

Tranche Three Results June 2017

Investor Confidence Rating

Investor Confidence Rating assessments have been completed for the Tranche Three cohort of investment-intensive agencies. To date twenty out of the twenty-five investment-intensive agencies have been assessed, with the last five assessments currently underway or scheduled for later in 2017.

Tranche Three involved nine investment-intensive agencies. The summary results are shown in the table below:

Agency	ICR Result
Ministry of Business Innovation and Employment	B
Department of Conservation	C
NZ Customs Service	B
Ministry of Foreign Affairs and Trade	A
Ministry of Health	C
Housing NZ Corporation	A
Department of Internal Affairs	C
Ministry of Justice	B
NZ Police	C

Each of the nine agencies in this tranche has the foundations for good investment management in place. However the ICR results show some agencies could improve their future performance, and the functioning of the overall system, by targeting their improvement efforts.

The ICR assessment results show that even though there are differences in the type of agency, their purposes, scale and mix of assets, there are some common areas for improvement such as:

- a. Lifting the quality of agency and sector long term planning and resultant Long Term Investment Plans (LTIPs)
- b. Focusing on the delivery of expected investment benefits, and
- c. Lifting asset management practices and capability to the appropriate (target) levels.

By design, ICR ratings can have various implications for government agencies, for example the rating can affect the level of delegated authority to make investment decisions or the extent of assurance and reporting requirements.

In recognition of the latest results, Cabinet has agreed to expand investment decision rights in four departments: the Ministry of Business Innovation and Employment, NZ Customs Service, Ministry of Foreign Affairs and Trade and the Ministry of Justice. In addition, the Board of the Housing NZ Corporation has full authority to make baseline-funded investment decisions, subject to meeting ministerial consultation requirements. The corporate centre will also give the respective chief executives of Ministry of Foreign Affairs and Trade and Housing NZ discretion over the use of Gateway as part of their assurance activity for high risk investments.

For further information on the basis for the ratings refer to the Treasury website at <http://www.treasury.govt.nz/statesector/investmentmanagement/review/icr/information/guidance>

Detailed Agency Results for Tranche Three of the Investor Confidence Rating: June 2017

Ministry of Business Innovation and Employment (MBIE)	Investor Confidence Rating	B	Scope of ICR assessment:	Information systems and leased property
	Treasury Comment			
	<p>The evidence shows this is a well-performing organisation with maturing investment management processes.</p> <p>MBIE has strong asset management practices and consistently meets its asset performance targets. It also delivers projects to scope and on budget, and its self-assessment shows strengths in organisational change management maturity.</p> <p>There is room for improvement in two main areas of MBIE's investment management performance:</p> <ul style="list-style-type: none"> · The first is in the quality of MBIE's long term investment plan (LTIP). This would be enhanced if it revealed the impact of a broader range of possible future scenarios on MBIE's asset base, services and partner agencies. · The second area for improvement is continuing the work to lift P3M3 portfolio and project capability. That effort should translate into improved benefits and project delivery results in future. 			
Implications				
<p>The Ministry intends to strengthen its P3M3 capability and benefits management. It also intends to enhance its LTIP.</p> <p>In recognition of its rating, MBIE's levels of ministerial and chief executive decision making authority have increased to \$35m WOLC and \$20m WOLC respectively, for medium or low risk baseline-funded investments.</p>				
Department of Conservation	Investor Confidence Rating	C	Scope of ICR assessment:	Natural Heritage portfolio, Recreation, Tourism and Historic portfolio and Capability portfolio
	Treasury Comment			
	<p>The assessment recognises gains made in recent years and signals the need for further improvements. The evidence shows Conservation has further work to do to achieve Cabinet's expected level of a "B" rating for investment-intensive agencies.</p> <p>The evidence shows Conservation has strengths in long term planning and in delivering projects to scope and on budget. Its self-assessment shows strengths in organisational change management maturity.</p> <p>There is a material gap between current and appropriate asset management maturity. This needs addressing to ensure Conservation can meet its own asset performance targets across all its portfolios. In some cases the targets need to be made more specific.</p> <p>There are also gaps in aspects of the department's P3M3 management (particularly benefits management, stakeholder management and resource management) that may affect future investment performance.</p> <p>Some key performance information is limited or not yet available: in particular there are gaps in the evidence available to show that expected investment benefits have been realised (as distinct from the delivery of project time, cost and scope requirements).</p>			
Implications				
<p>Conservation intends to focus its improvement actions on lifting the level of AMM and P3M3 maturity across its three main asset portfolios to bring more consistency to its investment management processes, and on securing the expected benefits from its investments.</p> <p>Based on a C rating there would be no change to the general approval thresholds or other requirements set out in Cabinet Office circular CO(15)5.</p>				

