

Reference: 20210368

31 August 2021



TE TAI ŌHANGA
THE TREASURY

Dear [REDACTED]

Thank you for your Official Information Act request, received on 3 August 2021. You requested:

Can I please request all advice from The Treasury to the ACC Minister (or former Minister) on ACC projects over the five years. This includes Shaping Our Future and digital transformations and their predicted costs vs actual costs as well as forecasted benefits and actual benefits.

Information being released

Please find enclosed the following documents:

| Item | Date | Document Description | Decision |
|------|-----------------|--|------------------|
| 1. | 18 August 2015 | T2015/1927: ACC: Shaping our Future - Triannual Report 30 June 2015 | Released in part |
| 2. | | T2015/1927 Attachment: Shaping Our Future Programme - ACC | Released in part |
| 3. | 21 March 2016 | T2016/499: Shaping Our Future Triannual Report | Released in part |
| 4. | | T2016/499 Attachment" Shaping Our Future Transformation Programme - ACC | Released in part |
| 5. | 14 March 2017 | T2017/611: ACC Transformation Programme Progress | Released in part |
| 6. | 1 June 2017 | T2017/1466: ACC's Transformation Programme | Released in part |
| 7. | 11 August 2017 | T2017/2052: Supplementary Update to the Major Projects Performance Report – ACC's Transformation Programme | Released in part |
| 8. | 5 December 2017 | T2017/2762: ACC Meetings: Shaping Our Future | Released in part |

1 The Terrace
PO Box 3724
Wellington 6140
New Zealand
tel. +64-4-472-2733

<https://treasury.govt.nz>

| | | | |
|-----|------------------|---|------------------|
| 9. | 19 December 2017 | T2017/2958: Draft Letter: Shaping Our Future Reporting | Released in part |
| 10. | 9 February 2018 | T2018/253: Discussion with the ACC Board Chair on Shaping Our Future | Released in part |
| 11. | 25 May 2018 | T2018/478: Supporting Information for the ACC Transformation Progress Cabinet Paper | Released in part |

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting Ministers, members of government organisations, officers and employees from improper pressure or harassment,
- section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions,
- section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely



Sebastian Doelle
Team Leader

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Treasury Report: ACC: Shaping Our Future – Tri-annual Report 30 June 2015

| | | | |
|--------------|----------------|---------------------|------------|
| Date: | 18 August 2015 | Report No: | T2015/1927 |
| | | File Number: | CM-1-3-1 |

Action Sought

| | Action Sought | Deadline |
|--------------------------------------|--|----------------|
| Minister for ACC (Hon Nikki Kaye) | Note and Refer a copy of the report to the Minister of Finance | 26 August 2015 |

Contact for Telephone Discussion (if required)

| Name | Position | Telephone | 1st Contact |
|-----------------|--|-----------|----------------|
| Joseph Sant | Senior Analyst, Commercial Strategy and Policy | s9(2)(k) | s9(2)(g)(ii) ✓ |
| Juston Anderson | Acting Manager, Commercial Strategy and Policy | | |

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury
Refer a copy of the report to the Minister of Finance

Enclosure: [ACC Shaping Our Future Programme - Major Projects Report March - June 2015 \(Treasury:3265460v1\)](#)

Treasury Report: ACC: Shaping Our Future – Tri-annual Report 30 June 2015

Purpose of Report

1. The Shaping Our Future (SOF) Tri-annual Report as at 30 June 2015 has been drafted by Treasury's Investment Management and Asset Performance (IMAP) team. This is attached.

Background

2. The IMAP team produce a tri-annual report covering all the high risk major projects across government that IMAP is involved in monitoring. This consolidated IMAP tri-annual report will be sent to Investment Ministers on 26 August.
3. The IMAP team works closely with Commercial Operations to monitor ACC's SOF programme on your behalf. We request that you refer this report to the Minister of Finance so he can consider it alongside the consolidated IMAP tri-annual report.

Analysis

4. The tri-annual report on SOF describes a major milestone for the programme, the proposed endorsement of the Target Operating Model (TOM) by the ACC Board. The programme is moving from the design phase to the implementation planning phase, with consideration of an updated business case in November 2015.
5. The Government Chief Information Office (GCIO) continues to be the assurance partner for SOF. Treasury monitors progress for SOF and has included its assessment within the tri-annual report.

ACC comment

6. ACC has no further comment on this briefing.

Recommended Action

We recommend that you:

- a. **note** the attached report
- b. **refer** to this report to the Minister of Finance

Refer/not referred

Juston Anderson
Acting Manager, Commercial Strategy & Policy, Treasury

Hon Nikki Kaye
Minister for ACC

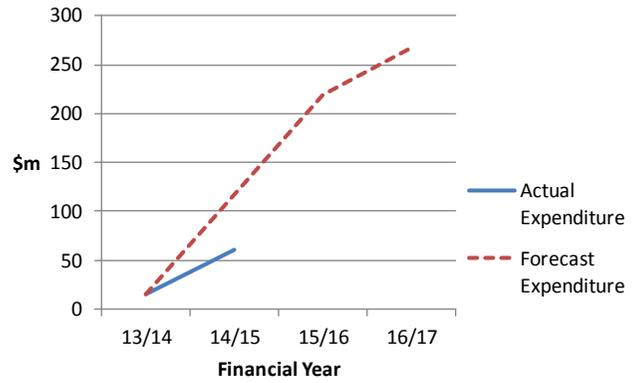
Shaping Our Future Programme - ACC

Transforming ACC's operating model to improve delivery of core services

Delivery confidence AG
 Previous A

Budget and expenditure

Whole-of-life cost \$750-950m
 Actual expenditure \$27.65m



Benefits and outcomes

Benefits were estimated in the original programme business case as \$1,100 to \$1,400m. The programme is currently re-assessing these benefits now that it has completed High Level Design and the Target Operating Model. The implementation plan will incorporate a review of costs and benefits for each design initiative that contributes to the transformation of the business. This is part of the work needed to update the programme business case before submitting it to the Board for approval, currently planned for November 2015.

