The Treasury

Major Projects Performance Information Release

Release Document

November 2015

http://www.treasury.govt.nz/statesector/investmentmanagement/publications

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government

[2] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[5] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 6(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.
Major Projects Performance Report

March to June 2015
Major Monitored Project$^1$ Portfolio

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

Agencies undertaking significant investments complete a risk profile assessment for these projects. Where the result of this assessment is high risk, monitoring is applied. The Responsible Minister may also request monitoring for a particular project or programme. Some medium risk projects may also be monitored at Treasury’s discretion.

Projects may exit from the monitoring process when a project changes or progresses to the point where monitoring no longer adds value. In this reporting period, four projects have exited monitoring because agencies are well-placed to manage these projects to completion.

Cost of the whole Government Project Portfolio

The above charts show that although ICT investments make up 58% of the portfolio by number, they account for only 31% of its total cost. Investment in Defence makes up 24% of the portfolio by number and accounts for 23% of its total cost. Construction investments make up just 18% of the portfolio by number but account for 45% of its total cost.

The monitored projects portfolio is $20.5b of investments in 38 projects led by 19 agencies.

\[\text{Cost information for the two GCSB projects is classified}\]

$^1$ The word “project” in this report refers to both projects and programmes.
Major Projects Performance Report

This report provides an overview of the performance of monitored projects to the Minister of Finance, Investment Ministers and Cabinet three times each year.

The report includes:

- Analysis of performance across the monitored project portfolio
- A report from the Major Projects Assessment panel, and
- A dashboard for each monitored project with financial, schedule, and benefits information, an agency comment, and the Treasury’s monitoring delivery confidence assessment.

**The delivery confidence assessment process**

The Treasury’s Investment Management and Asset Performance team provide an initial assessment against a range of criteria, informed by the responsible agency and officials from across the corporate centre.

The Major Project Assessment Panel moderates this assessment across the portfolio and considers issues common to a range of projects. Where an assessment changes or is challenging, the Panel discusses this and provides a final perspective.

The Treasury determines the agenda and composition of the panel based on the performance of the portfolio. The panel typically includes Treasury officials, and officials from other agencies are invited to attend as required.

**Delivery confidence assessment**

The delivery confidence assessment represents the Treasury’s view of a project’s ability to deliver against its defined budget, schedule, scope and benefits.

This report introduces a new five-point scale:

<table>
<thead>
<tr>
<th>Scale</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green</td>
<td>Successful delivery of the project against budget, schedule, scope and benefits, appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly.</td>
</tr>
<tr>
<td>Amber-Green</td>
<td>Successful delivery of the project against budget, schedule, scope and benefits, appears probable; however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.</td>
</tr>
<tr>
<td>Amber</td>
<td>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.</td>
</tr>
<tr>
<td>Amber-Red</td>
<td>Successful delivery of the project against budget, schedule, scope and benefits, is in doubt, with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and determine whether resolution is feasible.</td>
</tr>
<tr>
<td>Red</td>
<td>Successful delivery of the project against budget, schedule, scope and benefits, appears to be unachievable. There are major issues with project definition, schedule, budget, quality and/or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project may need re-scoping and/or its overall viability reassessed.</td>
</tr>
</tbody>
</table>
Assessing Portfolio Performance

The Treasury uses delivery confidence assessments to measure the likelihood that investments will perform as expected – deliver anticipated benefits on time and within budget.

The Treasury has introduced a five-tier confidence model to provide more nuanced information about confidence performance across the portfolio. Most rating adjustments are driven by the adoption of the 5-tier model. Where an adjustment reflects a change in confidence, this is noted on the contents page and project dashboards.

Change in portfolio ratings since the last report

February 2015       June 2015

Green 3             Green 1
Amber 31            Amber-Green 15
Red 4               Amber-Green 5

The 6 projects that are Red or Amber-Red account for $7.3b of investment. The Treasury is working to improve confidence that all investments will be delivered as expected.

Investment cost by delivery confidence

- Amber-Green $9.5b
- Amber-Red $5.0b
- Red $2.3b
- Whole-of-life cost $20.5b
- Cost information for the two GCSB projects is classified

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

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

This means the Treasury generally expects the portfolio to have few projects with a Green status. In this period just one monitored project is Green, and a previous Green-assessed project, the Health Identity Programme, is recommended for exit from monitoring.
Performance by delivery phase

Risks tend to be more common, and easier to mitigate early on; when design and consultation shape the nature of the project. As a project matures, the number of risks reduces as certainty increases, but the options for mitigation are also reduced.

The cost of changes to a project becomes larger as the project moves through delivery phases.

This means projects with significant risks (or issues) during implementation (the ‘Do’ phase) are generally of more concern than those in earlier phases – though robust management early saves problems later.

21 projects of the Major Monitored Projects Portfolio are in the ‘Do’ (implementation) phase. As projects begin implementation, risks and issues have a more significant impact on a project’s ability to deliver as expected.

For projects that are in the ‘Think’ and ‘Plan’ phases, risks and issues may not yet have mitigation strategies, but this does not usually impact on time, cost, or quality, as there is greater uncertainty in early project phases.

Projects can often be rated as Amber early in their lifecycle, until business cases are developed and uncertainty reduces.

Projects that are Red or Amber/Red in the ‘Do’ phase are likely to require more direct action and support.

Risks during implementation usually have a more significant impact than risks in earlier phases.
Major Project Assessment Panel

Comment

The Treasury convenes a panel to review delivery confidence ratings for a sub-set of the major projects that it monitors.

The panel reviews key information, reports, and findings on the performance of projects and provides a collective decision about Treasury’s delivery confidence assessment for the project.

Key themes from panel discussions across the portfolio

The panel continues to see evidence of agencies optimistically assessing cost and schedule risks. This is partly because planning and assessing projects appears to be done on a case-by-case basis, rather than in a portfolio context.

Agencies are not giving sufficient consideration to the resource and cost pressures each project can create for other projects through delays, or cost increases, market impacts, or the trade-offs that may be required in these instances. We would like agencies to take a portfolio view of investment - first across their own projects, and then across whole-of-government.

There also appears to be significant resource contention and a tendency towards lean teams, in some cases probably under-resourced, particularly in early phases of a project. This may be due to scarce capability and a desire to minimise costs.

As the early stages of a project or programme set the scene for the future success (or otherwise), greater attention should be given to right-sizing of teams at the start, and at key points of development and implementation. If the right resources aren’t available, then delay should be considered until these are secured.

The Treasury will consider actions required to address these themes, and look to incorporate these in its work programmes.
Interpreting project dashboards

The dashboards contain data collected from agencies through the government project portfolio process, a data collection process that occurs three times per year, along with information and analysis from the Treasury and corporate centre officials.

Financial and Schedule Information
Financial and schedule information is collected from agencies.

The most relevant schedule milestones, including significant assurance activities, are presented for the project at the time of the report – not all milestones will be included.

Project financials compare the whole-of-life cost (where this is provided) or expected project costs to actual expenditure to date.

Measuring whole-of-life cost
The whole-of-life cost for any investment includes all the resources used to develop and implement the investment plus all costs incurred to keep the new service or capability fit for purpose over its life cycle.

These could include costs of design, acquisition, construction, maintenance, operations, refurbishment, storage, licensing, decommissioning or rehabilitation.

Why whole-of-life cost matters
Understanding whole-of-life costs supports better investment decisions. Whole-of-life costs are essential inputs to any economic or financial analysis that aims to work out which option provides the best value for the investor and whether it is affordable now and over the longer term.

Do major monitored projects provide whole-of-life costs?
Currently not all major monitored projects report on whole-of-life costs.

This is expected to change over time, as investment performance gets more attention through the investor confidence rating and new reporting requirements in the Investment Management and Asset Performance in the State Services Circular, which came into effect on 1 July.

The Treasury’s guidance is consistent in expecting whole-of-life cost assessments as best practice. This includes our Better Business Cases and Social Cost Benefit Analysis guidance.

Information on benefits and outcomes
This report introduces a section on projected benefits and outcomes for each project, both monetary and non-monetary, to aid ongoing focus on realising return from investment. This section can assess progress or challenges to benefits realisation, and highlight any changes that may have occurred since the original Cabinet decision.

Agency comment
Each project team is provided the opportunity to report on a range of indicators for the project, and include a brief summary of the project’s performance. This allows opportunity for each agency and project team to provide their perspective of project performance. Where a project has had delivery confidence assessed as Red in the previous report, the Chief Executive is asked to provide this comment.
## Project Summary