NZ Customs Service	Investor Confidence Rating	B	Scope of ICR assessment:	Customer-facing information systems, Corporate information systems, Leased property, equipment and vehicle portfolios
	Treasury Comment			
	<p>The evidence shows Customs has mature investment management processes that underpin strong investment performance. This rating affirms the organisational and process changes made in recent years.</p> <p>Customs' asset management practices are appropriate for the scale and complexity of its assets. Customs regularly meets its asset performance targets. It also delivers project benefits and delivers projects to scope and on budget – sometimes trading away timeliness without compromising quality.</p> <p>There is room for improvement in two main areas of Customs' investment management performance, given the key role Customs plays at the border and amongst peer agencies:</p> <p>The first is in the comprehensiveness of Customs' long term investment plan (LTIP). The LTIP will be enhanced once Customs' better integrates relevant material from its Four Year Plan (4YP), other related work on its asset management strategy, and the border sector strategy to reveal the potential impacts of investment choices on Customs' performance.</p> <p>The second area for improvement is the delivery of investments to agreed time expectations. This should be achievable given Customs' relative strength in P3M3 maturity.</p>			
Implications				
<p>Customs' intends to focus its improvement action on enhancing the timeliness of project delivery in line with investor requirements. It intends to update its LTIP to reflect the border sector strategy.</p> <p>In recognition of its rating, Custom's levels of ministerial and chief executive decision making authority have increased to \$35m WOLC and \$20m WOLC respectively, for medium or low risk baseline-funded investments.</p>				
Ministry of Foreign Affairs and Trade (MFAT)	Investor Confidence Rating	A	Scope of ICR assessment:	Owned and leased property, Corporate information systems.
	Treasury Comment			
	<p>The evidence shows this is a well-performing organisation with mature investment management processes.</p> <p>MFAT has made significant progress in lifting its asset management maturity compared with the levels evident in 2011. This strength flows through to evidence that shows MFAT consistently meets its asset performance targets.</p> <p>There is a similarly strong relationship between the level of P3M3 maturity and the actual performance on individual investments.</p> <p>There are three main areas of focus from an improvement perspective: One of these is in the quality of MFAT's long term investment planning. The current LTIP is basic but provides an excellent basis for examining the value proposition and impacts of alternative business and investment scenarios.</p> <p>The other areas for improvement in the medium term are on the delivery of a formal change management framework, and making sure that all investment proposals meet corporate centre process and quality requirements.</p>			
Implications				
<p>MFAT intends to action selected ICR-related improvements (eg AMM and P3M3) within its overall Enterprise Performance Management programme.</p> <p>In recognition of its rating, MFAT's levels of ministerial and chief executive decision making authority have increased to \$40m WOLC and \$25m WOLC respectively, for medium or low risk baseline-funded investments. The chief executive will also have discretion over using Gateway reviews as part of an assurance plan for individual investments.</p>				

Ministry of Health (MOH)	Investor Confidence Rating	C	Scope of ICR assessment:	Ministry-owned or leased ICT and property portfolios. Critical projects managed by the Ministry on behalf on individual DHB's
	<p>Treasury Comment</p> <p>The evidence shows the Ministry has further work to do to achieve the Cabinet expected level of a "B" rating for investment-intensive agencies.</p> <p>The Ministry has some good foundations on which to leverage performance in the next two years, particularly its level of organisational change management maturity. The evidence also shows the Ministry tends to deliver projects according to cost and scope expectations.</p> <p>One of the main areas for improvement is around the delivery of expected benefits from its investments. This is best achieved by lifting the level of P3M3 maturity.</p> <p>There is a significant gap between current and appropriate levels of asset management maturity. This gap needs addressing to ensure the Ministry can continue to meet its own asset performance targets.</p> <p>Given its sector leadership role, there are two other areas for improvement: the first is in the quality of the Ministry's long term investment plan (LTIP) especially the cost effectiveness of options for implementing the Health Strategy. The second lies in ensuring sector investment management practices are consistent with wider system norms and expectations.</p> <p>Implications</p> <p>The Ministry intends to focus its improvement activity on strategic planning, asset management, and P3M3 capability (leading to improved benefits reporting).</p> <p>Based on a C rating there would be no change to the general approval thresholds or other requirements set out in Cabinet Office circular CO(15)5.</p>			
Housing NZ Corporation	Investor Confidence Rating	A	Scope of ICR assessment:	Housing portfolio and Corporate information systems
	<p>Treasury Comment</p> <p>The evidence shows Housing NZ has strong investment performance grounded in mature investment management processes.</p> <p>Housing NZ has intermediate level asset management maturity and consistently meets its asset performance targets. It has work to do to lift its practices to the appropriate level (advanced).</p> <p>Its P3M3 maturity is at the appropriate level for an organisation of this scale and complexity. This maturity means it often delivers investment project benefits within the agreed budget.</p> <p>Its self-assessment shows the agency has strengths in organisational change management maturity.</p> <p>The main area of improvement focus appears to be in planning, at both the asset class level (eg ICT) and in the quality of scenario and procurement analysis within Housing NZ's overall LTIP.</p> <p>Implications</p> <p>Housing NZ intends to focus its improvement actions on the quality of its asset plans for both property and ICT as part of an organisation wide improvement programme.</p> <p>Housing NZ is prepared to help lift the performance of other agencies by sharing its areas of expertise.</p> <p>In recognition of its rating, Housing NZ will have discretion to apply Gateway/other investment reviews as part of the suite of assurance activity according to the risk and value profile of new investments.</p>			