Agency assessment

Budget G Timeline G Benefits G Overall G

Agency comment

In 2014/15 Q4 the Target Operating Model (TOM) business design, received formal sign off by the Programme Board, this represents the achievement of a major milestone.

The TOM has passed through a comprehensive socialisation process with the Programme Board, and the newly established Business Leaders Forum which consists of 16 senior business leaders. The TOM will be presented to the ACC Board for endorsement of the direction of the organisation in August 2015. Once received the TOM will be socialised with central agencies and staff across the business.

The completion of the TOM enables the Transformation Programme to complete the technology solutions. Initial recommendations will be presented in August with further detail presented in line with various commercial processes for approval in November 2015.

In November 2015 the ACC Board will be requested to approve an Implementation Plan, Programme Management Plan and Business Case update (including Cost Benefit Analysis) which will outline the Programme's direction over the next three years. These approvals will enable the Programme to move into the Delivery Phase.

The Treasury's assessment

The delivery confidence assessment for this project is Amber/Green and has not changed since the last report. The programme delayed approval of its Target Operating Model (TOM) from April to July in order to improve engagement and its quality.

Treasury has met regularly with ACC during the High Level design process and has been provided with the TOM for review. Programme reporting has improved. When we have completed our review of the TOM and associated change initiatives, we will provide feedback to ACC.

ACC will be presenting an addendum to the programme business case to its board in November for approval. Treasury will work with ACC to review the addendum in advance of its presentation to the Board.

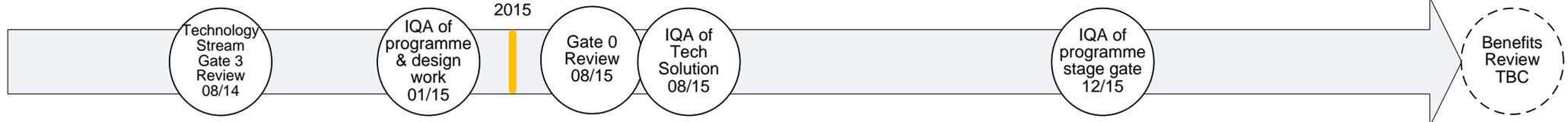
We will provide you with separate advice on our view of the proposal, and its alignment with broader business aims that Ministers may have for ACC.

As part of the normal programme process, two key risks have been identified. These key risks relate to the potential disengagement of providers and lack of clarity about the transformation in the wider health sector. ACC plans to address these risks through developing targeted engagement plans and improving stakeholder engagement.

Project timeline



Assurance schedule





Reference: T2016/499

CM-1-3-1

Date: 21 March 2016

To: Minister for ACC (Hon Nikki Kaye)

Deadline: None

Aide Memoire: Shaping Our Future Monitoring Report

Attached is the Shaping Our Future (SOF) major projects monitoring report (the triennial report), prepared by Treasury's Investment Management and Asset Performance team as part of the Major Projects Performance Report process. The full report includes multiple one page summaries of significant Crown entity programmes and projects, including this SOF report, and will be sent to Investment Ministers on 24 March before consideration at SEC on 6 April.

The monitoring delivery confidence rating remains Amber/Green. The report indicates that the programme's delivery phase has just started following the Board endorsement and Cabinet noting of the business case. The monitoring focus for the coming period is on the completion of procurement processes for the Transformation Partner, to assist delivery of the programme, and the replacement Policy and Levies Management system.

Joseph Sant, Senior Analyst, Health, s9(2)(k)

Ben McBride, Manager, Health,

Shaping Our Future Transformation Programme - ACC

Transforming ACC's operating model to improve delivery of core services

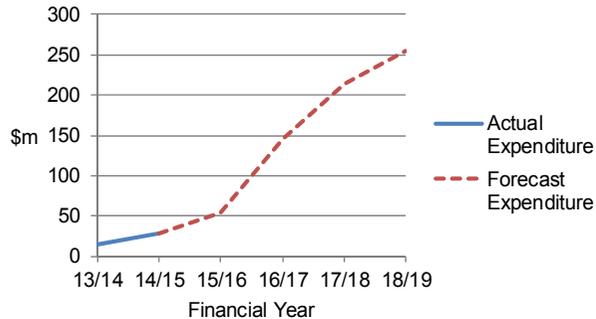
Monitoring delivery confidence 
 Previous 

Position in lifecycle



Budget and expenditure

Total project budget \$280.00m
Expenditure to date \$39.00m

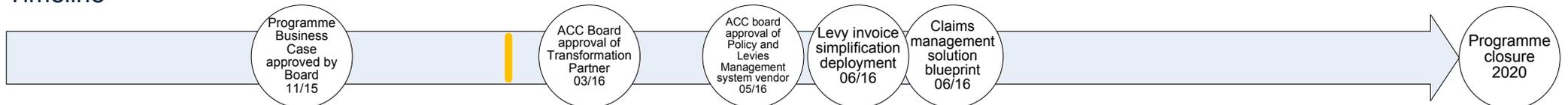


Whole of life cost \$456.00m

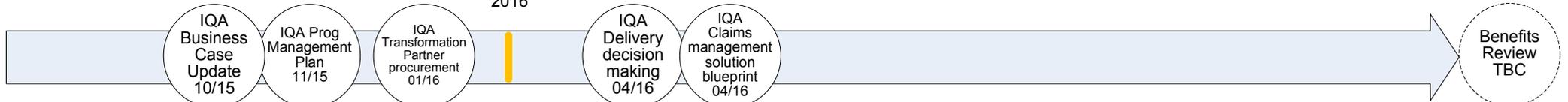
Benefits

The whole of life benefits have been revised and have reduced from over \$1b in the original business case to \$770m. The lower benefits are offset by a reduction in the whole of life costs of the programme from \$750-\$950m to \$456m. This is largely due to a reduction in the technology and system replacement needs. Service improvements will deliver non-quantifiable benefits and The Net Present Value remains positive at \$51m.

Timeline



Assurance schedule



Agency assessment

Budget  Timeline  Benefits  Overall 

In December 2015 the Programme entered the Delivery Phase and in February 2016 the updated Business Case was noted by the State Sector Reform and Expenditure Control (SEC) Committee on behalf of Cabinet. The Implementation Plan will now be shared with staff.

