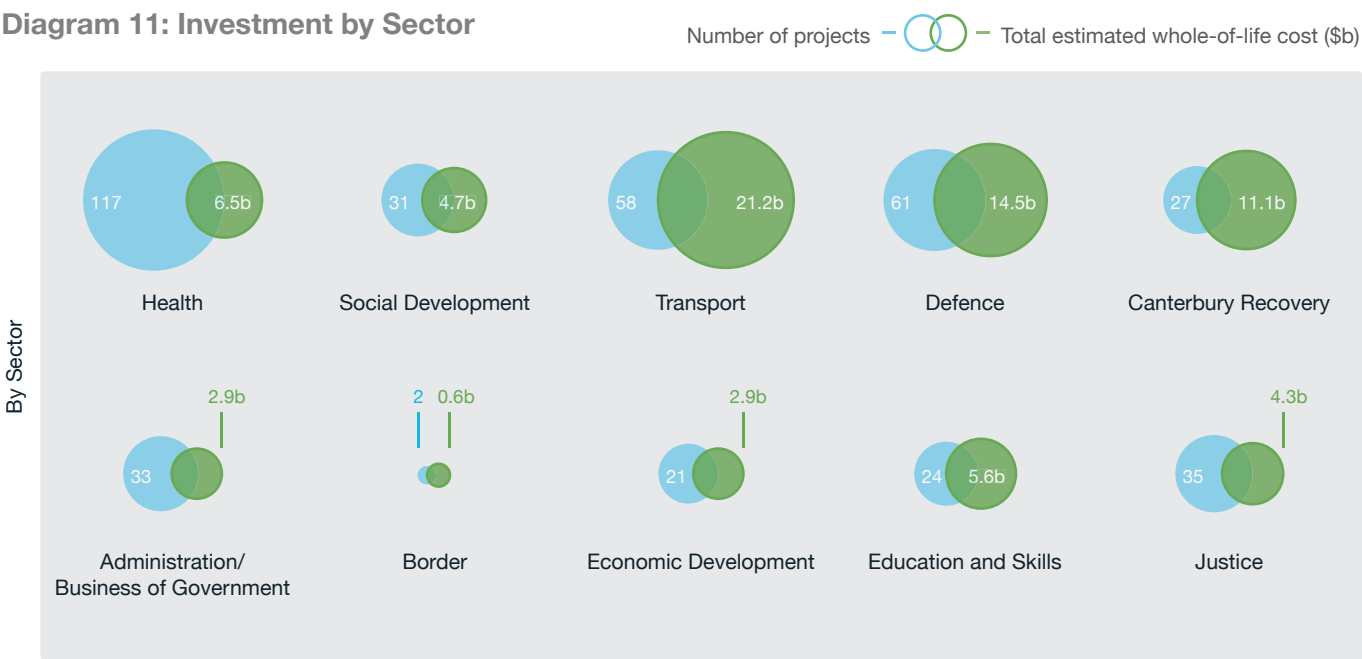


Diagram 11: Investment by Sector



Performance Over Project Life Cycle

“Major projects will run into problems (by their very nature they are laden with risk) and even when project initiation is strictly controlled, ongoing assurance and intervention is necessary.”¹³

This section looks at the planning and delivery of three complex and risky investments, and their achievements.

Successful delivery of significant investments is not easy. Each of the projects detailed on the following pages has encountered challenges during their development. This is entirely normal for large projects.

These case studies show that such challenges can be overcome, and projects can go on to deliver as intended.

The table below shows the status of these projects over time.

Box 8: Summary of Case Studies

Investment	Implementation Status	
The Christchurch Justice and Emergency Services Precinct – Ministry of Justice	Amber-Green – In progress	
Human Resources Management Information System – New Zealand Defence Force	Start	Completed
Early Learning Information System – Ministry of Education	Start	Completed

¹³ Lord Browne of Madingley (2013), *Getting a Grip: How to Improve Major Project Execution and Control in Government*

Case Study 1: Ministry of Justice

An integrated justice and emergency response facility to bring together all the crucial organisations for an effective response.

In July 2014, the Ministry of Justice commenced construction of the Christchurch Justice and Emergency Services Precinct, a project led by the Ministry of Justice since 2012. As an anchor project in Christchurch, the precinct reflects the Government's commitment to rebuilding the central business district.