Department of Internal Affairs (DIA)	Investor Confidence Rating	C	Scope of ICR assessment:	Customer-facing information systems, Corporate information systems and leased property. Excludes GCIO functional leadership role
	Treasury Comment			
	<p>Cabinet has an expectation that investment-intensive agencies achieve at least a “B” rating. This assessment recognises gains made in recent years and highlights the need to continue on the improvement path.</p> <p>There is a material gap between current and appropriate asset management maturity. This needs addressing to ensure the department can continue to meet its own asset performance targets.</p> <p>The evidence shows DIA has some strengths in P3M3 capability, and in delivering projects to scope and on budget. The main P3M3 gaps (ie benefits management, stakeholder management and resource management) appear to be impacting on benefits performance. The department’s self-assessment shows strengths in organisational change management maturity.</p> <p>Given current maturity in these key areas there is still some way to go for the agency to demonstrate effective long term planning. Compared with expectations, there are clear gaps in aspects of the department’s long term plan, and in aspects of system performance. Plans and business cases need to better reflect the impacts of investment intentions on stakeholders.</p>			
Implications				
<p>DIA intends to focus its ICR improvement action on lifting its asset management maturity, and its benefits delivery performance. It also intends to work with the corporate centre to lift the quality of its LTIP. Together these areas of focus will better align internal planning and other investment management processes.</p> <p>Based on a C rating there will be no change to the general approval thresholds or other requirements set out in Cabinet Office circular CO(15)5.</p>				
Ministry of Justice (MOJ)	Investor Confidence Rating	B	Scope of ICR assessment:	Owned and leased property and Corporate information systems.
	Treasury Comment			
	<p>The assessment recognises gains made in recent years and highlights the scope for further improvements in some areas.</p> <p>The evidence shows the Ministry has some core strengths in asset management maturity and in the way it manages change. These enable it to consistently meet its asset performance targets and reset these over time.</p> <p>On the other hand the evidence shows there is scope to improve the Ministry’s P3M3 maturity, particularly the way it manages its overall portfolio of investments. Gaps in P3M3 maturity appear to impact on the actual performance of individual investments, in terms of both benefits and project delivery performance.</p> <p>The Ministry’s long term plan (LTIP) reflects a “modest reform” approach. It can be enhanced by examining alternative scenarios, and the impact of these on its assets and on stakeholders. There is a similar issue across all the other justice sector LTIP’s. There is scope for the Ministry as sector lead to leverage LTIP improvement across the wider justice sector.</p>			
Implications				
<p>The Ministry intends to strengthen its P3M3 capability and benefits management. It also intends to strengthen its investment management framework, enhance its own LTIP, particularly future scenarios, and ensure its LTIP reveals the reciprocal impact of any overlapping justice sector investment intentions.</p> <p>In recognition of its rating, the Ministry’s levels of ministerial and chief executive decision making authority have increased to \$40m WOLC and \$25m WOLC respectively, for medium or low risk baseline-funded property investments.</p>				

NZ Police	Investor Confidence Rating	C	Scope of ICR assessment:	Business-facing information systems, Corporate information systems, Owned and leased property.
	<p>Treasury Comment</p> <p>The assessment recognises gains made in recent years and highlights the need for further improvements. Police has some good foundations on which to leverage performance on the next two years.</p> <p>However, the evidence shows Police has further work to do to achieve Cabinet's expected level of a "B" rating for investment-intensive agencies.</p> <p>Police tends to deliver the expected benefits from its investments, although this appears to come at the expense of agreed time, cost and scope expectations.</p> <p>There is a significant asset management maturity gap that needs addressing to ensure Police can meet its own asset performance targets and support its investment strategy.</p> <p>There needs to be a better understanding of how Police's investment intentions translate into measurable changes in asset and service performance over time. Setting targets (and managing their achievement) will help lift asset and investment performance as well as the levels of asset management and P3M3 maturity.</p>			
	<p>Implications</p> <p>In response to the ICR, and working with the corporate centre, Police intends to improve the quality of its planning (to inform its LTIP and related asset management plans), change management (to deliver Policing 2020) and key aspects of its P3M3 maturity (to bring more consistency to its investment management processes).</p> <p>Based on a C rating there would be no change to the general approval thresholds or other requirements set out in Cabinet Office circular CO(15)5.</p>			