Responses to the Transformation Partner Request for Proposals (RFP) will be evaluated and a recommendation presented to the ACC Board in March 2016.

The RFP for a Policy and Levies Management system also closed this period with recommendation to the ACC Board targeted for May 2016.

The Treasury's assessment

The monitoring delivery confidence assessment remains Amber/Green. The revised Programme Business Case (PBC) was approved by the ACC Board in November 2015 and noted by Cabinet in February 2016. Procurements of a transformation partner and Policy Levy Management solution are underway with both RFPs issued. ACC is using MBIE services to quality assure the market engagement and evaluation processes.

Tranche 1 has commenced and will focus on simplifying and modernising systems and processes for clients and business customers, and improving ACC interaction with health provider practice management systems.

ACC and IR are discussing the timing of when the IR Business Transformation Programme could provide New Zealand Business Number extracts. IR is also targeting Business Information Codes (BICs), to improve accuracy of ACC invoicing.

Monitoring focus over the next period will be completion of the procurement process and award of contracts.

Functional lead comment - GCIO

This project is aligned to Government ICT Strategy and Internal Strategy.

Functional lead comment - NZGP

New Zealand Government Procurement has been involved from an early stage of the development of the business case. The commercial approach aligns with ICT Strategic Action Plan and looks to leverage existing capabilities wherever possible. Where ACC's requirements cannot be met through existing government collaborative contracts, ACC will approach the market through an open competitive process.



Reference: T2017/611 CM-1-3-1

Date: 14 March 2017

To: Minister for ACC (Hon Michael Woodhouse)

Deadline: None

ACC Transformation Programme Progress

This note aims to support the submission of the paper updating the Cabinet Committee on State Sector Reform and Expenditure Control (SEC) on the ACC Transformation Programme (the paper). We also provide a briefing to the Minister of Finance, as the chair of SEC on any paper that is sent to that Committee. This note is expected to be consistent with that briefing, following the paper's submission.

Treasury, as the nominated monitor for ACC performance, partners with the Investment Management and Asset Performance (IMAP) function to provide technical expertise in monitoring ACC's Transformation Programme. The monitor's delivery confidence rating is submitted to Cabinet three times per year through the Major Projects Monitoring Report, with the next rating expected to be Amber¹.

Two system investments are more complex than expected

Overall we see that the Programme has high degrees of transparency that enables appropriate management and governance attention. The two significant ICT system investments that ACC is implementing have each been more complex than estimated or costed for and this has received appropriate management attention. However, this has the potential to impact the Programme's cost, scope or timing, and ultimately benefits.

The cost expectations of implementing ACC's new Policy Levies Management system (PLM) – Guidewire – has been stated in the Cabinet paper. Less explicit is the reference to "cost pressures are likely in other workstreams"² which represents ACC's very current thinking with regard to the complexity encountered in upgrading its claims management system, Fineos. This is also the primary rationale for the second Key Area of Risk in the table at paragraph 74 of the paper.

Incorporating the calculation of weekly compensation into Fineos has a high degree of complexity, and ACC has acknowledged that systemising this payment calculation requires re-thinking. We support standing back and assessing the best way forward but also recognise that the Programme plan underestimated this in the first instance; despite engagement with other Government programmes that have seen payment

¹ 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.

systems cause greater than expected complexity - Police's HRMIS³ and Education Payroll.

ACC are highly dependent on the capacity and capability of Fineos resource and are actively planning with senior stakeholders there. At this time we believe there is no significant impact to cost but there is a risk to timing, with some Tranche 2 deliverables dependent on the Fineos upgrade being complete. ACC's governance and management will need to monitor progress carefully and be aware of the optimism bias that has seen pressures arise in the two system investments so far. We will continue to engage with ACC as its thinking develops.

Cost reallocation

The Cabinet paper provides a reasonable summary of cost reallocation compared to the November 2015 Programme Business Case (PBC). Increased cost on Programme Delivery is integral to the way that ACC is working. PwC's Mission Control tool is the core management and control mechanism that is one reason why an early issue on the Programme, velocity of governance decisions, is less prominent.

In engaging with senior stakeholders at ACC to support the Cabinet paper update we received assurances that PwC is delivering well in the role it is asked to execute. We have requested further information on the exact detail of this role but are still awaiting this information. The joint comment in the paper refers to the need to assure performance of strategic partners on an ongoing basis.

s9(2)(g)(i)



Projects outside of the scope of Transformation

We have raised a question to ACC with regard to its Claims Management 2.0 project that is outside of the Transformation Programme management. While the approach to delivery may be different we consider that both programmes of work are targeted at the core operating model of ACC. There is likely to be significant dependencies and potential impact on benefits from each. We are continuing to engage with ACC to understand the integrity of the original cost and benefit profile, to understand the incremental benefits that further projects may deliver.

We are meeting with you at 12pm on 15th March and would be happy to discuss any of the points in this Aide Memoire.

Joseph Sant, Senior Analyst, Health and ACC, s9(2)(k)
Ben McBride, Manager, Health and ACC, s9(2)(k)

² Paragraph 56 of the paper.

³ Human Resources Management Information System



Reference: T2017/1466 CM-1-3-1

Date: 1 June 2017

To: Minister of Finance (Hon Steven Joyce)
Minister for ACC (Hon Michael Woodhouse)

Deadline: None

ACC's Transformation Programme: Risk Register

At the Transformation Programme progress update report to SEC on 22nd March 2017, ACC was directed to provide its Programme risk register to the SEC Ministers [SEC-17-Min-0017 refers]. Subsequent to delivery, the Minister of Finance has suggested a meeting with the Minister for ACC and potentially senior officials at ACC with regard to, in particular, the top three risks on the register¹.

This Aide Memoire is written to support any such meeting. It outlines the Treasury monitor's view on Programme progress as at May 2017.