<table>
<thead>
<tr>
<th>Sector</th>
<th>Project</th>
<th>Agency</th>
<th>Status</th>
<th>Change</th>
<th>Responsible Minister</th>
<th>Page Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Border Agencies</td>
<td>Joint Border Management System (JBMS) Project</td>
<td>CUSTOMS</td>
<td></td>
<td></td>
<td>Hon Wagner</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Moving to a faster, simpler, more cohesive and reliable system of border management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canterbury Recovery</td>
<td>Canterbury Education Renewal Programme</td>
<td>MINEDU</td>
<td></td>
<td></td>
<td>Hon Parata</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Will repair and rebuild 115 damaged Canterbury schools by 2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canterbury Recovery</td>
<td>Christchurch Central Delivery Programme</td>
<td>CERA</td>
<td></td>
<td></td>
<td>Hon Brownlee</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Ensuring timely and effective delivery of anchor projects in central Christchurch</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canterbury Recovery</td>
<td>Christchurch Justice Emergency Services Precinct</td>
<td>MOJ</td>
<td></td>
<td></td>
<td>Hon Adams</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>A new single-site precinct to accommodate justice and emergency services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canterbury Recovery</td>
<td>Horizontal Infrastructure Programme</td>
<td>CERA</td>
<td></td>
<td></td>
<td>Hon Brownlee</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Leading the recovery of resilient, sustainable, and cost-effective network infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canterbury Recovery</td>
<td>Residential Red Zone (RRZ) Programme</td>
<td>CERA</td>
<td></td>
<td></td>
<td>Hon Brownlee</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Governs and coordinates the acquisition and management of land in the RRZ</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture and Heritage</td>
<td>Military Heritage Delivery Arrangements Project</td>
<td>MCH</td>
<td></td>
<td>NEW</td>
<td>Hon Barry</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>Options for improving the delivery of military heritage with a national focus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>ANZAC Frigate Systems Upgrade Project</td>
<td>MoD/NZDF</td>
<td></td>
<td></td>
<td>Hon Brownlee</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Restoring and upgrading the surveillance and combat capabilities of the ANZAC frigates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Consolidated Logistics Programme</td>
<td>MoD/NZDF</td>
<td></td>
<td></td>
<td>Hon Brownlee</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Implementing a coordinated, efficient logistics management system across NZDF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Defence Command and Control System</td>
<td>MoD/NZDF</td>
<td></td>
<td>EXITED</td>
<td>Hon Brownlee</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Creating a new command and control system for NZDF to make it more effective and coordinated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Future Air Mobility Capability (FAMC) Project</td>
<td>MoD/NZDF</td>
<td></td>
<td>NEW</td>
<td>Hon Brownlee</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Sustaining NZDF’s strategic airlift capability after the end of life of existing aircraft</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Future Air Surveillance Capability (FASC) Project</td>
<td>MoD/NZDF</td>
<td></td>
<td>NEW</td>
<td>Hon Brownlee</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Ensuring that NZDF has a continuous, capable, and relevant air surveillance capability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Human Resources Management Information System (HRMIS) Project</td>
<td>MoD/NZDF</td>
<td>EXITED</td>
<td>Hon Brownlee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>-------------------------------------------------------------</td>
<td>----------</td>
<td>--------</td>
<td>---------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Replacing NZDF’s five existing ageing, disparate HR systems with a single core system</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Land Transport Capability Programme (LTCP)</td>
<td>MoD/NZDF</td>
<td>EXITED</td>
<td>Hon Brownlee</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Delivering an enhanced land mobility capability for NZDF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Littoral Operations Support Capability (LOSC) Project</td>
<td>MoD/NZDF</td>
<td>EXITED</td>
<td>Hon Brownlee</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Providing a capability for continued support of the Littoral Warfare Support Force</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Maritime Helicopter Capability Project (MHCP)</td>
<td>MoD/NZDF</td>
<td>EXITED</td>
<td>Hon Brownlee</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improving the capability of the Naval Helicopter Force (NHF)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Maritime Sustainment Capability (MSC) Project</td>
<td>MoD/NZDF</td>
<td>EXITED</td>
<td>Hon Brownlee</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Will replace the HMNZS Endeavour with a new Maritime Sustainment Capability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Medium Heavy Operational Vehicles (MHOV) Project</td>
<td>MoD/NZDF</td>
<td>EXITED</td>
<td>Hon Brownlee</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Part of the LTCP programme to enhance land mobility capability, this project provides NZDF with a range of medium and heavy military trucks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Network-Enabled Army (NEA) Programme</td>
<td>MoD/NZDF</td>
<td>EXITED</td>
<td>Hon Brownlee</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improving NZDF’s electronic information sharing capability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Pilot Training Capability (PTC) Project</td>
<td>MoD/NZDF</td>
<td>EXITED</td>
<td>Hon Brownlee</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Modernising the NZDF pilot training system</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Platform Systems Upgrade (PSU) Project</td>
<td>MoD/NZDF</td>
<td>EXITED</td>
<td>Hon Brownlee</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Upgrading the platform systems of HMNZS Te Mana and HMNZS Te Kaha, to ensure combat viability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Secret Information Environment (SIE) Project</td>
<td>MoD/NZDF</td>
<td>EXITED</td>
<td>Hon Brownlee</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Upgrading the NZDF’s secret-level communications network</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence</td>
<td>Strategic Bearer Network (SBN) Project</td>
<td>MoD/NZDF</td>
<td>EXITED</td>
<td>Hon Brownlee</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Implementing Wideband Global Satellite Communications in NZDF, which provides global connectivity between deployed NZDF forces</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Performance &amp; Strategy</td>
<td>2018 Census Project</td>
<td>STATS</td>
<td>EXITED</td>
<td>Hon Foss</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coordinating, directing, and overseeing activities related to the 2018 Census</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Performance &amp; Strategy</td>
<td>Statistics 2020 Project</td>
<td>STATS</td>
<td>EXITED</td>
<td>Hon Foss</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Replacing existing data systems with modern, efficient platforms and processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Performance &amp; Strategy</td>
<td>Integrated Lifecycle Services (NZBN) Programme</td>
<td>MBIE</td>
<td>EXITED</td>
<td>Hon Joyce</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Delivering a single business registration service that reduces effort and costs for business based on the New Zealand Business Number (NZBN)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education and Skills</td>
<td>Education Resourcing System Programme</td>
<td>MINEDU</td>
<td>EXITED</td>
<td>Hon Parata</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A future-proofed early childhood and schools resourcing system</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education and Skills</td>
<td>Learning with Digital Technology Programme (formerly N4L)</td>
<td>MINEDU</td>
<td>EXITED</td>
<td>Hon Parata</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Using digital infrastructure and technology to improve learning outcomes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>Project Name</td>
<td>Description</td>
<td>Lead Agency</td>
<td>Status</td>
<td>Responsible Minister</td>
<td>Page</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------</td>
<td>-------------</td>
<td>---------</td>
<td>----------------------</td>
<td>------</td>
</tr>
<tr>
<td>Health</td>
<td>Shaping Our Future (SOF) Programme</td>
<td>Transforming ACC’s operating model to improve delivery of core services</td>
<td>ACC</td>
<td></td>
<td>Hon Kaye</td>
<td>38</td>
</tr>
<tr>
<td>Health</td>
<td>Health Identity Programme</td>
<td>Replacing existing disparate health index systems with a single, integrated system</td>
<td>MOH</td>
<td>CLOSED</td>
<td>Hon Coleman</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>Health Payment Systems Project</td>
<td>Replacing outdated health payment methods with modern business processes</td>
<td>MOH</td>
<td></td>
<td>Hon Coleman</td>
<td>39</td>
</tr>
<tr>
<td>Health</td>
<td>National Patient Flow System Project</td>
<td>A patient-centred referral based reporting system</td>
<td>MOH</td>
<td></td>
<td>Hon Coleman</td>
<td>40</td>
</tr>
<tr>
<td>Intelligence Agencies</td>
<td>Cortex Project</td>
<td></td>
<td>GCSB</td>
<td></td>
<td>Hon Finlayson</td>
<td>41</td>
</tr>
<tr>
<td>Intelligence Agencies</td>
<td>CPMI Project</td>
<td></td>
<td>GCSB</td>
<td></td>
<td>Hon Finlayson</td>
<td>42</td>
</tr>
<tr>
<td>Internal Affairs</td>
<td>Transforming the System of Service Delivery (TSSD)</td>
<td>Transitioning to a digital, joined-up, customer-centric model of service delivery</td>
<td>DIA</td>
<td></td>
<td>Hon Dunne</td>
<td>43</td>
</tr>
<tr>
<td>International</td>
<td>Programme and Activity Management Project</td>
<td>Delivering a core aid management software solution</td>
<td>MFAT</td>
<td>NEW</td>
<td>Hon McCully</td>
<td>44</td>
</tr>
<tr>
<td>Justice</td>
<td>Human Resources Management Information System (HRMIS) Project</td>
<td>A new HRMIS system to replace the current HR and Peoplesoft Payroll systems</td>
<td>POLICE</td>
<td></td>
<td>Hon Woodhouse</td>
<td>45</td>
</tr>
<tr>
<td>Labour Market &amp; Welfare</td>
<td>Simplification Project</td>
<td>Simplifying the provision of MSD’s transactional services</td>
<td>MSD</td>
<td></td>
<td>Hon Tolley</td>
<td>46</td>
</tr>
<tr>
<td>Labour Market &amp; Welfare</td>
<td>Vision 2015/Immigration Global Management System (IGMS) Programme</td>
<td>Designing and building an IGMS, the critical technology enabler to deliver Vision 2015</td>
<td>MBIE</td>
<td></td>
<td>Hon Woodhouse</td>
<td>47</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>Advanced Survey and Title Services (ASATS) Project</td>
<td>Replacing Landonline’s outdated and constraining technology platform</td>
<td>LINZ</td>
<td></td>
<td>Hon Upston</td>
<td>48</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>National Biocontainment Laboratory Project</td>
<td>Replacing the existing Wallaceville biocontainment facility with an enhanced facility</td>
<td>MPI</td>
<td></td>
<td>Hon Guy</td>
<td>48</td>
</tr>
<tr>
<td>Prime Minister and Cabinet</td>
<td>CabNet Project</td>
<td>A central electronic source for authoritative Cabinet information</td>
<td>DPMC</td>
<td></td>
<td>Rt Hon Key</td>
<td>50</td>
</tr>
<tr>
<td>Tax Strategy</td>
<td>Business Transformation Programme</td>
<td>Implementing a modern, efficient, and cohesive tax administration system</td>
<td>IRD</td>
<td></td>
<td>Hon McClay</td>
<td>51</td>
</tr>
<tr>
<td>Tax Strategy</td>
<td>Child Support Reform Programme</td>
<td>Improving the efficiency and fairness of the child support system</td>
<td>IRD</td>
<td></td>
<td>Hon McClay</td>
<td>52</td>
</tr>
</tbody>
</table>
Guide To This Report

Budget and expenditure

This section compares actual to forecast expenditure.

Benefits and outcomes

This section looks at the benefits and outcomes the project is expected to deliver.

Agency assessment

Here each project is provided the opportunity to provide their perspective of project performance. If the previous delivery confidence rating was Red, the Chief Executive provides this comment.

The Treasury’s assessment

This section outlines the Treasury’s delivery confidence assessment. This represents the Treasury’s view of project or programme’s ability to deliver against its currently defined budget, schedule, scope and benefits.

Project timeline

These timelines show major project and assurance milestones.

Assurance schedule

Arrows indicate slippage in timeframes, and the colour of the milestone indicates the severity of the slippage.