The precinct brings together the Ministry of Justice, the judiciary, New Zealand Police, Department of Corrections, St John New Zealand, New Zealand Fire Service, the Ministry of Civil Defence and Emergency Management and the Civil Defence and Emergency Management functions of the Christchurch City Council and Environment Canterbury in one purpose-built

precinct in central Christchurch. It comprises three buildings – the Justice Building, the Emergency Services Building and a car park for operational vehicles.

An innovative design solution was developed for the buildings and its foundations. A 1.2 metre thick concrete slab was poured on top of a 2.5 metre deep cement stabilised ground. Designated as critical infrastructure post-disaster, the precinct is being built with base isolation technology which restricts movement and damage during a seismic event and provides 72 hours resilience if local networks are unable to support the precinct with power, water and waste services.



The north-west view of the precinct from the corner of Lichfield and Durham Streets



The design of the precinct incorporates many collaboration and innovation opportunities, including an Emergency Operations Centre with leading edge emergency response capability to enable agencies to work together to manage local, regional and national incidents. In a major emergency, staff from the various emergency services can walk directly into the Emergency Operations Centre across two levels to begin their response.

South Island 111 emergency services are also located adjacent to the Emergency Operations Centre. This will be the first time that the St John Clinical Control Centre and Police and Fire South Communication services have been co-located.

A joint custodial facility with custodial cells, specialised processing areas, separate visitor interview areas and secure access to courtrooms is located on the ground

floor of the Justice Building. The Police, the Corrections Service and the Ministry of Justice will share the custodial facility to provide better services from working together; for example, there are opportunities to reduce the average duration of a custodial stay, introduce earlier interventions to help address offender behaviour and reduce the costs of custodial facility operation.

The construction of the precinct is now approximately half way through its build programme. Significant progress has been made with the structure for the Justice Building. Further, the structure for the ground floor of the Emergency Services Building is complete and steelwork has commenced. Ground stabilisation and foundation works for the operational Car Park Building are well advanced. With construction work progressing well the precinct is on track for agencies to move in by mid-2017.



3

buildings



5

levels



1,100

staff



900

visitors



19

courtrooms



42,000

m² floor space

500

people working
on site during
peak construction

72+

Hours emergency
operations
resilience

Case Study 2: New Zealand Defence Force

The New Zealand Defence Force's new Human Resource Management and Information System allows rapid identification and deployment of specialised personnel in an emergency.

Every hour of every day, the New Zealand Defence Force is contributing to the defence, security and well-being of New Zealand. The Defence Force maintains well-trained and equipped personnel so they can react to a crisis quickly.

The Defence Force's strategy to 2035 focuses on renewing capability and organisational reform to achieve an integrated Force. One of the highest strategic priorities of the strategy is attracting and retaining the right people.

On 30 June 2015, the Defence Force successfully delivered a Human Resource Management and Information Systems platform to better look after, manage and develop its people. Complementing the software system were organisational and process changes across the entire workforce of some 14,000 people. The new system is a critical enabler for strategic priorities and provides a 21st century online technology platform aligned to the New Zealand Defence Force's organisational needs. It has standardised and consolidated disparate processes and enables more efficient and effective administration of human resource (HR) and payroll functions.

Commanders and managers across the Forces now have one tool and one way of working, regardless of the composition of their teams. It has made it easier to identify people with specific skills for faster operational deployment, removed inconsistency and eliminated duplication and paperwork by using online workflows and automated processes.

In such a dispersed organisation as the Defence Force, with personnel deployed globally and approximately 2,200 Reserve Force personnel around New Zealand, the mobility of the system also means information and HR administration can be completed remotely.

The project was delivered to scope and was nearly 14% under budget.

Project Timeline

- The 2010–11 Better Administrative and Support Services review and the 2010 Value For Money review identified opportunities to improve HR processes and technology.
- In May 2012 Cabinet approved the project implementation plan.
- The project was structured in two waves with delivery of the core system in Wave 1 and the Talent Management system in Wave 2.
- Wave 1 started in June 2012 and went live in March 2014.
- Wave 2 started in June 2014 and went live in March 2015.
- Final completion was achieved on 30 June 2015.