Monitor's Confidence is rated as Amber²

Cost or time pressures exist on ACC's two most significant investments within the Programme, increasing the likelihood of accessing the Board held contingency (\$40m additional to the Programme's core budget of \$280m). However, management appears responsive to mitigate risks and issues where they arise, providing confidence of delivery within baselines stated in the November 2015 business case.

There is a high degree of correlation between two of ACC's major risks, complexity and customisation, and ACC's governance is cognisant of this. We have picked up from monitoring conversations that ACC is still in the stage of accumulating risk, with delivery of the first significant release being the opportunity to start reducing the risk profile, scheduled for October 2017.

Replacing the Policy and Levy Management system is a key area of complexity for ACC due to differences that exist between legislation (ACC Policy) and standard insurance policies. This means that the commercial off-the-shelf solution (Guidewire) requires more customisation than originally anticipated – conformance is currently assessed as ~83% but ACC will update its total cost of ownership report to better inform this assessment.

¹ These risks are: Complexity is underestimated, high degree of Customisation, and Benefit targets not met.

² Successful delivery of the project against budget, schedule, scope and benefits 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.

As ACC has developed a deeper understanding of the risks associated with upgrading its claims management system, the delivery methodology has changed. Moving from an agile approach to waterfall is expected to reduce the risks presented by a client payments system, with complex legislation and significant churn within its payees. While there may be some regrettable spend, the project forecast budget is largely intact. The main impact is on timing of the solution, with potential impacts in Tranche 2 projects.

The redesign of this project's timeframe will be presented for Board decisions by the end of June. However, ACC has indicated that high degrees of customisation are unlikely and the chosen solution is still fit for purpose. ACC proposes to update its Programme business case from July to reflect the updated approach.

Data migration is the other high risk item on the register. ACC has accepted that this is proving more resource intensive than anticipated, specifically for the new Policy and Levy Management system. Choices about which data must/could/should be migrated should be monitored closely as cost pressures mount, with a clear understanding of what benefits this data will deliver.

It is evident from the issues above that detailed design work has revealed a degree of optimism bias in ACC's original programme estimates. However, at this time, this is not anticipated to impact costs outside of the Board contingency. Off-setting this, we have also heard comment that benefit targets in the business case are relatively conservative.

ACC is tracking benefits in a clear way

Given the view that the risks presented in the two major investments can be accommodated within the baseline budget (including contingency), the Programme scope is intact. Therefore, ACC stands behind its benefits projection. It tracks benefits in a clear way in its 'Amplify' system, including what has been captured to date. ACC is leading the way in benefits tracking and has shared its approach with a number of agencies across Government. We have noted that ACC's finance team independently challenge the benefits methodology to ensure these are real and quantifiable.

Additional projects currently outside of Transformation delivery, notably 'Next Generation Case Management' (NGCM), are concurrent investments into ACC's operating model. It is unclear how ACC expects to attribute and track benefits between Transformation and non-Transformation investments, when these are both affecting the same areas of the business. We understand that ACC's Governance Authorities are recognising this complexity and we are due to receive an ACC paper describing how this is proposed to be managed.

s9(2)(g)(i)



s9(2)(g)(i)



Monitoring Summary

Treasury monitors and partners within GCIO have good access to ACC officials both in the Programme and external to the Programme. Direct access to ACC's Programme and benefit monitoring systems has been made available. Our core control is a monthly meeting with the Programme Director and senior team.

We feel the amber rating on delivery confidence is justified. While there are 'likely' and 'major' impacts as a result of risks presented, these are not abnormal within a Programme of this scale and complexity. ACC appears to have good capability in place and management is responsive to risks or issues when presented. ACC's governance has confirmed that options for decisions are well presented.

We are less well placed to comment on targets for benefits, particularly what incremental benefits exist from additional investments into the same area of the operating model.

We suggest that areas for discussion with ACC, if a meeting is requested, are the actions in place to manage an accumulating risk profile and how confidence is achieved in Transformation Programme benefits relative to concurrent investments in NGCM or the Provider Strategy.

Joseph Sant, Senior Analyst, Health and ACC, s9(2)(k)

Wayne Pincott, Senior Advisor, Investment Management and Asset Performance, s9(2)(k)

Ben McBride, Manager, Health and ACC, s9(2)(k)

³ Human Resources Management Information System



Reference: T2017/2052 CM-1-3-1

Date: 11 August 2017

To: Minister of Finance (Hon Steven Joyce)
Minister for ACC (Hon Michael Woodhouse)

Deadline: None

Aide Memoire: Supplementary Update to the Major Projects Performance Report – ACC’s Transformation Programme

Summary

The Major Projects Performance Report is a point in time assessment as at 30 June. At this time the monitor’s delivery confidence rating was amber¹. This Aide Memoire includes more recent information that would prompt fresh consideration of the delivery confidence rating applied in the next performance report (November 2017).

ACC’s current forecast for Programme expenditure is \$305.9m, inclusive of the current \$93m allocated to Tranche 2 activities. Residual risk prior to ACC’s first major release is high relative to the overall \$320m forecast, inclusive of contingency.

ACC has recognised the challenge it faces in delivering the November 2015 business case and is taking appropriate steps to consider how to optimise the remainder of the Programme to best manage latent risk and capture further benefits. A November 2017 update to the Programme business case should coincide with a report back to Cabinet, providing opportunity to discuss lessons learned to date as well as a future focus on how ACC will deliver to its Target Operating Model.

We anticipate that the Major Projects Performance Report will be sent to the Minister of Finance on 24 August 2017 and will be forwarded to portfolio ministers pre-election, and that Government Investment Ministers will decide on whether to present it to Cabinet pre- or post-election, depending on other priorities.

Background

The strategic case for ACC’s Transformation is primarily to improve customer (client and provider) experience while improved access and utilisation of data is expected to improve client outcomes and efficiency. The budget for ACC’s Programme is \$280m plus a Board held contingency of \$40m. The whole of life costs are budgeted to be \$456m, with \$804 million whole of life benefits delivering a small net financial return on the investment alongside improved customer experience.