Budget and expenditure

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Whole-of-life cost $</th>
<th>Actual expenditure $</th>
</tr>
</thead>
<tbody>
<tr>
<td>13/14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14/15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15/16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16/17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17/18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18/19</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Agency comment

Agencies self-report on a range of indicators

The Treasury’s assessment

This section outlines the Treasury’s delivery confidence assessment. This represents the Treasury’s view of project or programme’s ability to deliver against its currently defined budget, schedule, scope and benefits.
Following industry consultation, the agreed dates for mandatory adoption of World Customs Organisation standard (WC03) message formats are 1 July 2017 for the Inward Cargo Report (complex), and 1 November 2016 for all others.

The programme has continued to develop further functionality for the JBMS, the first of these releases was completed in May enabling self-service functionality. The pilot was successful and business as usual is on-boarding trade with swift uptake by industry expected.

The second major release will deliver the final lodgement types for Trade Single Window (TSW), and advanced Risk & Intelligence (R&I) capability to Customs and MPI. This is expected in 2016. The Micro Design is now going through final review, with key lower risk TSW and R&I base components underway and on track.

IQANZ completed a ‘Point in Time’ review in March 2015, a second scheduled after the completion of the Micro Design phase. PwC is undertaking a technical quality review of the Micro Design, and a draft report is due 5th August.

The delivery confidence assessment for this programme is Amber/Red, and is a change due to adoption of the five tier model, not an increase in confidence. There is continuing evidence of strong commercial management from Customs, commitment by Customs/MPI executives to mitigate schedule risk, and the closure of key capability gaps. However, the risk of late delivery of the final major release of Trade Single Window (TSW) Release 10 is still too high to warrant an improved rating.

Trade Single Window (TSW) Release 8 was deployed in March 2015, providing self-service functionality to traders, and sufficient system capacity to handle on-boarding of all remaining traders. Feedback from users has been positive.

The programme has also achieved its high-level system design milestone.

A key challenge for the programme is to keep to the tight schedule required to meet the targeted TSW Release 10 go-live date. The programme is using advanced schedule risk assessment techniques to manage this issue.
The June Gateway Review found that the programme is on target to achieve expectations, and highlighted successes, innovative practices and positive stakeholder relationships.

The Ministry is working collaboratively with four providers and in partnership with Ngāi Tahu to deliver a transformative teaching practice programme, to make sure the significant capital investment into refurbishing, remodelling, rebuilding and renewing our school properties is realised.

The Ministry continues to receive positive feedback from schools trialling innovative learning practices (prototyping). Prototyping is supported by minor alterations (typically up to $25,000) to existing buildings to more closely resemble innovative learning spaces ahead of entering the programme.

The Ministry continues to deliver a significant amount of minor capital works ensuring all schools remain operational, safe and secure until they enter the programme. Currently there are around 470 active projects.

Construction continues on four schools. Other schools from Wave 2 requiring redevelopment are procuring designers and master planners.

The delivery confidence Assessment for this programme has changed to Amber/Green since the last report. This is due to adopting a five-tier model, formerly three-tiers, and not a drop in confidence.

Capital expenditure is $21.4m (36%) below original budget, mainly because of a delay in land acquisition, which was forecast to be complete by now. The Ministry has completed 6 out of 11 land purchases, and the remaining 5 sites are in various stages of acquisition. The Ministry has forecast a significant increase in rebuild delivery over the next two quarters – from $12m as at the end of March 2015, to $23m between April and June 2015 and further accelerating to $66m between July and September 2015. This increase could be challenging to achieve given market constraints in Canterbury, however, the Treasury has no specific concerns regarding the projected delivery.

The Ministry is benefiting from gathering learnings from the programme, including creating a Design Review Panel to consider school property designs to ensure quality standards, identify opportunities to improve the design and deliver savings. To date, the panel has identified areas for improvement of design that results in approximately $5m in savings. The introduction of the additional process has resulted in slight delays to projects.

The programme has also implemented a project brief process, and is using its experience in innovation, including methodology for costing and procuring individual projects as an exemplar across the Ministry.
The delivery confidence assessment for this programme has not improved since the last report, and remains Red.

The main issues across the programme relate to unanticipated costs, typically driven by land remediation, delays, and scope changes. Issues with timeframes are also common. A number of project milestones have been missed or are under review, with other projects identifying risks around timeframes.

These issues suggest the programme continues to be overly optimistic about what is achievable within its (and its partners) capacity and capability.

It is highly likely that additional funding will be needed to finish the programme. This means increasing funding would require significant compromise of other investment initiatives.

The Treasury recommends advice is developed on how to manage financial pressures while delivering intended benefits.

Benefits and outcomes
Programme Benefit One: Increased participation in central Christchurch as a place to invest, work, live and play
Programme Benefit Two: Increased productivity for central Christchurch
Programme Benefit Three: Contribute to the economic growth and social wellbeing of greater Christchurch and Canterbury.

Metro Sports Facility – deliver a facility with wet areas, sports courts and space for cultural and recreation uses.

Agency assessment

Chief Executive comment
Tangible progress has been made in those development projects that are in their execution phase. In particular, the Bus Interchange became operational during the period after completion of the first phase of capital works. The balance of the capital works is scheduled to complete by the next reporting period, with the planned opening of the retail premises leased to the private sector.

In spite of some delays to the Programme’s internal plans seeking Cabinet decisions for the Metro Sports Facility and the Convention Centre Precinct, the Prime Minister’s announcement on 2nd July 2015 has highlighted the Government’s commitment to these projects to progress the realisation of the Recovery Plan vision.

During the period, the Christchurch City Council (CCC) has commenced work on remedial works for the Town Hall. This has resulted in some revised planning for the Performing Art’s Precinct.

The programme continues to progress alongside work on transition and future delivery arrangements. I am extremely pleased with the way the programme team continues to deliver and drive results in this period of transition and change.

Treasury comment
On 3rd August Cabinet approved investment of [2] in the Metro Sports facility, which includes expanded scope (high-performance sport and diving) as well as the funding of costs that were unassigned in the cost-sharing agreement. [2]

The project will also need to actively manage impacts on the Hospital redevelopment programme.
Conventional centre precinct project - design and construction of the Convention Centre, and Precinct development.

Agency assessment

<table>
<thead>
<tr>
<th>Budget</th>
<th>Timeline</th>
<th>Benefits</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
</tr>
</tbody>
</table>

The project is in its planning phase and currently has significant financial risk in order to deliver to the recovery outcomes.

Treasury comment

The total cost is estimated as [2]

The project has missed its milestone to present a business case to Cabinet and a new date for this has not yet been set.

Avon River precinct project - redevelop river and surrounds between Antigua Boathedds and Fitzgerald Avenue.

Agency assessment

<table>
<thead>
<tr>
<th>Budget</th>
<th>Timeline</th>
<th>Benefits</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>E</td>
<td>A</td>
<td>A</td>
<td>A</td>
</tr>
</tbody>
</table>

Works have begun on the Terrace stage (in front of Retail Precinct) and the Margaret Mahy playground. There is some delay driven by utility issues with Orion.

Risks and Issues

A new contamination remediation plan has been made for the Margaret Mahy playground to mitigate [5]

CCC is requesting that trams continue on Oxford Terrace, [5]

Agreement on sharing costs for utility works (with Orion) has not yet been reached.

East Frame project - develop a park and infrastructure to service the East Frame residential precinct.

Agency assessment

<table>
<thead>
<tr>
<th>Budget</th>
<th>Timeline</th>
<th>Benefits</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>E</td>
<td>A</td>
<td>A</td>
<td>A</td>
</tr>
</tbody>
</table>

This project has had delays due to design issues, particularly in relation to underground utilities.

Risks and Issues

Asbestos has been found in four test pits out of 64 in the East Frame and a remediation plan is being developed. [4]

This project also has an issue with utilities, as agreement on sharing costs for utility works/diversions has not yet been reached.
South Frame project - *deliver a public realm within Madras Street, Tuam Street, St Asaph Street and Hagley Avenue.*

**Agency assessment**

- The project is in its start-up phase.

**Risks and Issues**

Private developments have started which will adjoin the public realm (e.g. ECan, Vodafone, etc.). The public realm is required to be complete when these buildings are opened to avoid restricted access and limited operations. The project plans to manage this through co-ordination and communication to align expectations of private developments and tenants along with exploring different delivery options.

---

Bus interchange project - *deliver and operate a bus interchange, between Colombo, Lichfield, and Tuam Streets.*

**Agency assessment**

- There is delay completing phase 2, but this will not delay the operational date of the Bus Interchange. Superstops are now part of the Accessible City Project.

**Risks and Issues**

Long term ownership is not resolved. The project will work on the basis that the Crown will initially be the owner of the Bus Interchange until ownership is resolved.
The Square project – **re-establish The Square as the civic heart of Christchurch, to support adjacent rebuild activity.**

**Agency assessment**

- **Budget**
  - Current delay to decision making on the Cathedral has flow on effect of delaying project delivery.

**Risks and Issues**

CERA notes the risk that the project cannot be completed within expected timeframes. To mitigate this, CERA plans to engage with Anglican diocese regularly regarding the Cathedral, and manage the timing of project to fit with decision making processes and engage with the business community during design process. It is highly likely timeframes will need to be adjusted to allow flexibility for this to occur.

---

**An accessible city project - the First Phase of transport projects - Hospital Corner, Armagh Street, Colombo Street, Manchester Street, Cambridge Terrace, bus super stops on Manchester Street and Tuam Street respectively.**

**Agency assessment**

- **Budget**
  - This is a series of projects jointly delivered by the Crown and the CCC.

**Risks and Issues**

There is a lack of clarity around Canterbury District Health Board (CDHB) as their plans emerge. CCC has delayed approval of some project and/or consultation stages.

---

**Earthquake memorial project - design and deliver an earthquake memorial.**

**Agency assessment**

- **Budget**
  - The final design has been approved for the Earthquake Memorial.