Box 9: Benefits Delivered

- 24 HR systems and databases were replaced with one for all Forces
 - 14 career and performance management tools were replaced with one system
 - Over \$6 million in savings are realised each year (7% over target)
 - Reduced payroll errors – now in line with global best-practice benchmarks
 - 28 more processes can be completed online instead of on paper
 - Tripled the proportion of members whose pay progression is processed automatically
 - Increased data quality to support better informed decisions (accuracy and completeness of data improved from 93% to 99.7% for pay, and 79% to 96% for HR information)
-



Box 10: Top Tips

Get the right people involved and keep them involved	Proven capability and experience are needed to ensure the many aspects of a programme work well together (eg, project planning and management of risks, issues, quality and dependencies).
Figure out what you really need and be clear about it	One of the project's lessons was that the Detailed Business Case, due diligence and vendor contracts could have provided more clarity on scope of business, functional and technical requirements. This would have minimised scope-creep that could have caused time delays.
Invest in organisational change management	Recognising how critical this was to the project's success meant bringing in expertise early to engage the business users to design change together. Ongoing communication and organisational change were needed throughout the project to achieve its objectives.
Do a quantitative risk analysis	The analysis develops a risk profile on time and cost to estimate a contingency budget to mitigate the profile. This was extremely valuable to the project and meant it had enough contingency to deal with problems as they occurred.
Break large projects into smaller ones	Splitting the project into components made it easier to deliver a large and complex result.

Case Study 3: Ministry of Education

Better information on early childhood education allows the Ministry of Education to identify and target communities with the greatest needs.

The Early Learning Information system has replaced a manual, paper-based process, and allowed the 4,300 early childhood education services across New Zealand to connect online with the Ministry of Education to provide enrolment, demographic, booking and attendance data on a daily basis.

This project has improved the quality of data on the 190,000 children participating in early childhood education, giving the Ministry a more accurate understanding of the nature of enrolment and attendance. This will improve the ability to target services or communities with the greatest need.

This project allows educational participation and achievement to be tracked from a child's first step into an early learning service through to wherever his or her educational journey goes next. This was done by building on the existing National Student Number as the unique identifier for education – previously only allocated to a child once they had started at school, but now once a child is enrolled in an early childhood education service.

The ability to use current data, rather than retrospective information about participation collected at school enrolment, will make policy decisions more timely and evidence-based.

The project was completed on time, under budget and delivered the planned capability – as well as some additional unplanned capability. The project has achieved a very high level of user acceptance and participation across the early childhood sector – 99.7% of eligible services submitted electronic census returns.

While not in the original scope, the new system can be used to electronically collect funding claim forms, which has generated time savings for service providers by removing the paper-based processes. This enhancement required an extension to the project timetable but was achieved without requiring further funding.



Implementation

The project adopted a phased implementation approach that avoided the risks associated with a ‘big bang’ approach. An independent quality assessment attributed this phased approach as a major contributor to its success. The project was split into four phases:

1. Allocating National Student Numbers to children already enrolled in early childhood services, which resulted in allocating 140,000 numbers.
2. Making sure existing student management systems could interface with the Ministry’s National Student Index which manages National Student Numbers. For services that did not have an existing system, a purpose-built web portal was developed.
3. Enabling early childhood education services to send child enrolment and attendance data to the Ministry.
4. Providing early childhood education services the capability to electronically submit funding claims rather than sending a claim form by post for manual processing.

Each phase followed a test, pilot, implement and review cycle to ensure the implementation could be fine-tuned as it progressed and issues resolved. There were, of course, speed bumps on the way to success. In particular, the information technology system had to be refined to reflect some technical issues from measuring the changing enrolment and participation patterns of individual children.

The use of an agile development methodology and the co-location of Ministry and vendor staff enabled these changes to occur on an iterative basis. Ongoing and close collaboration – including with a range of system vendors – ensured that the end-to-end functionality was not affected.

Collaboration

The project worked closely with stakeholders across the early childhood education sector, the Ministry of Education and central government agencies. Early stakeholder management was underpinned by regular communication.

To reinforce the collaborative approach, an experienced senior manager from the Ministry with a background in early childhood education service management was appointed as the change manager. A dedicated relationship manager role was created to manage the interaction between early childhood education services, their student management system providers and the project implementation team. To ensure a commitment to customer focus, the project team implemented a performance standard that any stakeholder query was responded to within one day.