¹ *Successful delivery appears feasible but significant issues exist, requiring management attention. These appear resolvable and, if addressed, should not present a cost/schedule overrun or loss/delay of benefits.*

ACC is reassessing its delivery approach

The Transformation Programme plan per the November 2015 business case is to deliver in two Tranches. ACC has been clear about the risks and issues it has faced in Tranche 1, particularly on the two system investments that represent the significant financial risks:

- Greater complexity than forecast in conforming a 'commercial off-the-shelf' policy and levy management system to ACC's legislated requirements, with the first major release pushed from October 2017 to February 2018. This is expected to result in a draw-down of up to \$26m of the Board-managed \$40m contingency. There is high confidence in achieving this date but further delay would impact billing requirements.
- ACC has already slowed down the upgrade of its claims management system, which includes a complex calculation for client payments. The time and budget required to deliver this solution is being re-calculated so the impacts are not yet known, but ACC is clear that quality cannot be sacrificed in this solution; per lessons learned from other Government projects related to payroll.

Change to the forecast expenditure, the scale of residual risk or uncertainty on the Programme scope - and therefore how benefits would be delivered – are all potential reasons to consider re-rating the monitor's delivery confidence as Amber/Red at the next Major Project Performance Report. However, ACC has already embarked on a re-planning exercise to assess the optimal approach to deliver the remainder of its Programme, balancing programme cost, delivery risk and delivery of benefits; resulting in an update to the ACC Programme Business Case by November 2017.

ACC is due to report back to Cabinet on progress of its Transformation Programme in October 2017 [SEC-17-MIN-0017 refers]. Aligning the report back to Cabinet with availability of the updated business case in November would allow for better Ministerial engagement.

ACC will need to provide confidence that it is a learning organisation

Benefits are tracking behind expectations as projects are delivering later than expected. ACC's challenge is to unlock the potential gained through a foundation of system and organisational change. We are assured that the 2015 Target Operating Model remains the vision that ACC is working towards.

We support ACC's decision to stand back and consider the optimal approach to the remainder of the Programme, including whether the current Tranche approach provides the best balance of delivery risk and benefit capture for what could be a series of incremental projects. The decision to reassess the delivery approach demonstrates maturity in Programme governance and management. However, the organisation's stakeholders, both the ACC Board and Ministers, will need to be confident that the update to the business case incorporates lessons learned to date.

ACC has business change projects underway outside of Transformation governance, with the most high profile being Next Generation Case Management. The first deliverable for ACC is a Client and Provider Roadmap that combines Programme and other transformation activities into a single, coordinated plan. We will discuss the roadmap and the updated project governance

structure² with the Chief Change Integration Officer and Programme team once available in August/September 2017.

We expect that ACC will seek independent assurance of its updated business case. At an inflexion point such as this, a more strategically-focused review of the delivery approach is needed than is being provided under current Independent Quality Assurance (IQA) arrangements. The reviewer would need credentials that give confidence to ACC, its Board and Ministers and a fresh perspective may be of benefit to ACC. The IQA provider (whether they be NZ or international) should be someone who has not had previous experience with the Transformation Programme. We also expect that ACC will use Quantitative Risk Analysis to provide confidence around revised costs and schedules, and to identify the few key risks that account for most of the cost/schedule uncertainty.

Other points of focus for monitors are to assess the implications of an updated whole of life cost forecast and a review of the critical pathways for the two system investments.

Consideration for Ministers across Government projects

The most significant lesson in upgrading ACC's systems has been the complexity of legislation and the resultant high degree of customisation required. Ministers may wish to discuss the balance between providing strong confidence in legislation with opportunities for adapting or simplifying legislation as more services and interactions with customers are delivered in a digital environment.

Complex legislation provides an implementation risk that will return time and again across Government, particularly as the rate of change in service delivery increases alongside technology advances. We encourage ACC to provide detail in its report back to Cabinet on this topic, alongside the future-focussed business case update.

ACC has identified potential opportunities to simplify legislation and will work with MBIE in parallel to the Programme delivery. These opportunities are to ease complexity for future business change but will not affect the proposed approach for the updated business case.

We are available for a discussion with Ministers to support this Aide Memoire.

Joseph Sant, Senior Analyst, Health and ACC, s9(2)(k)

Wayne Pincott, Senior Advisor, Investment Management and Asset Performance s9(2)(k)

Ben McBride, Manager, Health and ACC, s9(2)(k)

² ACC has recently updated its governance to consider Transformation and Strategic Change projects under the Enterprise Change Authority, chaired by the Chief Change Integration Officer.



Reference: T2017/2762 CM-1-3-1
Date: 5 December 2017
To: Minister for ACC (Hon Iain Lees-Galloway)
Deadline: 6 December 2017

ACC Meetings: Shaping Our Future

Background

In a meeting on 29 November you indicated that you would like advice and suggested questions for two upcoming meetings:

- ACC's Executive and Transformation Programme leads on 6 December
- Regular monthly meeting with the ACC Board Chair and Chief Executive on 12 December

Overview

ACC's recent Shaping Our Future briefing [BP 17/020 refers] provided a high level summary of progress and a signal for how the delivery model expects to change. This will be communicated in a Cabinet paper, expected in March 2018. We understand that the ACC Board is considering the proposed changes and these are not yet final.

In the 29 November meeting we provided additional context to ACC's briefing, including the challenges faced by ACC in its delivery of the two large ICT infrastructure investments (paragraph 47). Complexities and cost pressures faced in these investments have seen a delay in rolling out the first major deliverable, Juno (ACC's new policy and levy management system), and has seen more considered progress on the upgrade to EOS (ACC's case management system).

ACC has paused its progress to acknowledge the risks in its Transformation Programme (the Programme), demonstrating appropriate governance and management decisions. Increased granularity of initiatives will allow for greater control through funding and provide for better opportunities to incorporate lessons learned as the Programme progresses. We see the two upcoming meetings as a good opportunity to set an expectation for greater transparency and a closer alignment between ACC and Ministers on the Programme's remaining risk profile.

We have also advised ACC to consider whether it would be beneficial to have additional Independent Quality Assurance (IQA) at this inflection point in the Programme. While Ernst Young has been the IQA provider on the Programme since the start of delivery, and therefore has good knowledge of decisions taken to date,

there may be value in a fresh view from a suitably qualified provider. You may wish to discuss this with ACC as a way to assure your Ministerial colleagues and build confidence in the Programme re-set.