**Risks and Issues**

CERA has identified risks including utilities issues (as experienced by other projects) and risks to timeframes, and is applying appropriate controls to investigate these so they can be managed, if needed. CERA notes they will keep the CCC well-informed about operating costs associated with the memorial and will include a CCC representative on the technical advisory group.
The construction of the Christchurch Justice and Emergency Services Precinct is well underway. Seven ty percent of the construction price is now fixed with the services trades being closed out on budget.

Strong value management disciplines and early contractor involvement processes are underway to challenge and confirm final pricing for these trades.

KPMG in its latest independent quality assurance review has assessed the current level of both project controls (9.46 out of 10) and construction controls (Tier 3 out of 4) to have significantly improved since its previous assessment last year.

There have been no serious harm incidents on the Precinct site to date. Fletcher Construction achieved a 100 percent pass rate during the most recent independent site safe audit.

The delivery confidence assessment for this project has changed to Amber/Green since the last report. This is due to adopting a five-tier model, formerly three-tiers, not a drop in confidence.

Fletcher continues to test programme acceleration options to see whether any of this time can be recovered.

Fixing Fletcher’s contract price is expected in August, and the project is making strong efforts to contain cost pressures and retain sufficient contingency, by developing strategies to mitigate pricing risks. These include early engagement with suppliers and strong design management disciplines (limiting changes).

Work on benefits is advancing. Opportunities continue to be identified, and plans to deliver these are being developed. Cross-agency governance for this has been established and there is appropriate focus on benefits achievement.

The Treasury’s assessment

Benefits and outcomes

To date agencies have validated $5.27m of the $9.80m expected fiscal benefits. Sector Chief Executives (Justice Sector Leadership Board) have overall responsibility for benefits realisation.

Work to fully scope the range of Ministry of Justice-led benefits has been completed and will be used to frame project resource requirements. Dedicated resource has been seconded from the NZ Fire Service to lead the work on the operating model for the Emergency Operations Centre and to oversee the benefits programme to be delivered by the emergency services’ agencies.

Project timeline

Assurance schedule
Since February 2015 the overall Stronger Christchurch Infrastructure Rebuild Team (SCIRT) Programme has increased from 65% to 73% completed.

In May 2015, the programme had its second Gateway Review, which found a delivery confidence rating of Amber/Green and made 9 recommendations. CERA is working to implement these by 31 October.

The Cost Sharing Agreement provided for an independent assessment of horizontal infrastructure costs, which was completed in April 2015, to provide a basis for final discussions on horizontal infrastructure cost sharing. Subject to these discussions, the Crown’s contribution is sufficient to complete the rebuild.

CERA is finalising six independent audits of SCIRT processes to provide assurance that these are delivering value-for-money, represent industry best practice, and are being implemented as agreed.

CERA also commissioned KPMG to review the programme risk register to provide assurance that all risks have been captured. KPMG concluded that the majority of risks had been identified and made several minor recommendations which have been added to the risk register and appropriate mitigation is being put in place.

The focus should be continuing to minimise use of contingency and finding opportunities to improve value for money, before transition planning dominates attention.

The delivery confidence assessment for this project has improved to Amber/Green since the last report.

An Independent Assessment of the costs for the infrastructure programme was received on 1 May. The assessment finds the Crown’s $1.8b contribution is sufficient funding - if the Crown doesn’t pay a full subsidy for assets that were nearing the end of their useful life.

The benefits of this programme are in reducing these problems by: reducing travel times, improving the reliability of infrastructure, improving business confidence, preventing wastewater overflows into ground water and streams, removing the need to boil water, and reducing stress.

The programme is also reducing ongoing operating costs by replacing relatively expensive temporary repairs with permanent solutions.
The Preliminary Draft Residential Red Zone Offer Recovery Plan received more than 800 public submissions. The Draft was notified on 25 June, with public feedback closing on 9 July. The Plan was announced by 31 July.

The voluntary Crown offer in the Port Hills residential red zones expired on 27 February. Of 454 eligible property owners, 407 (90%) accepted the voluntary Crown offer.

Owners of 7,445 properties in the residential red zones (including 404 in the Port Hills) have now settled with the Crown. A total of 7,393 Crown-owned properties have been released for clearance.

6,952 dwellings have been cleared from Crown-owned properties in the flat lands to date. Contracts have been signed to relocate 302 dwellings, and 269 have been completed. 136 dwellings have been cleared from Crown-owned properties in the Port Hills to date and a further 54 are under clearance.

Dwelling-related insurance recoveries (excluding demolitions) are at 50% of the total estimate for the project is 90% - the total estimate for the project is 90%.

No decisions on the future use of the Crown-owned red zone land have been made. Future use will be determined through a Recovery Plan process, which could take a further 12 months.

Benefits and outcomes

The Canterbury earthquakes caused damage to large areas of land creating a number of problems for recovery, including: the need for an area-wide solution, disruption and uncertainty, risk of lack of timeliness and a need for coordination, cost-effectiveness, health and wellbeing.

The benefits of this programme address these issues as well as providing certainty and confidence to residents, through a simple process, so they can move forward with their lives. This programme also enables more holistic management of health and safety risks – particularly in the Port Hills.

Chief Executive comment

The benefits and outcomes

The Canterbury earthquakes caused damage to large areas of land creating a number of problems for recovery, including: the need for an area-wide solution, disruption and uncertainty, risk of lack of timeliness and a need for coordination, cost-effectiveness, health and wellbeing.

The benefits of this programme address these issues as well as providing certainty and confidence to residents, through a simple process, so they can move forward with their lives. This programme also enables more holistic management of health and safety risks – particularly in the Port Hills.

Project timeline

Cabinet Recovery Plan 07/15
50% flatlands clearance complete 08/15
100% assessment complete 08/15
100% insurance settlement complete 12/15

Benefits report 01/18

Assurance schedule

RRZ acquired land Int. Audit 01/15
RRZ acquired land followup 05/15
RRZ Port Hills Clearance Int. Audit 05/15

Not yet available. CERA is refreshing its Assurance plan. The Residential Red Zone Programme does not use Gateway Reviews.

The programme has revised its milestones and is now scheduled to finish at the end of 2017 (a year later than originally forecast). This is due to increasing scope and complexity in the Port Hills, including safety concerns, access issues, and a number of unconsented retaining walls. CERA is working to quantify and mitigate these risks. This, along with expanding scope, may also drive cost increases and further delay. This will be explored following upcoming decisions about the Recovery Plan.

CERA has also begun work across Government regarding transitioning programme activities, including consideration of how to ensure ongoing alignment across entities.

The delivery confidence assessment for this project has improved to Amber/Red since the last report. This is due to an increase in confidence.

CERA has responded to the Quake Outcasts Supreme Court decision by issuing a draft Residential Red Zone Offer Recovery Plan on new Crown offers to buy vacant, insured commercial and uninsured red zone properties in June for Public consultation. The final plan was announced on 31 July.

The Canterbury earthquakes caused damage to large areas of land creating a number of problems for recovery, including: the need for an area-wide solution, disruption and uncertainty, risk of lack of timeliness and a need for coordination, cost-effectiveness, health and wellbeing.

The benefits of this programme address these issues as well as providing certainty and confidence to residents, through a simple process, so they can move forward with their lives. This programme also enables more holistic management of health and safety risks – particularly in the Port Hills.
The project is to develop an indicative business case for delivery arrangements for military heritage, including options which would require a major capital project to implement.

Options are still being developed. During this reporting period a risk profile assessment (RPA) was completed, a Steering Group convened and stakeholder workshops were held.

Cabinet has directed the project to report back with an Indicative Business Case by the end of November 2015.

The project is being carried out collaboratively with NZ Defence Force and is on track to deliver.

The Treasury’s assessment

This project is new to major projects monitoring and the initial delivery confidence assessment is Amber/Green.

Although a large amount of strategic work has already been completed for this project, it will need to meet tight timelines to present the Indicative Business Case to Cabinet by November 2015.

Several potential options exist.

We are encouraging the Ministry for Culture and Heritage to actively explore a broad range of options in the indicative business case. We would also like to understand the relative priority of this investment compared to other proposals that the Ministry has presented asking for Crown funding over the past year.
The Project is on track and will deliver the capability required on schedule and in budget. Project milestone payments for the eight contracts and three Foreign Military Sales cases have been made as planned with contractors and their vendors performing to schedule.

The focus of the Project is the Preliminary Design activity working with the contracted design agent, the Prime Systems Integrator and the intended installation shipyard. The first platform Preliminary Design Review was completed in May 2015 as planned, but two additional reviews have been scheduled for August 2015 to review changes required to the Preliminary Design.

This work demonstrates the benefit of the two-stage design process and is not expected to impact the overall design schedule.

The first ship (HMNZS Te Mana) is targeted to commence its refit in November 2016. This will be confirmed when the detail design Contract Change Proposal is received in September 2015.

The delivery confidence assessment for this project has improved to Amber/Green since our last assessment, as a result of the project being on-track to achieve its overall design completion milestone by August 2016.

On-time delivery is dependent on the ANZAC Platform Systems Upgrade (PSU) project, which needs to be completed before the first frigate can sail for its Frigate Systems Upgrade installation. The PSU project is currently tracking to schedule. Current Defence estimates are that PSU will be completed two to three months before the first ship is currently planned to sail, and the risk that PSU could delay the Frigate Systems Upgrade project is diminishing.

Benefits and outcomes
The customer value outcome benefits of the ANZAC Frigate Systems Upgrade project described in the business case are:

- improved support to amphibious forces
- increased ability to combat emerging threats
- improved credibility
- improved Defence diplomacy
- reduced whole of life support costs
- improved efficiency of the RNZN
- de-risked future Naval Combat Force capability

Agency comment
The Project is on track and will deliver the capability required on schedule and in budget. Project milestone payments for the eight contracts and three Foreign Military Sales cases have been made as planned with contractors and their vendors performing to schedule.

The focus of the Project is the Preliminary Design activity working with the contracted design agent, the Prime Systems Integrator and the intended installation shipyard. The first platform Preliminary Design Review was completed in May 2015 as planned, but two additional reviews have been scheduled for August 2015 to review changes required to the Preliminary Design.