The external independent quality assurance assessment reviewing the project concluded that it “has been extremely well governed and managed” and “has been very successful”.

Monitored Projects

The Treasury monitors government's riskiest projects and advises on the extent to which investments are delivering as expected – and if they are not, ensures that good information is provided quickly to the right people to manage issues as these arise.

Agencies undertaking significant investments complete a Risk Profile Assessment for these projects. Where the result of this assessment is high risk, monitoring is applied. The Responsible Minister may also request monitoring for a particular project or programme, and some medium-risk projects may be monitored at the Treasury's discretion.

Projects exit monitoring when they change or progress to the point where monitoring no longer adds value.

While projects are being monitored, the Treasury uses monitoring delivery confidence assessments to measure the likelihood that investments will perform as expected. The monitoring delivery confidence assessment represents the Treasury's view of a project's ability to deliver against its defined budget, schedule, scope and benefits.

These assessments are made three times each year against a set of criteria, and are moderated by a panel of peers and corporate centre officials before they are finalised.

A red rating does not imply that a project or investment will fail – what it does show is that significant effort is required in order to ensure successful project delivery. This could include re-planning, re-scoping or additional funding.

It is difficult for monitored projects to achieve Green monitoring delivery confidence, as these projects have significant inherent risks. As a result, most monitored projects that are performing well are assessed as Amber/Green as attention is still needed to prevent these risks becoming issues.

As projects achieve Green, and are likely to maintain this, monitoring is typically passed to lead agencies. This process of exit sets expectations, including advice to the Treasury of any change in status.

This means the Treasury generally expects the monitored projects portfolio to have few projects with a Green status. At present, just one project in the portfolio is assessed as Green.

A summary of the most recent ratings of monitored projects is provided in the Index of Monitored Projects (page 27).

Turning Around Projects Facing the Most Significant Challenges

Being transparent about the status of and challenges facing major projects is essential to improving the success of government's major projects.

Our intent in publishing information and data on government's major projects is to encourage a more active debate on how to successfully deliver these important investments.

The earlier sponsors, stakeholders and others know about possible challenges, the more options they have for resolving these. The level of complexity with government projects means that many will face a series of challenges – early knowledge of these improves government's ability to respond actively, and to deliver projects successfully.

Diagram 12: Monitoring Delivery Confidence Rating Scale

Green	Successful delivery appears highly likely and there are no major outstanding issues.
Amber-Green	Successful delivery appears probable; however, constant attention will be needed to ensure risks do not materialise into major issues.
Amber	Successful delivery appears feasible but significant issues already exist, requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun or loss/delay of benefits.
Amber-Red	Successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and determine whether resolution is feasible.
Red	Successful delivery of the project appears to be unachievable. There are major issues with project definition, schedule, budget, quality and/or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project may need re-scoping and/or its overall viability reassessed.