Shaping Our Future Overview (6 December)

We expect that ACC will use this meeting to introduce the key officials charged with delivering the Programme and to reinforce the case for change. There may also be an opportunity to demonstrate some of the changes to date. Some suggested questions for this meeting are listed below:

- What is the biggest change that customers will see so far due to the Programme investment?
- What changes will business customers see with the rollout of Juno and what further benefits does the new system enable?
- What is the operational impact, or the impact on benefits, if Juno is not ready to go in February? How is ACC assuring the delivery?
- Is ACC able to understand the individual contributions of its strategic initiatives to its reported benefits?
- How is ACC assuring its Board about its planned way forward? Has it had a fresh IQA on the planned delivery approach?
- Is there likely to be (major or minor) financial impacts to levies or appropriations as a result of the changes to ACC's planned change Programme?
- Is there any help I can provide to unblock any of ACC's significant initiatives? How will ACC keep me informed on inter-dependencies with other portfolios such as Health?
- How does ACC plan to report to me on progress? How will my monitors be working with ACC in order to provide further advice, either to me or my colleagues when requested?

Monthly meeting with the ACC Board Chair (12 December)

s9(2)(g)(i)



Joseph Sant, Senior Analyst, Health, s9(2)(k)
Carolyn Palmer, Manager, Health, s9(2)(k)



Reference: T2017/2958 CM-1-3-1

Date: 19 December 2017

To: Minister for ACC (Hon Iain Lees-Galloway)

Deadline: None

Draft Letter: Shaping Our Future Reporting

You have asked for advice on questions that could be raised with ACC, to help understand progress and upcoming decisions on ACC's Shaping Our Future (SOF) strategy and associated Transformation Programme. We have drafted a letter for you to send to the Board Chair of ACC (attached), with an aim to facilitate a productive discussion with the Board Chair and the Chief Executive in the new year. This could be achieved by:

- Making your reporting expectations clear, including how you would like to receive information ahead of the expected Cabinet paper in March 2018
- Requesting an update on the financial position and risk profile of the Programme, to inform Cabinet's consideration of the paper, and
- Requesting a response to questions that were not able to be asked or answered in recent meetings with ACC's Chief Executive and/or Board Chair.

You may wish to personalise the draft letter or adjust the tone as you see fit. Treasury, as your monitor, is available to discuss the letter with ACC. We are also available to review the information that will be provided by ACC and advise you on discussion points for the meeting with the Board Chair and Chief Executive.

We suggest that you forward this aide memoire to the Minister of Finance for his information.

Joseph Sant, Senior Analyst, Health, s9(2)(k)
Davin Hall, Acting Manager, Health, s9(2)(k)

Dame Paula Rebstock
Chair
Accident Compensation Corporation
PO Box 242
WELLINGTON 6410

Dear Dame Paula

Information request for January meeting: Shaping Our Future

I appreciate the time and materials you and Scott have provided recently to discuss ACC's Shaping Our Future strategy and the Transformation Programme. However, in the time available it has been difficult to cover some of the key questions I have. Therefore, to enable a productive discussion and smooth the path towards my progress update to Cabinet in March 2018, I am requesting responses to the questions in this letter to be provided a week in advance of our next meeting. I am also asking ACC to report to me on its core change investments on an ongoing basis.

I understand that ACC's priority focus is on successfully implementing its Juno system in February. In addition to the areas outlined below, I would appreciate a verbal update at our next meeting on how the Board has been assured about the organisation's readiness to implement.

Preparation for the Cabinet paper

Prior to our next meeting I would appreciate further information in the following areas:

- Given the proposal to change the delivery model to a portfolio approach, how is the Board marking the transition between the November 2015 business case and this new proposal? If no updated business case is planned, how does ACC propose to monitor and report on its change initiatives, and against what baseline? When does the Board envisage the updated proposal would be ready?
- Please provide a more detailed update on the cost and benefit expectations of the portfolio of strategic investments relative to the November 2015 business case. The comparison should include a view of non-financial benefits as well as whole of life costs and benefits and expected net present value. Please also provide a copy of the November 2015 business case and most up to date risk register.

- Does the Board anticipate that there is a reasonable risk of requiring a net contribution from levy payers or the Crown? i.e. What confidence does the Board have in maintaining a financial benefit from its investment? How is the Board assured that the (non)/financial benefits profile is attainable?
- How does the Board expect to manage the period between now and March 2018 to balance momentum of ACC's transformation and engagement with Cabinet? As this will be the first opportunity for Cabinet to consider ACC's core change strategy, I request that you make clear the upcoming commitments for the organisation.
- How will ACC communicate the risk profile of the next phase of Transformation to ensure there is alignment and clear expectations between the Board and Cabinet?
- The November 2015 business case considered legislative change out of scope. I understand that adapting to complexities in legislation is one reason why ACC slowed down delivery of some projects, particularly client payments.
 - I would like to understand the Board's view on the extent to which complexity of underlying legislation presents a risk to successful delivery. Does ACC still consider legislative change out of scope? Can you provide some insight on the scale of risk of working within current legislation relative to the risk of creating a dependency on legislative change?
 - I would also like to understand the timelines for workstreams that are impacted by legislative complexity, and how these relate the timelines of work underway on the proposed modernisation of ACC's legislation.

Where there are challenges in responding to these questions I request that you work with my monitors at Treasury to provide the most informative response possible.

Ongoing reporting

I would like ACC to consider how it will report to me on Shaping Our Future in the short term. In this period of change, and until I am comfortable with the pace and key aspects of the change initiatives, I request that ACC provide materials one week ahead of our monthly meetings. This should focus on progress against key milestones, recent or upcoming decisions and reporting on cost/benefits. I encourage you to use materials that you already generate for the purpose of monitoring progress and do not expect an entirely new report to be generated.

I anticipate that in time the monthly provision of information will be relaxed to be covered by your regular quarterly performance report, with key upcoming decisions covered off through verbal updates in our monthly meetings.