This work demonstrates the benefit of the two-stage design process and is not expected to impact the overall design schedule.

The first ship (HMNZS Te Mana) is targeted to commence its refit in November 2016. This will be confirmed when the detail design Contract Change Proposal is received in September 2015.

The Treasury’s assessment
The delivery confidence assessment for this project has improved to Amber/Green since our last assessment, as a result of the project being on-track to achieve its overall design completion milestone by August 2016.

On-time delivery is dependent on the ANZAC Platform Systems Upgrade (PSU) project, which needs to be completed before the first frigate can sail for its Frigate Systems Upgrade installation. The PSU project is currently tracking to schedule. Current Defence estimates are that PSU will be completed two to three months before the first ship is currently planned to sail, and the risk that PSU could delay the Frigate Systems Upgrade project is diminishing.

Project timeline

Assurance schedule

|-------------------------------|-----------------------------|--------------------------|---------------------------------|-------------------------------|------------------------|---------------------------|

30 June 2015

Gate 0/2 Review 07/12
Gate 3 Review 12/13
Probity Review 05/14

In-service date Q2/18-Q2/19

Benefits Review After 500 days in service
The project’s progress has been in line with the project schedule and has focussed on development of an Indicative Business Case. The Indicative Business Case and associated Cabinet Paper were considered by Cabinet on 22 June and approved. Work has now commenced on Detailed Business Case.

An indicative business case was approved by Cabinet on 22 June 2015, to rationalise the Defence Force logistics and maintenance support system. The business case proposes investment of up to [2] $5 in business change, infrastructure and inventory management software.

Cabinet agreed to release a [2] [5] tagged contingency to Vote Defence Force to develop a Detailed Business Case. This will explore options around scope, pace of change, priorities, fit with the Defence Estate Recapitalisation Plan, sequencing, and further analysis of costs and benefits, and will be reported to Cabinet in October 2016.

The most significant risk is identified as organisational capacity for change while maintaining day-to-day operations. This will be considered during analysis of scope and sequencing, and influence design of implementation, including resourcing, communications and training.

Benefits of $230m in reduced capital requirements are expected to be released over 12 years, along with efficiencies through improved equipment maintenance regimes. The analysis completed as part of detailed business case development should confirm the level of benefits expected.

**Benefits and outcomes**

Benefits of $230m in reduced capital requirements are expected to be released over 12 years, along with efficiencies through improved equipment maintenance regimes. The analysis completed as part of detailed business case development should confirm the level of benefits expected.

**Agency assessment**

**Budget**

**Timeline**

**Benefits**

**Overall**

**Agency comment**

The project’s progress has been in line with the project schedule and has focussed on development of an Indicative Business Case. The Indicative Business Case and associated Cabinet Paper were considered by Cabinet on 22 June and approved. Work has now commenced on Detailed Business Case.

The delivery confidence assessment for this project is Amber, as the project is currently progressing to schedule and budget, but is in very early stages and about to start development of a Detailed Business Case.

An indicative business case was approved by Cabinet on 22 June 2015, to rationalise the Defence Force logistics and maintenance support system. The business case proposes investment of up to [2] $5 in business change, infrastructure and inventory management software.

Cabinet agreed to release a [2] [5] tagged contingency to Vote Defence Force to develop a Detailed Business Case. This will explore options around scope, pace of change, priorities, fit with the Defence Estate Recapitalisation Plan, sequencing, and further analysis of costs and benefits, and will be reported to Cabinet in October 2016.

The most significant risk is identified as organisational capacity for change while maintaining day-to-day operations. This will be considered during analysis of scope and sequencing, and influence design of implementation, including resourcing, communications and training.

**Benefits and outcomes**

Benefits of $230m in reduced capital requirements are expected to be released over 12 years, along with efficiencies through improved equipment maintenance regimes. The analysis completed as part of detailed business case development should confirm the level of benefits expected.

**Agency assessment**

**Budget**

**Timeline**

**Benefits**

**Overall**

**Agency comment**

The project’s progress has been in line with the project schedule and has focussed on development of an Indicative Business Case. The Indicative Business Case and associated Cabinet Paper were considered by Cabinet on 22 June and approved. Work has now commenced on Detailed Business Case.

The delivery confidence assessment for this project is Amber, as the project is currently progressing to schedule and budget, but is in very early stages and about to start development of a Detailed Business Case.

An indicative business case was approved by Cabinet on 22 June 2015, to rationalise the Defence Force logistics and maintenance support system. The business case proposes investment of up to [2] $5 in business change, infrastructure and inventory management software.

Cabinet agreed to release a [2] [5] tagged contingency to Vote Defence Force to develop a Detailed Business Case. This will explore options around scope, pace of change, priorities, fit with the Defence Estate Recapitalisation Plan, sequencing, and further analysis of costs and benefits, and will be reported to Cabinet in October 2016.

The most significant risk is identified as organisational capacity for change while maintaining day-to-day operations. This will be considered during analysis of scope and sequencing, and influence design of implementation, including resourcing, communications and training.

**Benefits and outcomes**

Benefits of $230m in reduced capital requirements are expected to be released over 12 years, along with efficiencies through improved equipment maintenance regimes. The analysis completed as part of detailed business case development should confirm the level of benefits expected.
The Phase One Project Charter leading to development of the Indicative Business Case has been approved. The current focus of the project is supporting the consideration of the Boeing C-17 aircraft, including support, training and introduction into service should procurement proceed. Consequently resources are committed to the C-17 effort at the expense of the routine progression of Future Air Mobility project outputs.

Whilst C-17 would meet the strategic element of the Future Air Mobility Capability, it will not satisfy all airlift requirements. Other aircraft will be needed, particularly for tactical missions and also to provide concurrency. The composition of the balance of the fleet will be further considered once a decision on C-17 is reached.

As current aircraft could continue to operate into the 2021–2025 period, there is ample time to allow this. Should the decision be made not to proceed with C-17 at this time, consideration of the strategic component of future airlift will revert to the overall project timeframe.

The C-17 is viewed as a potential solution to Defence's strategic airlift needs, which is just one component of the overall Defence air mobility requirements. Defence is in discussions about whether or not to request a formal offer from Boeing for the aircraft. This offer would include a final price and a deadline for New Zealand’s response. The offer would not commit New Zealand to a purchase, but it would need a Cabinet decision, most likely before the end of 2015.

The original approach for the project was to commence in 2015, with acquisition in 2020, allowing five years to understand requirements and analyse options for Defence's total air mobility needs. There is a risk that alternatives to C-17s cannot be explored effectively in a reduced timeframe. Defence's bringing forward of decisions on Future Air Mobility Capability will also likely have a significant impact on achievability of the Defence Capital Plan.
This project is in the very early stages of initiate.

Investment Logic Map workshops for the Future Air Surveillance Capability project were conducted May 2015. This will be the basis for the Strategic Assessment. The intent is to complete the Strategic Assessment by December 2015.

Development of key project foundation documents is underway; however, progress is limited by project personnel resource.

One of seven positions on the project is currently filled with no additional personnel likely until September 2015.

Future Air Surveillance Capability Project – MoD/NZDF
Ensuring that NZDF has a continuous, capable, and relevant air surveillance capability

Agency assessment

This project is in the very early stages of initiate.

Investment Logic Map workshops for the Future Air Surveillance Capability project were conducted May 2015. This will be the basis for the Strategic Assessment. The intent is to complete the Strategic Assessment by December 2015.

Development of key project foundation documents is underway; however, progress is limited by project personnel resource.

One of seven positions on the project is currently filled with no additional personnel likely until September 2015.

The Treasury’s assessment

This project is new to major projects monitoring and the initial delivery confidence assessment is Amber because it is in the early stages of developing a business case.

An indicative business case is scheduled to be presented to Ministers in June 2017.

This proposal is to ensure continuity of existing air surveillance capability. It is not a ‘spend to save’ investment – benefits are expected to be largely non-financial, although we recognise that air surveillance is a vital Defence capability.

Our view is that comparing the relative merits of different options will be challenging. We will be encouraging Defence to ensure that its options analysis approach is agreed with the Treasury, so that we are in a position to provide advice to Ministers.

Our view is that there should be a wide exploration of financial and commercial options in the business case to reduce this risk, with a view on the potential impact on the forward sustainability of the DCP.

The forecast expenditure is indicative only and is the provision in the DMRR Defence Capital Plan.

Benefits and outcomes

This project is early in the planning phase. Potential benefits will be identified and quantified during business case development.

Budget and expenditure

<table>
<thead>
<tr>
<th>Whole-of-life cost</th>
<th>Not available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual expenditure</td>
<td>$0.01m</td>
</tr>
</tbody>
</table>

The forecast expenditure is indicative only and is the provision in the DMRR Defence Capital Plan.

Benefits and outcomes

This project is early in the planning phase. Potential benefits will be identified and quantified during business case development.

Agency comment

This project is in the very early stages of initiate.

Investment Logic Map workshops for the Future Air Surveillance Capability project were conducted May 2015. This will be the basis for the Strategic Assessment. The intent is to complete the Strategic Assessment by December 2015.

Development of key project foundation documents is underway; however, progress is limited by project personnel resource.

One of seven positions on the project is currently filled with no additional personnel likely until September 2015.

The Treasury’s assessment

This project is new to major projects monitoring and the initial delivery confidence assessment is Amber because it is in the early stages of developing a business case.

An indicative business case is scheduled to be presented to Ministers in June 2017.

This proposal is to ensure continuity of existing air surveillance capability. It is not a ‘spend to save’ investment – benefits are expected to be largely non-financial, although we recognise that air surveillance is a vital Defence capability.

Our view is that comparing the relative merits of different options will be challenging. We will be encouraging Defence to ensure that its options analysis approach is agreed with the Treasury, so that we are in a position to provide advice to Ministers.

Our view is that there should be a wide exploration of financial and commercial options in the business case to reduce this risk, with a view on the potential impact on the forward sustainability of the DCP.

The forecast expenditure is indicative only and is the provision in the DMRR Defence Capital Plan.

