



Tranche One Results July 2016

Investor Confidence Rating

Investor Confidence Rating assessments have been completed for the Tranche One cohort, and three more tranches are planned between now and September 2017 for remaining investment-intensive agencies. This first review round for the ICR provides baseline data for subsequent reviews, and evidence of areas for improvement. Tranche One involved six investment-intensive agencies. The summary results were:

| Agency | ICR Result |
|-------------------------------------------------|------------|
| Accident Compensation Corporation | B |
| Department of Corrections | C |
| Defence (NZDF and Ministry of Defence combined) | B |
| Ministry of Education | C |
| Inland Revenue Department | A |
| NZTA | B |

None of the agencies in this tranche attracted a D or E rating. This indicates that these agencies have the foundations for good investment management in place, but some could improve their future performance, and the functioning of the overall system, by applying a targeted emphasis on some elements.

Most agencies have good asset and change management maturity and are very good at delivering investments to agreed time, cost or scope requirements - but usually not all three on every investment. Areas for improvement are in how agencies plan for a long term horizon, set asset performance targets, and provide evidence that investments are delivering agreed benefits.

The areas for improvement are based on what evidence could be provided at the time of the assessment. For example, the results of some agencies, do not infer that there are no benefits being achieved from the government's investment, however the processes to track results robustly over the long term may require more systematic planning and monitoring.

The ratings are determined every two years, providing the opportunity for agencies to progress their maturity between the review periods.

Detailed Agency Results for Tranche One of the Investor Confidence Rating: July 2016

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| Accident Compensation Corporation (ACC) | Investor Confidence Rating | B | Scope of ICR assessment: | Property and ICT portfolios |
| | Treasury Comment The evidence shows ACC has strengths in key investment management maturities that are reflected in its project delivery and asset performance results. However, there is room for improvement across some areas. Compared with the expected standard, the draft Long Term Investment Plan (LTIP) reveals a near to medium term focus closely aligned with the Shaping our Future investment programme. The benefits delivery results show ACC is not yet achieving the level of benefits it is targeting, even though it has strong overall Project, Programme and Portfolio Management Maturity Model (P3M3) capability especially in benefits management and finance management. There is scope to improve its stakeholder and resource management capability. The system performance result reflects the overall experience over the last 12 months. There has been a notable improvement over the last 6-9 months which, if continued, will translate into a higher score for that element. ACC will work with the corporate centre to revise its draft Long Term Investment Plan to incorporate the decisions made in late 2015 on the Shaping our Future programme, respond to feedback from the ICR process, and embed the LTIP as part of its organisational planning landscape. | | | |
| | Implications The main implications are for ACC, working with the corporate centre, to: <ul style="list-style-type: none"> • Develop and report progress against a quality LTIP • Lift some aspects of P3M3 capability and focus on benefits delivery. | | | |
| Department of Corrections | Investor Confidence Rating | C | Scope of ICR assessment: | Property and ICT portfolios |
| | Treasury Comment Cabinet has an expectation that the most investment-intensive agencies achieve at least a B result, therefore this assessment highlights the need for some improvement to obtain the required level. The evidence shows Corrections has strengths in delivering projects to scope and on budget. It consistently meets its own asset performance targets and its self-assessment shows strengths in organisational change management maturity. However, there is room for improvement across some areas. There are gaps in key management maturities (asset management and P3M3) that may affect future performance. Also the LTIP is currently oriented to the medium term rather than the longer term. Although Corrections has strong up-front benefits statements there was no evidence in this assessment to show it systematically assesses or reports on actual benefits achieved across its property projects and programmes. | | | |
| | Implications The main implications are for Corrections, working with the corporate centre, to: <ul style="list-style-type: none"> • Develop and use a quality LTIP • Lift P3M3 capability and improve benefits management • Improve some asset management areas and timeliness of project delivery. | | | |
| Defence (New Zealand Defence Force and the Ministry of Defence) | Investor Confidence Rating | B | Scope of ICR assessment: | Specific military equipment, property, ICT, but excluding minor capital works |
| | Treasury Comment The evidence shows that the Defence sector has strong asset management capabilities. In terms of P3M3, Defence has an improvement programme underway that will build on its areas of relative strength in portfolio management, organisational governance, and finance and stakeholder management. The improvement programme will also target project delivery, benefits management and resource management. Defence produced the best LTIP amongst the Tranche One cohort. It made effective use of extensive Defence Midpoint Rebalancing Review material to develop a strong stand-alone LTIP. The evidence indicates Defence generally delivers the required benefits from its portfolio of significant investments. However its actual project delivery results are more mixed at an individual project level. Defence needs to improve project timeliness and budget management. | | | |
| | Implications In recognition of its rating, Defence's general approval thresholds for selected large scale, low or medium risk Defence investments funded from existing baselines have been increased from \$25M to \$50M in whole of life cost terms. The other main implications are for Defence, working with the corporate centre, to: <ul style="list-style-type: none"> • Lift P3M3 capability, benefits management, portfolio management • Tighten project delivery performance. | | | |