Thank you in advance for your responses and I look forward to discussing the approach to the March 2018 Cabinet paper.

Yours sincerely

Hon Iain Lees-Galloway
Minister for ACC

Cc: Scott Pickering
Joseph Sant



Treasury Report: Discussion with the ACC Board Chair on Shaping Our Future

| | | | |
|--------------|-----------------|---------------------|-----------|
| Date: | 9 February 2018 | Report No: | T2018/253 |
| | | File Number: | CM-1-3-1 |

Action Sought

| | Action Sought | Deadline |
|--|--|------------------|
| Minister for ACC (Hon Iain Lees-Galloway) | <p>Require that significant change initiatives be subject to Cabinet approval until a discussion on ACC's Transformation takes place.</p> <p>Request ACC to provide a closure report from ACC for the Transformation Programme</p> <p>Request Investment Ministers to invite ACC to a meeting in April</p> <p>Write to the Chair of GOV to request a delay to ACC's progress report on Shaping Our Future until May 2018</p> | 12 February 2018 |

Contact for Telephone Discussion (if required)

| Name | Position | Telephone | 1st Contact |
|----------------|----------------|-----------------------|-------------|
| Joseph Sant | Senior Analyst | s9(2)(k) | N/A (mob) ✓ |
| Carolyn Palmer | Manager | s9(2)(g)(ii) (mob) | |

Actions for the Minister's Office Staff (if required)

| |
|---|
| <p>Return the signed report to Treasury.</p> <p>Refer a copy of this report to the Minister of Finance.</p> |
|---|

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Discussion with the ACC Board Chair on Shaping Our Future

Review of ACC's Letter

You sent a letter to the Board Chair of ACC on 20 December 2017 asking for information on ACC's Transformation Programme. The purpose of this letter was to clarify ACC's fiscal position and change in delivery model in order to inform how you engage your colleagues via the planned progress report to Cabinet, expected in March 2018.

You are meeting with the Board Chair on 12 February to discuss ACC's response. This briefing contains possible questions for you to raise at that meeting. We think increased Ministerial oversight is warranted at a key inflection point of the Transformation Programme and have made specific recommendations to facilitate this, which could also be raised at that meeting.

In Treasury's view, ACC's response to your request provides insufficient detail to allay concerns over issues raised with you previously. Treasury supports the transition to more granular governance, per the new delivery model, as this allows for greater control over the pace of the change programme. However, without more transparent sharing of documentation and a clear line of sight of costs and benefits we cannot share the Board's confidence that a positive net present value can be maintained.

We also note significant risks of both underestimating the work (optimism bias), which has been an issue for Transformation to date, and decreases to the cost/benefit ratio over the long payback period (> 10 years). These risks are carried forward into the integrated change portfolio although the governance model is more responsive to emerging risks.

ACC's response stated that legislation does not present a material barrier to progress. This does not address whether there is an opportunity to further de-risk implementation, or make savings, through simplification of legislation. MBIE has confirmed that there has not been significant engagement to discuss alternative approaches that might de-risk implementation.

ACC's risk register notes a new risk (number 15) around the loss of momentum by transitioning to the new delivery model, with interim funding approved until March 2018. The ACC Board expects to review four significant business cases in March. The risk doesn't indicate the potential for Ministerial stakeholder interest, particularly that of a new Government, before proceeding. This would also be worth discussing with the Board Chair on the 12th to understand the implications of delaying progress from the March Board meeting.

ACC continues to use Ernst Young as its Independent Quality Assurance (IQA) provider but Central Agencies have been consistent in advice that this phase of re-planning would benefit from a fresh perspective. ACC has committed to involve the Chief Government Digital Officer's officials in updating the assurance plan over the portfolio of investments.

Recommended Action

We recommend that you:

- a **require** that the ACC Board's review of significant investments for its integrated change portfolio to be subject to Cabinet approval until such time that Cabinet has had the opportunity for a substantive discussion on ACC's Transformation

Agree/disagree.

- b **request** ACC to provide a closure report for the Transformation Programme to mark the transition to the integrated change portfolio and discuss with the Board Chair when this could be provided

Agree/disagree.

- c **request** Investment Ministers to invite ACC to a meeting in April to discuss the Transformation progress to date and the updated integrated portfolio delivery model

Agree/disagree.

- d **write** to the Chair of the Cabinet Government Administration and Expenditure Review Committee (GOV) to request a delay to ACC's next progress report on its Shaping Our Future investment until May 2018, and

Agree/disagree.

- e **refer** to the Minister of Finance

Refer/not referred.

Carolyn Palmer
Manager, Health

Hon Iain Lees-Galloway
Minister for ACC

Page 4 removed - s9(2)(g)(i)



Treasury Report: Supporting Information for the ACC Transformation Progress Cabinet Paper

| | | | |
|--------------|-------------|---------------------|------------|
| Date: | 25 May 2018 | Report No: | T2018/1478 |
| | | File Number: | CM-1-3-1 |

Action Sought

| | Action Sought | Deadline |
|---|---|-------------|
| Minister for ACC (Hon Iain Lees-Galloway) | Agree to seek Cabinet approval to progress with ICIP | 28 May 2018 |

Contact for Telephone Discussion (if required)

| Name | Position | Telephone | 1st Contact |
|----------------|------------------------|--------------|-------------|
| Joseph Sant | Senior Analyst, Health | s9(2)(k) | N/A (mob) ✓ |
| Carolyn Palmer | Manager, Health | s9(2)(g)(ii) | |

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Supporting Information for the ACC Transformation Progress Cabinet Paper

Purpose of Report

1. The Accident Compensation Corporation (ACC) has provided a draft ACC Transformation Progress Cabinet paper to you, provisionally for discussion at the 26 June 2018 Cabinet Government Administration and Expenditure Review Committee (GOV).
2. You have been provided the draft paper now to allow time for review and consultation with your colleagues prior to submission. An initial discussion on the draft paper will be held at the ACC Officials meeting on Monday 28 May.
3. This briefing provides additional information for you to consider, in particular supporting information from the Cabinet Circular CO15(5) and the associated text in the Cabinet Manual that advises on the appropriate approvals to be sought from Cabinet, and the history of Cabinet minutes on Transformation progress updates to date.