Benefits and outcomes

This project is early in the planning phase. Potential benefits will be identified and quantified during business case development.

Agency comment

This project is in the very early stages of initiate.

Investment Logic Map workshops for the Future Air Surveillance Capability project were conducted May 2015. This will be the basis for the Strategic Assessment. The intent is to complete the Strategic Assessment by December 2015.

Development of key project foundation documents is underway; however, progress is limited by project personnel resource.

One of seven positions on the project is currently filled with no additional personnel likely until September 2015.

The Treasury’s assessment

This project is new to major projects monitoring and the initial delivery confidence assessment is Amber because it is in the early stages of developing a business case.

An indicative business case is scheduled to be presented to Ministers in June 2017.

This proposal is to ensure continuity of existing air surveillance capability. It is not a ‘spend to save’ investment – benefits are expected to be largely non-financial, although we recognise that air surveillance is a vital Defence capability.

Our view is that comparing the relative merits of different options will be challenging. We will be encouraging Defence to ensure that its options analysis approach is agreed with the Treasury, so that we are in a position to provide advice to Ministers.

Our view is that there should be a wide exploration of financial and commercial options in the business case to reduce this risk, with a view on the potential impact on the forward sustainability of the DCP.

The forecast expenditure is indicative only and is the provision in the DMRR Defence Capital Plan.

Benefits and outcomes

This project is early in the planning phase. Potential benefits will be identified and quantified during business case development.

Agency comment

This project is in the very early stages of initiate.

Investment Logic Map workshops for the Future Air Surveillance Capability project were conducted May 2015. This will be the basis for the Strategic Assessment. The intent is to complete the Strategic Assessment by December 2015.

Development of key project foundation documents is underway; however, progress is limited by project personnel resource.

One of seven positions on the project is currently filled with no additional personnel likely until September 2015.

The Treasury’s assessment

This project is new to major projects monitoring and the initial delivery confidence assessment is Amber because it is in the early stages of developing a business case.

An indicative business case is scheduled to be presented to Ministers in June 2017.

This proposal is to ensure continuity of existing air surveillance capability. It is not a ‘spend to save’ investment – benefits are expected to be largely non-financial, although we recognise that air surveillance is a vital Defence capability.

Our view is that comparing the relative merits of different options will be challenging. We will be encouraging Defence to ensure that its options analysis approach is agreed with the Treasury, so that we are in a position to provide advice to Ministers.

Our view is that there should be a wide exploration of financial and commercial options in the business case to reduce this risk, with a view on the potential impact on the forward sustainability of the DCP.
The Indicative Business Case approval by Cabinet on 13 April 2015 transitioned the project from Start Up to the Initiate Stage. A second Request For Information was promulgated on the Government Electronic Tender System on 5 June 2015. Work is ongoing to develop the Detailed Business Case, finalise User Requirements and draft Request For Tender (RFT) documents.

- Utilising the Defence White Paper 2015 process to select a preferred option and allocate appropriate funding within the Defence Capital Plan; and
- Development of an RFT in the Initiate Stage for release Quarter One 2016, subject to Cabinet approval.

The project team has been strengthened to assist with the development of RFT documentation.

The delivery confidence assessment for this project is Amber, primarily due to cost pressures on the project.

As part of consideration of the indicative business case in April 2015, Cabinet agreed that Defence should consider two further options. A detailed business case is due to be considered in December 2015.


Defence is developing the Request for Tender in parallel with the business case, in order to reduce the duration of the capability gap when the existing littoral support vessel is due for decommissioning. Defence is considering options to address the remaining gap, including:
- extending the life of the existing support vessel through a refurbishment
- chartering a ship

The expected benefits of this project as outlined in the business case are:

- Enable a wide range of aid and/or military response options;
- Provide improved situational awareness and decision making;
- Efficiently ensure freedom of navigation without compromising the flexibility of the Joint Task Force; and
- Enable the NZDF to conduct precise specialist underwater search and recovery tasks.

The Treasury’s assessment

The expected benefits of this project as outlined in the business case are:

- Enable a wide range of aid and/or military response options;
- Provide improved situational awareness and decision making;
- Efficiently ensure freedom of navigation without compromising the flexibility of the Joint Task Force; and
- Enable the NZDF to conduct precise specialist underwater search and recovery tasks.

Agency comment

The Indicative Business Case approval by Cabinet on 13 April 2015 transitioned the project from Start Up to the Initiate Stage. A second Request For Information was promulgated on the Government Electronic Tender System on 5 June 2015. Work is ongoing to develop the Detailed Business Case, finalise User Requirements and draft Request For Tender (RFT) documents.

The project team has been strengthened to assist with the development of RFT documentation.

Benefits and outcomes

The expected benefits of this project as outlined in the business case are:

- Enable a wide range of aid and/or military response options;
- Provide improved situational awareness and decision making;
- Efficiently ensure freedom of navigation without compromising the flexibility of the Joint Task Force; and
- Enable the NZDF to conduct precise specialist underwater search and recovery tasks.

Project timeline

Assurance schedule

*Figure shown is capital cost plus additional project operating costs that are not within NZDF’s current baseline operating costs.

[1]  

[2]  [5]  

[3]  

[4]  

[5]
The project is under budget and on schedule. Work is currently underway in Connecticut on the acceptance of the last two helicopters which is scheduled for late July 2015 with delivery to New Zealand expected at the end of August 2015.

Training of the initial batch of twenty four aircrew and technical personnel was completed in Connecticut in October 2014. These initial trainees are now training the remainder of New Zealand Defence Force personnel in New Zealand using training material delivered under the contract.

Facilities construction at RNZAF Base Auckland was completed in February 2015. Kaman has commenced installation of the simulator at this facility and is progressing towards initial acceptance testing in August 2015.

Introduction into service is being managed through the SH-2G(I) Transition Plan. This ensures that the management overheads of operating two fleets of Maritime Helicopters is controlled and prioritised. The Transition Plan also records the drawdown and disposal of the legacy SH-2G(NZ) helicopters.

Budget and expenditure

<table>
<thead>
<tr>
<th>Whole-of-life cost</th>
<th>Actual expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>$185.65m</td>
<td>$185.65m</td>
</tr>
</tbody>
</table>

*Figure shown is capital cost plus additional project operating costs that are not within NZDF’s current baseline operating costs.

Agency assessment

Budget | Timeline | Benefits | Overall

Agency comment

The project is under budget and on schedule. Work is currently underway in Connecticut on the acceptance of the last two helicopters which is scheduled for late July 2015 with delivery to New Zealand expected at the end of August 2015.

Training of the initial batch of twenty four aircrew and technical personnel was completed in Connecticut in October 2014. These initial trainees are now training the remainder of New Zealand Defence Force personnel in New Zealand using training material delivered under the contract.

Facilities construction at RNZAF Base Auckland was completed in February 2015. Kaman has commenced installation of the simulator at this facility and is progressing towards initial acceptance testing in August 2015.

Introduction into service is being managed through the SH-2G(I) Transition Plan. This ensures that the management overheads of operating two fleets of Maritime Helicopters is controlled and prioritised. The Transition Plan also records the drawdown and disposal of the legacy SH-2G(NZ) helicopters.

Benefits and outcomes

The benefits of the Maritime Helicopter Capability project described in the business case are improved Naval Helicopter Force Availability; improved Naval Helicopter Force Preparedness; improved ability to meet mission requirements; improved Maritime Forces Preparedness. A formal review of benefits delivery will be conducted in 2016 as part of project closure.

The Treasury’s assessment

Defence is satisfied that the contractor has a viable and acceptable plan to remediate the issue, and expects it to be resolved by 1 August.

Simulator testing is behind schedule, but this is not expected to impact achievement of the next major milestone: testing a helicopter onboard a frigate, in

Treasury’s upcoming monitoring focus is on:
• confirming that the [1] is remedied as expected by August 1st
• ensuring that Defence is on-track to meet objectives for transition to service
• ensuring Defence has systems in place to report on benefits as described in the business case.

Project timeline

Assurance schedule

<table>
<thead>
<tr>
<th>Indicative Business Case</th>
<th>Detailed Business Case</th>
<th>Testing</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/11</td>
<td>03/12</td>
<td>03/16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gate 0/2 Review</th>
<th>Gate 3 review</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/12</td>
<td>01/13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>30 June 2015</th>
</tr>
</thead>
</table>

[1] Figure shown is capital cost plus additional project operating costs that are not within NZDF’s current baseline operating costs.
The project is under budget. There is some schedule slippage but this is not expected to prevent on-time achievement of key milestones.

The project’s focus over this reporting period has been on making the necessary preparations for the Tender evaluation period (July-August 2015).

The Ship Tender was released via the Government Electronic Tender System on 25 March 2015, and was in the market for 13 weeks (closed on 24 June 2015).

The MSC Project co-hosted an Industry Day with the Industry Capability Network. Attendees at the Industry Day included potential Prime Contractors and New Zealand industry representatives. At a macro level the attendees included four shipbuilders and 22 companies (17 New Zealand, three Australia, one United States and one from Canada).

The Amber rating for ‘Schedule’ refers to the 8 week delay in releasing a tender as indicated in the previous report. The delay to 25 March was attributed to longer than anticipated tender review activities. The project anticipates that, with mitigation steps planned for the risk reduction and clarification activities (3Q, 2015), the impact of the delay will be reduced and therefore will not have a significant effect on the source selection milestone and preliminary contract negotiations (scheduled for early 2016).

Benefits and outcomes
The expected benefits of this project as outlined in the business case are:

- the provision to government of a greater flexibility in response options to threats and emergencies;
- an improved reach, presence and resilience of deployed maritime/joint forces.

In our view, there is a risk of affordability constraints resulting in a reduction of anticipated benefits.

The Treasury’s assessment
The delivery confidence assessment for this project has declined to Amber since our last assessment, due to an increased risk of cost pressures.

In response to the project’s approach to market, Defence has received four bids that include five options. Defence has assessed four of these options to be robust enough to progress for further consideration.

