

Q&A on the Interim Major Projects Performance Report November 2016

Update:

What impact has the Kaikoura Earthquake had on major projects?

- The Interim Major Projects Performance Report was finalised before the Kaikoura Earthquake on 14th November 2016. The report is a point in time document that reflects the performance of major projects for the period up to 1 November 2016.
- Agencies that were disrupted by the earthquake are evaluating the impact this has had on their major projects.

General:

Why is the Treasury involved in major projects performance reporting?

- Major projects monitoring looks at projects that receive substantial government investment and have a significant impact on the lives of New Zealanders.
- Establishing how agencies are managing major projects is a critical way to ensure taxpayer money is being used wisely so that public services are efficient and effective.
- The Treasury has an important role to play in managing government finances on behalf of New Zealanders. To do this in a way that is transparent and trusted, the Treasury oversees an investment management system to:
 - optimise value from investments
 - increase efficiency and effectiveness of projects
 - enable investments to deliver expected benefits.

What is the purpose of the *Major Projects Performance Report*?

- The purpose of the report is to inform Ministers and the public how well agencies are managing the delivery of the Government's major projects.
- Monitoring projects helps agencies apply good investment management practices and deliver the expected benefits from their projects.
- This is important because the Government is investing billions of dollars to construct hospitals, schools, roads and courts; provide equipment for our armed forces; and develop ICT capabilities to transform public services. These investments will have a big impact on New Zealanders' lives, and it is important that they are delivered well.

What is the Interim Report?

- The Interim Report provides an update on key changes in the performance of the major projects portfolio. It is a high-level report produced in November and April. The full Major Projects Performance Report will continue to be produced at the end of the financial year.
- The purpose of the interim report is to reduce the reporting burden for departments while maintaining visibility of the major projects portfolio.

What is the Canterbury Public Sector Quarterly Rebuild Report content, and why is it now in this report?

- The Ministry of Business, Innovation and Employment (MBIE) provides performance monitoring information about Canterbury rebuild projects. This comprises 50 construction projects with a value of over \$6 billion.
- This is included in the Interim Major Projects Performance Report to provide the public with a single source of information about the Canterbury Rebuild Recovery.

Who contributes to the *Major Projects Performance Report*?

The lead agency explains how the project is going, identifies any variances to the project plan, and explains why these are occurring and how they are being managed.

The report also provides the monitoring delivery confidence assessment, which is developed by relevant monitoring entities and the Corporate Centre. Monitoring entities include the Ministry of Health, the Ministry of Transport and the Treasury.

What does monitoring delivery confidence (the traffic light assessment) measure?

- This is an evaluation by relevant monitoring entities of how a project is tracking towards delivering its intended benefits within existing constraints. The monitoring delivery confidence assessment is not a judgement about whether a project or idea is good or bad.
- The monitoring delivery confidence assessment (the traffic light assessment) considers aspects relevant to the phase of each project, such as:
 - Expected benefits
 - Costs
 - Schedule
 - Scope and quality
 - Governance and resourcing
 - Stakeholder engagement
 - Strategic alignment and business case development

- Risk and issues
- Market engagement and procurement
- Assurance.

What does it mean when a project has a delivery confidence rating of Red or Amber/Red?

- A Red or Amber/Red rating does not mean that the project won't succeed. Rather, it is a way to highlight that there are issues or risks that need to be addressed to ensure the project is delivered successfully.
- Projects tend to be rated Red or Amber/Red as an issue emerges, and once this is managed, the delivery confidence rating improves to reflect this.
- A Red or Amber/Red rating is not uncommon for major projects, which are a collection of the most challenging projects Government is undertaking. Previous experience suggests we can expect 5-15% of the portfolio to be rated Red or Amber/Red at any one time.
- Projects with Red or Amber/Red monitoring delivery confidence assessments are offered support from the Corporate Centre (Treasury, State Services Commission, Department of the Prime Minister and Cabinet, the Government Chief Information Officer and New Zealand Government Procurement and Property) to help overcome challenges.

Te Puni Kōkiri (TPK) – Māori Land Service

Why is this programme rated Amber/Red?

- This programme has been rated as Amber/Red because the existing timeframes to complete a quality business case and obtain funding are challenging.

What is being done to get the project back on track?

- The Corporate Centre has recommended that TPK ensure that it has the resources and capability required in 2017, and it will help TPK to improve its business case.

Ministry of Defence/New Zealand Defence Force – ANZAC Frigate Systems Upgrade

Why is this project rated Red?

- The project is currently reporting Red due to some schedule delay and cost pressures.

What is being done to get the project back on track?

- Defence is developing options to manage these issues.

Department of Internal Affairs – Transforming the System of Service Delivery

Why is this project rated Amber/Red?

- While the Corporate Centre supports the change that this programme seeks to deliver, there are concerns that the programme is not currently set up for success. This includes concerns relating to the funding strategy and scope of the programme.

What is being done to get the project back on track?

- DIA is working with the Corporate Centre to address these concerns in the Programme Business Case, and will continue to focus on them in the Single-Stage Business Case. This will include a robust Quantitative Risk Analysis of the programme.

Ministry of Health - National Bowel Screening Programme

Why is this programme rated Amber/Red?

- The programme has remained Amber/Red because the Ministry of Health is continuing to consult with DHBs about delivery dates and their ability to absorb additional costs.
- The Corporate Centre remains concerned that the programme rollout schedule appears difficult to achieve; however we are confident that the necessary steps are being taken by the Ministry to determine an achievable schedule.

What is being done to get the project back on track?

- The Ministry is undertaking further planning and seeking independent advice about the programme delivery method and achievability of the timeframe, to inform the rollout plan.

Lincoln University/AgResearch Stage One Building Project

Why is this programme rated Amber/Red?

- This project is rated Amber/Red as there are uncertainties about the financial viability of a key partner, specific project benefits, and the tight timeframe for completing the business case before taking it to Cabinet for approval.

What is being done to get the project back on track?

- The project is revising key financial information for the investment and the Corporate Centre is helping to strengthen the business case for Cabinet decision making.