Analysis

Previous Engagements with Cabinet on ACC's Transformation

4. ACC's November 2015 business case was noted by Cabinet in February 2016 [SEC-16-MIN-0001 refers], indicating the delivery of the Transformation Programme in two phases over five years. The minute notes technology advancements that allow for improved targeting of customer engagements, increasing the availability of information and creating an evidence based framework to support service delivery. Financial benefits were expected to more than offset the one-off cash costs of \$320m paid for by ACC's cash reserves, with benefits discounted at 9% for a net present value of \$51m.
5. Cabinet also noted that ACC would provide progress updates annually over the course of the Transformation Programme. The first update was provided in March 2017 [SEC-17-MIN-0017 refers] with Cabinet noting that expectations were maintained but there was an increasing risk of cost growth in Business Customer deliverables (subsequently known as Juno, the replacement for the policy and levy system). At this time ACC was investing in its change management strategy, including the appointment of the Chief Change Integration Officer.
6. Due to the increasing risk for the Programme, including reconsidering the delivery approach to Client Payments, Cabinet directed ACC to provide its next progress update by October 2017. The election in 2017 and subsequent Government priorities, as well as the timing of the Board's consideration of the change to Integrated Change Investment Portfolio (ICIP), has meant that the planned June progress update is this Government's first opportunity to engage on ACC's Transformation investment. CO15(5) and the Cabinet manual provide guidance on how you might wish to engage your colleagues.

High risk and high value investments require Cabinet approval

7. CO15(5) states that Crown Entities' high risk and high value investments require Cabinet approval, irrespective of the scale and funding source; but this guidance is not

definitive. Risk profile assessments help to consider the aspects of projects or programmes that could be flagged as high risk. Assessment of value is grounded in how projects or programmes are aligned with Government priorities. Ultimately it is the decision of the Portfolio Minister to understand where approvals should be sought from Cabinet for Crown Entities.

8. The Cabinet manual advises on matters that should be submitted to Cabinet, which include significant financial commitments¹, or those that concern the interest of a number of Ministers². The ICIP contains the Next Generation Case Management project, which is likely to be of interest to a number of your colleagues with case management responsibility, while the Health Services Strategy (HSS) is likely to be of significant interest to the Minister of Health.
9. The history of ACC's Transformation Programme has indicated that this is a complex undertaking. While Juno has delivered, it cost double the original budget and has required significant post-implementation support, delaying the achievement of benefits. A risk profile assessment on the Client Payments investment indicates that this is high risk, in part due to implementing complex legislation, and we are waiting to see the assessments on the other projects within ICIP. While delivering Client Payments is high risk, not investing in resilience in ACC's operational delivery would see a growing risk profile.
10. As ACC has learned about its risk it has been taking appropriate action, including slowing the delivery of Client Payments, updating its Governance model and allocating a more realistic contingency by project. However, turnover of senior leadership, including the Senior Responsible Officer and the Chief Financial Officer, as well as a number of other positions within the organisation, adds additional risk.
11. With respect to value, ACC's ICIP is the second largest transformation being undertaken by Government and is aligned to Government priorities, particularly to delivering transparent, transformative and compassionate government. The \$669m re-forecast is not large relative to ACC's annual expenditure but is of significant scale for Government projects and more than double what Cabinet has previously noted.
12. The Health Services Strategy (HSS), previously excluded from Transformation but included in the ICIP, provides significant benefit for a relatively small investment. This contributes significantly to the improved return of financial benefits of ICIP compared to Transformation. While ACC's delivery of client and provider services requires strong integration, delivery of HSS has low dependency on the rest of the portfolio of investments.

Options to consider in engaging with your colleagues

13. Cabinet has previously noted progress on the Transformation Programme. In our view the change at this time is the impact of the complexity faced to date, which has seen a higher cost expectation on those projects originally expected under Transformation.
14. We recommend seeking Cabinet approval to proceed with the ICIP, as this will support consideration on topics raised in the draft paper such as delivering an essential risk payment system and triaging cases through predictive analytics. In both of these cases, we are supportive of ACC making progress and think this can be better secured with Cabinet support and oversight.

¹ Cabinet manual 5.12(c)

² Cabinet manual 5.12(j)

15. Cabinet approval for ACC progress could be sought in two ways:
- Approval for the Board to continue managing the ICIP as a programme of investments, noting that this includes high risk projects such as client payments and high value projects such as Next Generation Case Management.
 - Noting progress of the ICIP, with approvals sought for the Client Payments and Next Generation Case Management business cases when ready.

We suggest that you engage your colleagues early on the draft Cabinet paper. We will provide a briefing to the Minister of Finance once the paper has been submitted to GOV.

Ongoing Monitoring

16. Treasury, as monitor, will engage with the ICIP on a quarterly basis. We will have higher engagement on the high risk/high value projects that would then be reported in the Crown's annual Major Projects Monitoring Report.
17. We will brief you on a quarterly report that will be provided to you on ICIP alongside the regular quarterly performance report, allowing you to refer any relevant information to your colleagues.

Recommended Action

We recommend that you:

- a **note** that Cabinet has previously noted progress on the Transformation Project, but that there is increased complexity and cost at this time

Noted

Minister for ACC

- b **note** that CO15(5) states that Crown Entities' high risk and high value investments require Cabinet approval, irrespective of the scale and funding source; but this guidance is not definitive

Noted

Minister for ACC

c **agree** to either:

- i. Seek Cabinet approval for the Board to continue managing the ICIP as a programme of investments, and to note that this includes high risk projects such as client payments and high value projects such as Next Generation Case Management (Treasury preferred), or

Agree/disagree.

Minister for ACC

- ii. Ask Cabinet to note progress of the ICIP, and to seek approval for the Client Payments and Next Generation Case Management business cases when ready.

Agree/disagree.

Minister for ACC

Carolyn Palmer
Manager, Health

Hon Iain Lees-Galloway
Minister for ACC