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| Ministry of Education | Investor Confidence Rating | C | Scope of ICR assessment: | School property and ICT portfolios |
| | Treasury Comment | | | |
| | <p>Cabinet has an expectation that the most investment-intensive agencies achieve at least a B result. The ICR assessment recognises gains made in recent years and highlights the need for some further improvement.</p> <p>The evidence shows Education has strengths in asset management maturity and in delivering projects to scope and on budget. It consistently meets its own asset performance targets and its self-assessment shows strengths in organisational change management maturity.</p> <p>There are gaps in aspects of its P3M3 (particularly benefits management, stakeholder management and resource management) that may affect future performance. The separate parts of Education's LTIP need to be more closely integrated. Education plans to update its LTIP in the next six months.</p> <p>Some key performance information is limited or not yet available. In particular there is limited evidence of asset performance or evidence to show that expected investment benefits have been realised (as distinct from project delivery to time, cost and scope requirements).</p> | | | |
| Implications | | | | |
| <p>The main implications are for the Ministry of Education, working with the corporate centre, to:</p> <ul style="list-style-type: none"> • Develop and use an integrated LTIP • Lift P3M3 capability and improve benefits management. | | | | |
| Inland Revenue Department | Investor Confidence Rating | A | Scope of ICR assessment: | ICT and leased assets |
| | Treasury Comment | | | |
| | <p>The evidence shows that Inland Revenue has multiple strengths in investment management.</p> <p>It has particular strengths in its P3M3 management maturities. It consistently meets its own project-related targets and asset performance targets.</p> <p>Inland Revenue's self-assessment shows strengths in its level of organisational change management maturity which has been developed over several years in support of the Business Transformation (BT) programme.</p> <p>The main improvement opportunity lies in developing a quality LTIP that extends beyond the BT horizon and explores future investment tranches and required levels of asset performance. Opportunities for improvement are in risk management (projects), stakeholder management (portfolio) and resource management.</p> | | | |
| Implications | | | | |
| <p>In recognition of its rating, Inland Revenue's general approval thresholds for all baseline-funded investments have been increased from \$25M to \$50M in whole of life cost terms. The Commissioner will also have more discretion over the level of assurance activity around individual investments. The change in approval thresholds is subject to meeting agreed corporate centre information and transparency requirements.</p> <p>Inland Revenue and the corporate centre intend to rationalise assurance processes to improve efficiency and reduce compliance costs while still providing visibility to enable the corporate centre to fulfil its roles. Inland Revenue will have more flexibility in its business case arrangements.</p> | | | | |
| New Zealand Transport Agency (NZTA) | Investor Confidence Rating | B | Scope of ICR assessment: | <p>Transport – management of the state highway asset, management of the National Land Transport Programme, and delivery of state highway programmes and projects</p> <p>Corporate information systems</p> <p>Excludes NZTA's regulatory functions</p> |
| | Treasury Comment | | | |
| | <p>The evidence shows NZTA is a well performing and mature organisation. It has strong asset management practices and consistently meets its asset performance targets. It also delivers projects on time, to scope and to budget.</p> <p>There is room for improvement across some areas, given the scale and importance of NZTA's investment activity. In particular its actual benefits delivery performance and its level of investment management maturity (P3M3) need strengthening. Also, the LTIP is oriented to the medium term rather than the longer term.</p> | | | |
| Implications | | | | |
| <p>As a Crown agent, NZTA has certain statutory functions which are not affected by the ICR. General approval thresholds continue to apply, as do existing business case and corporate centre assurance requirements.</p> <p>The main implications are for NZTA, working with the corporate centre, to:</p> <ul style="list-style-type: none"> • Rationalise investment-related reporting requirements • Leverage the ICR result and improvement actions to manage other stakeholder and monitoring requests for information and oversight • Lift P3M3 capability and enhance benefits management • Develop a LTIP with a 10-year horizon. | | | | |