Ministers should note that the ship delivery is currently estimated to be late in 2019. [1]

NZDF is working on a mitigation strategy and this will be considered as part of the Defence White Paper process.

Treasury expects that an adequate mitigation strategy for the gap in capability will be incorporated into the Implementation Business Case, which will be approved by Cabinet before any tender is accepted and a contract for acquisition is signed.

Benefits and outcomes

- the provision to government of a greater flexibility in response options to threats and emergencies;
- an improved reach, presence and resilience of deployed maritime/joint forces.

In our view, there is a risk of affordability constraints resulting in a reduction of anticipated benefits.

The Treasury’s assessment
The delivery confidence assessment for this project has declined to Amber since our last assessment, due to an increased risk of cost pressures.

In response to the project’s approach to market, Defence has received four bids that include five options. Defence has assessed four of these options to be robust enough to progress for further consideration.

Ministers should note that the ship delivery is currently estimated to be late in 2019. [1]

NZDF is working on a mitigation strategy and this will be considered as part of the Defence White Paper process.

Treasury expects that an adequate mitigation strategy for the gap in capability will be incorporated into the Implementation Business Case, which will be approved by Cabinet before any tender is accepted and a contract for acquisition is signed.

Benefits and outcomes

- the provision to government of a greater flexibility in response options to threats and emergencies;
- an improved reach, presence and resilience of deployed maritime/joint forces.

In our view, there is a risk of affordability constraints resulting in a reduction of anticipated benefits.

The Treasury’s assessment
The delivery confidence assessment for this project has declined to Amber since our last assessment, due to an increased risk of cost pressures.

In response to the project’s approach to market, Defence has received four bids that include five options. Defence has assessed four of these options to be robust enough to progress for further consideration.

Ministers should note that the ship delivery is currently estimated to be late in 2019. [1]

NZDF is working on a mitigation strategy and this will be considered as part of the Defence White Paper process.

Treasury expects that an adequate mitigation strategy for the gap in capability will be incorporated into the Implementation Business Case, which will be approved by Cabinet before any tender is accepted and a contract for acquisition is signed.
The Network Enabled Army Programme has commenced Tranche 1. Project Definition is underway and projects are beginning the transition into the acquisition phase. Key achievements during the reporting period were:

- Cabinet approved Tranche One of the Network Enabled Army Programme proceeding 13 April 2015.
- Business Cases for two key Programme Service Projects were approved by the Programme Governance Board. One of the Business Cases is for experimentation that will reduce risk and inform capability requirements. The second Business Case will establish a Test Reference and Evaluation Centre.
- Communication Information Systems Branch leading a work stream to produce the Land Tactical Information Network architecture. This is being done in conjunction with Microsoft and an Australian company, Aegis.
- The Acquisition Strategy is being produced by the Ministry of Defence.
- An Internal Independent Quality Assurance review was completed on 13 April 2015.
- An External Independent Quality Assurance review was completed by QUAL IT on 30 June 2015.
- The overall Programme Status is Green. However the schedule is Amber, to reflect a delay in commencing experimentation activities.

Benefits and outcomes
This capability is intended to provide land force commanders and special operations force commanders with the ability to make better informed decisions, in a more timely fashion, and to allow the sharing of information electronically across dispersed units and with coalition partners. This will increase the operational effectiveness of deployed forces and reduce the risk of adverse consequences, including casualties.

The Treasury’s assessment
The delivery confidence assessment for this programme is Amber, as risks are becoming more apparent as the project progresses.

There has also been a delay in the completion of a planned experimentation exercise with radios. While this has the potential to impact the overall project schedule, we are comfortable that Defence has appropriate mitigations in place and the delay should not have an impact on the overall delivery schedule.

Tranche 1 (the Common Command Post Operating Environment, Common Universal Bearer Systems, the Mobile Tactical Command System, and Programme Services) is still expected to complete in June 2018.

Cabinet approved Tranche One of the Programme proceeding on 13 April 2015.

A largely positive IQA was completed on the programme in June 2015. A remediation plan has been developed by NZDF to address recommendations from the review.
The project is under budget and on schedule.

All 11 aircraft have been delivered to RNZAF Base Ohakea and formally accepted by the RNZAF. The Reduced Oxygen Breathing Devices are being installed in Auckland and the Pilot Selection Tool has been used in advance of the first Pilot intake in January 2016.

The Project upgrades to the hangar are complete although the area affected by the discovery of asbestos will not be finished until later in 2015. The new training centre is complete and the installation of the desktop trainers and media devices are in the final stages. The aircraft shelters should be complete in August 2015.

The two simulators have been installed and testing will continue throughout July.

Qualified Flight Instructors remain a critical resource to validate and review the entire training capability (aircraft, simulation, and training packages).

The delivery confidence assessment for this project is Amber/Green, due to having no major risks or issues.

The project has drawn down USD $2.3m of budgeted contingency funding to align the training material with New Zealand requirements, and a further USD $0.5m to conduct an evaluation of the training system after the first RNZAF course in 2016.

The project has also released NZD $8m of unneeded contingency, and plans to release a further $3m by the end of 2015. Defence intends to retain this unneeded contingency to manage the overall capital portfolio risk established during the Defence Midpoint Rebalancing Review.

The project’s key benefits are partly contingent on the availability of two fuel tankers that will be acquired by a separate project, and are due for delivery in late 2015. We will monitor the progress of this project in order to have clear visibility on the delivery of the fuel tankers.

**Agency assessment**

**Benefits and outcomes**

The benefits of the Pilot Training Capability project described in the business case are improved safety outcomes, more effective and sustainable air force capacity, and a more efficient training programme.

**Agency comment**

The project is under budget and on schedule.

All 11 aircraft have been delivered to RNZAF Base Ohakea and formally accepted by the RNZAF.

The Reduced Oxygen Breathing Devices are being installed in Auckland and the Pilot Selection Tool has been used in advance of the first Pilot intake in January 2016.

The Project upgrades to the hangar are complete although the area affected by the discovery of asbestos will not be finished until later in 2015. The new training centre is complete and the installation of the desktop trainers and media devices are in the final stages. The aircraft shelters should be complete in August 2015.

The two simulators have been installed and testing will continue throughout July.

Qualified Flight Instructors remain a critical resource to validate and review the entire training capability (aircraft, simulation, and training packages).

### Budget and expenditure

<table>
<thead>
<tr>
<th>Whole-of-life cost</th>
<th>Actual expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>[2] [5] USD $2.3m</td>
<td>$129.15m</td>
</tr>
</tbody>
</table>

*Whole of life cost not discounted. Figure shown is total capital and operating costs over the project lifetime (not discounted)*

### Benefits and outcomes

The benefits of the Pilot Training Capability project described in the business case are improved safety outcomes, more effective and sustainable air force capacity, and a more efficient training programme.

### Agency comment

The project is under budget and on schedule.

All 11 aircraft have been delivered to RNZAF Base Ohakea and formally accepted by the RNZAF.

The Reduced Oxygen Breathing Devices are being installed in Auckland and the Pilot Selection Tool has been used in advance of the first Pilot intake in January 2016.

The Project upgrades to the hangar are complete although the area affected by the discovery of asbestos will not be finished until later in 2015. The new training centre is complete and the installation of the desktop trainers and media devices are in the final stages. The aircraft shelters should be complete in August 2015.

The two simulators have been installed and testing will continue throughout July.

Qualified Flight Instructors remain a critical resource to validate and review the entire training capability (aircraft, simulation, and training packages).

### Project timeline

- **Indicative Business Case**: 08/11
- **Detailed Business Case**: 11/12
- **Implementation Business Case**: 12/13
- **In-service date**: 02/2016
- **In-service date**: 01/2017

### Assurance schedule

- **Gate 0 Review**: 11/10
- **Gate 2 Review**: 05/12
- **Gate 3 review**: 11/13
- **Benefits Review**: 03/16

---

The benefits of the Pilot Training Capability project described in the business case are improved safety outcomes, more effective and sustainable air force capacity, and a more efficient training programme.

### Agency comment

The project is under budget and on schedule.

All 11 aircraft have been delivered to RNZAF Base Ohakea and formally accepted by the RNZAF.

The Reduced Oxygen Breathing Devices are being installed in Auckland and the Pilot Selection Tool has been used in advance of the first Pilot intake in January 2016.

The Project upgrades to the hangar are complete although the area affected by the discovery of asbestos will not be finished until later in 2015. The new training centre is complete and the installation of the desktop trainers and media devices are in the final stages. The aircraft shelters should be complete in August 2015.

The two simulators have been installed and testing will continue throughout July.

Qualified Flight Instructors remain a critical resource to validate and review the entire training capability (aircraft, simulation, and training packages).

### The Treasury’s assessment

The delivery confidence assessment for this project is Amber/Green, due to having no major risks or issues.

The project has drawn down USD $2.3m of budgeted contingency funding to align the training material with New Zealand requirements, and a further USD $0.5m to conduct an evaluation of the training system after the first RNZAF course in 2016.

The project has also released NZD $8m of unneeded contingency, and plans to release a further $3m by the end of 2015. Defence intends to retain this unneeded contingency to manage the overall capital portfolio risk established during the Defence Midpoint Rebalancing Review.

The project’s key benefits are partly contingent on the availability of two fuel tankers that will be acquired by a separate project, and are due for delivery in late 2015. We will monitor the progress of this project in order to have clear visibility on the delivery of the fuel tankers.
Project under budget and on schedule. Contractual activities agreed and/or progressed:

- **HMNZS Te Kaha** deployed to Gallipoli for ANZAC Commemorations and then to the Indian Ocean on operations. PSU systems have performed well during deployment. Benefit assessment has improved further.
- Production work on HMNZS Te Mana well advanced with the Babcock contract 51% complete.
- A "Care and Custody" Contract in place with Babcock for HMNZS Te Mana, to September 2015.
- Project has contract with design agents for design support through the production phase. Service Instructions agreed February 2015.
- Noske Kaeser commenced commissioning work for “Heating, Ventilation and Air Conditioning” plant.
- Integrated Platform Management System Consoles in production, with delivery to Devonport Naval Base expected in August for loading into the ship on schedule.
- The Integrated Platform Management System is expected to be completed in April 2016, followed by Sea Acceptance Trials.
- Delivery of PSU and other associated non project work is expected in May 2016, in advance of the induction date into the Frigate Systems Upgrade.