Index of Monitored Projects

Project	Agency	Status
Joint Border Management System (JBMS) Project <i>Moving to a faster, simpler, more cohesive and reliable system of border management</i>	Customs Service	
Canterbury Education Renewal Programme <i>Will repair and rebuild 115 damaged Canterbury schools by 2022</i>	Ministry of Education	
Christchurch Central Delivery Programme <i>Ensuring timely and effective delivery of anchor projects in central Christchurch</i>	Canterbury Earthquake Recovery	
Christchurch Justice Emergency Services Precinct <i>A new single-site precinct to accommodate justice and emergency services</i>	Ministry of Justice	
Horizontal Infrastructure Programme <i>Leading the recovery of resilient, sustainable and cost-effective network infrastructure</i>	Canterbury Earthquake Recovery	
Residential Red Zone Programme <i>Governs and coordinates the acquisition and management of land in the residential red zone</i>	Canterbury Earthquake Recovery	
Military Heritage Delivery Arrangements Project <i>Options for improving the delivery of military heritage with a national focus</i>	Ministry of Culture & Heritage	
ANZAC Frigate Systems Upgrade Project <i>Restoring and upgrading the surveillance and combat capabilities of the ANZAC frigates</i>	Ministry of Defence/ New Zealand Defence Force	
Consolidated Logistics Programme <i>Implementing a coordinated, efficient logistics management system across NZDF</i>	Ministry of Defence/ New Zealand Defence Force	
Future Air Mobility Capability (FAMC) Project <i>Sustaining NZDF's strategic airlift capability after the end of life of existing aircraft</i>	Ministry of Defence/ New Zealand Defence Force	
Future Air Surveillance Capability (FASC) Project <i>Ensuring that NZDF has a continuous, capable and relevant air surveillance capability</i>	Ministry of Defence/ New Zealand Defence Force	
Littoral Operations Support Capability (LOSC) Project <i>Providing a capability for continued support of the Littoral Warfare Support Force</i>	Ministry of Defence/ New Zealand Defence Force	
Maritime Helicopter Capability Project (MHCP) <i>Improving the capability of the Naval Helicopter Force (NHF)</i>	Ministry of Defence/ New Zealand Defence Force	
Maritime Sustainment Capability (MSC) Project <i>Will replace the HMNZS Endeavour with a new Maritime Sustainment Capability</i>	Ministry of Defence/ New Zealand Defence Force	
Network-Enabled Army (NEA) Programme <i>Improving NZDF's electronic information sharing capability</i>	Ministry of Defence/ New Zealand Defence Force	
Pilot Training Capability (PTC) Project <i>Modernising the NZDF pilot training system</i>	Ministry of Defence/ New Zealand Defence Force	
Platform Systems Upgrade (PSU) Project <i>Upgrading the platform systems of HMNZS Te Mana and HMNZS Te Kaha, to ensure combat viability</i>	Ministry of Defence/ New Zealand Defence Force	
Secret Information Environment (SIE) Project <i>Upgrading the NZDF's secret-level communications network</i>	Ministry of Defence/ New Zealand Defence Force	
2018 Census Project <i>Coordinating, directing and overseeing activities related to the 2018 Census</i>	Statistics New Zealand	

Project	Agency	Status
Statistics 2020 Project <i>Replacing existing data systems with modern, efficient platforms and processes</i>	Statistics New Zealand	
Integrated Lifecycle Services (ILS) Programme <i>Delivering a single business registration service that reduces effort and costs for business based on the New Zealand Business Number (NZBN)</i>	Ministry of Business Innovation & Employment	
Education Resourcing System Programme <i>A future-proofed early childhood and schools funding system</i>	Ministry of Education	
Learning with Digital Technology (LWDT) Programme <i>Using digital infrastructure and technology to improve learning outcomes</i>	Ministry of Education	
Shaping Our Future (SOF) Programme <i>Transforming ACC's operating model to improve delivery of core services</i>	Accident Compensation Corporation	
Health Payment Systems Project <i>Replacing outdated health payment methods with modern business processes</i>	Ministry of Health	
National Patient Flow System Project <i>A patient-centred referral-based reporting system</i>	Ministry of Health	
Cortex Project	Government Communications Security Bureau	
CPMI Project	Government Communications Security Bureau	
Transforming the System of Service Delivery (TSSD) <i>Transitioning to a digital, joined-up, customer-centric model of service delivery</i>	Department of Internal Affairs	
Programme and Activity Management Project <i>Delivering a core aid management software solution</i>	Ministry of Foreign Affairs & Trade	
Human Resources Management Information System (HRMIS) Project <i>A new HRMIS system to replace the current HR and Peoplesoft Payroll systems</i>	New Zealand Police	
Simplification Project <i>Simplifying the provision of MSD's transactional services</i>	Ministry of Social Development	
Vision 2015/Immigration Global Management System (IGMS) Programme <i>Designing and building an IGMS, the critical technology enabler to deliver Vision 2015</i>	Ministry of Business Innovation & Employment	
Advanced Survey and Title Services (ASaTS) Project <i>Replacing Landonline's outdated and constraining technology platform</i>	Land Information New Zealand	
National Biocontainment Laboratory Project <i>Replacing the existing Wallaceville biocontainment facility with an enhanced facility</i>	Ministry of Primary Industries	
CabNet Project <i>A central electronic source for authoritative Cabinet information</i>	Department of Prime Minister & Cabinet	
Business Transformation Programme <i>Implementing a modern, efficient and cohesive tax administration system</i>	Inland Revenue	
Child Support Reform Programme <i>Improving the efficiency and fairness of the child support system</i>	Inland Revenue	