Agency comment

Project under budget and on schedule. Contractual activities agreed and/or progressed:

- HMNZS Te Kaha deployed to Gallipoli for ANZAC Commemorations and then to the Indian Ocean on operations. PSU systems have performed well during deployment. Benefit assessment has improved further.
- Production work on HMNZS Te Mana well advanced with the Babcock contract 51% complete.
- A "Care and Custody" Contract in place with Babcock for HMNZS Te Mana, to September 2015.
- Project has contract with design agents for design support through the production phase. Service Instructions agreed February 2015.
- Noske Kaeser commenced commissioning work for “Heating, Ventilation and Air Conditioning” plant.
- Integrated Platform Management System Consoles in production, with delivery to Devonport Naval Base expected in August for loading into the ship on schedule.
- The Integrated Platform Management System is expected to be completed in April 2016, followed by Sea Acceptance Trials.
- Delivery of PSU and other associated non project work is expected in May 2016, in advance of the induction date into the Frigate Systems Upgrade.

Benefits and outcomes

Benefits for this project primarily relate to upgraded performance and improved maintenance, as well as a reduction in watch-keeping staff. When Te Kaha sailed, this is because the new engines fitted in Te Kaha were more efficient and two knots faster. Following shakedown, Te Kaha has operated in Unmanned Machinery space Mode, freeing up to 16 Staff from watch keeping duties 24/7.

Agency assessment

The delivery confidence assessment for this project is Amber.

The project is currently progressing slightly ahead of schedule (2 months) and under budget, with planned completion in 2016. However as stripping continues, this may reveal problems, as it has earlier in the project.

Most work is contracted out to 3rd party suppliers such as Babcock and Noske Kaeser, with NZDF representatives working alongside them and regularly assessing progress.

We consider residual risks on the project to be low, and are confident in Defence’s ability to manage any issues.

The delivery of this project is particularly important for the Frigate Systems upgrade.

The Treasury’s assessment

The delivery of this project is particularly important for the Frigate Systems upgrade.
The project continues to deliver to schedule. Achievements this period include the completion of hardware setup in the primary data centre; preparation of documentation for the storage of secret information; configuration and testing of systems to provide initial operating capability for the secret information environment.

NZDF has delivered initial operating capability as at 07 July 2015. This provides access to tools to assist with collaboration and communication between the single services and a platform for the Defence Command and Control System project, to deliver enhanced command and control capability later in the year.

There are adequate resources to complete the project within schedule; however there is a shortage of appropriately skilled resources that have the required security clearance to work on a project of this nature. The loss of key resources could impact on delivery schedule. The risk is being actively managed, with contingency options available if necessary. However, the agency assessment for Resources has now moved from Green to Amber.

The project is providing monthly briefings to Treasury and Gcio and the project assurance plan has been re-drafted. Preparation for independent quality assurance is continuing.

Benefits and outcomes
The project will provide a significantly improved set of services and connectivity for NZDF, and consequently support overall military deployability and improve interoperability [1]

Agency comment
The project continues to deliver to schedule. Achievements this period include the completion of hardware setup in the primary data centre; preparation of documentation for the storage of secret information; configuration and testing of systems to provide initial operating capability for the secret information environment.

NZDF has delivered initial operating capability as at 07 July 2015. This provides access to tools to assist with collaboration and communication between the single services and a platform for the Defence Command and Control System project, to deliver enhanced command and control capability later in the year.

There are adequate resources to complete the project within schedule; however there is a shortage of appropriately skilled resources that have the required security clearance to work on a project of this nature. The loss of key resources could impact on delivery schedule. The risk is being actively managed, with contingency options available if necessary. However, the agency assessment for Resources has now moved from Green to Amber.

The project is providing monthly briefings to Treasury and Gcio and the project assurance plan has been re-drafted. Preparation for independent quality assurance is continuing.

Agency assessment

Budget  G  Timeline  G  Benefits  G  Overall  G

The delivery confidence assessment for this project is Amber.

While the project indicates they are still on track to deliver within schedule and budget, there is a risk that insufficient skilled resources with appropriate security clearance will be available through implementation.

This project is a significant project for Defence, and has many dependencies, including the Defence Command and Control System (DC2S), Network Enabled Army (NEA), and Strategic Bearer Network (SBN).

Any delay with the completion of the Secret Information Environment (SIE) project has the potential to impact on costs and completion dates for these other projects.

We are monitoring dependencies between these projects, and both the SIE and NEA programme managers regularly meet to ensure that down-stream requirements for NEA are known and accounted for.
The overall status is amber, as future budget status is still uncertain, although underspent to date. Project planning indicates an increased cost over the life of the programme compared with the approved programme-level budget.

- Artefacts approved since the last report:
  - Programme Plan
  - Project Plan
  - Procurement Management Strategy and Plan
  - 2018 Census branch restructuring currently underway.
  - Next IQA Follow-up scheduled for July 2015.
  - Approved 2018 Census programme budget and forecasts being refined.
  - Budget for the 2014/15 year was underspent - expect less variance in the 2015/16 year.
  - Integrated schedule for the programme baseline and critical path identified.
  - 2018 Census project dependencies, as well as key dependencies with platform projects (e.g. Enterprise Collection Platform, Property Data Frame, Household Processing Platform) being evaluated.
  - Key decision points and quality reviews confirmed as per final Assurance plan.
  - IQA Probity Assurance review started in June 2015 and scheduled for completion by March 2016.

The Treasury’s assessment

The delivery confidence assessment for this project is Amber, as the project is currently on track for successful delivery, but with some risks to manage.

The project is trialling some new project development approaches, including a test-driven development approach that has the potential to provide benefits around quicker and more accurate delivery if done properly.

Test-driven development is a software development process that relies on a very short development cycle. Despite some initial problems adapting to this approach we are confident that these are currently being addressed. Any lessons learned will be captured for potential wider application across Government projects.

The Census 2018 programme remains dependent on a number of other key work streams, including some of the projects being implemented as part of Stats 2020 (currently being re-scoped.) We will continue to monitor the project’s dependencies management and overall schedule in order to maintain visibility of progress.

Project timeline

Assurance schedule

2018 Census Project - STATS
Coordinating, directing, and overseeing activities related to the 2018 Census
Statistics 2020 is making positive progress in line with planned expectations. Cohort one of Tranche 2 (T2) has progressed well. Most projects are in delivery or have completed as planned. None of the component initiatives within Statistics 2020 have issues that will jeopardise the Statistics 2020 deliverables.

Governance processes and structures at project, programme and portfolio level are functioning well to support the work and are being fine-tuned based on lessons learnt in the past 12 / 18 months.

Of particular note:
- Annex to Business Case in first draft stage and in process of being released to Treasury.
- Current Prioritisation process for work going forward is well under way and will involve some changes in approach and managing work that will speed up delivery of key initiatives and better realise synergies between related pieces of work.
- Positive IQA received, with an amber rating overall and a green for governance. The process, which we found valuable, has given us insight to tweak some approaches. Further advice will be obtained from the Gateway review being undertaken in the week 20-24 July.

The major projected benefits from Stats. 2020 are: responsiveness to customer needs, that it will be easier to do business with Statistics NZ and the Investment in the production of statistics delivers value for money for NZ. Many of the fundamental infrastructural enablers to support this are now in place with completion of Tranche 1 of the Stats 2020 programme.

The delivery confidence assessment for this programme is Amber/Red, mainly due to uncertainty around future scope and direction, rather than risks to work in progress.

Statistics New Zealand has an updated Strategic Direction. The work on the Strategic Refresh of the Organisation has delayed an update of the Statistics 2020 business case.

Once the business case has been revised, the programme will need to seek Cabinet approval for the revised scope of the programme.

The revised scope may have cost implications, however Statistics NZ has indicated that they do not intend to ask for new funds as part of the updated business case.
A programme business case has been approved by Cabinet. The New Zealand Business Number (NZBN) Bill has been introduced into the house, submissions received and a report back from Select Committee is due in November.

Cabinet has agreed in principle to a Whole-of-Government direction to set expectations for agencies to meet the goals of NZBN.

Consultation is taking place with 186 departments and Crown Entities on how they can support the whole of government approach to meeting the programme goals to reduce costs for businesses of dealing with government.

Benefits and outcomes

The Integrated Lifecycle Services programme is expected to provide cost savings to both businesses and government agencies. These benefits are largely dependent on the integration of NZBN into government agency systems and processes.

Uptake by key Result 9 agencies, along with associated costs and benefits, has not yet been confirmed but there has been positive engagement to date. This is a key focus of the programme at present through the development of the Whole-of-Government direction.

Agency assessment

Agency comment

A programme business case has been approved by Cabinet. The New Zealand Business Number (NZBN) Bill has been introduced into the house, submissions received and a report back from Select Committee is due in November.

Cabinet has agreed in principle to a Whole-of-Government direction to set expectations for agencies to meet the goals of NZBN.

Consultation is taking place with 186 departments and Crown Entities on how they can support the whole of government approach to meeting the programme goals to reduce costs for businesses of dealing with government.

The Treasury’s assessment

The delivery confidence assessment for the ILS programme remains at Amber, due to uncertainty around agency integration costs and uptake of the NZBN by other agencies.

A key challenge for the programme is to balance the tension between system-level benefits and agency-specific priorities, obligations and risks.

The programme has begun to consult with agencies on a Whole-of-Government direction to outline accountabilities and expectations in relation to adoption of the NZBN. At this stage the directive/direction is expected to be submitted to Cabinet for consideration by December 2015, subject to legislation passing. We expect this Cabinet direction will resolve some lingering uptake concerns.

A significant focus over the next 12 months will be better integration of the NZBN with agency transformation programmes, specifically Inland Revenue and ACC, as those agencies have considerable interaction with businesses.

Appropriate cross-agency engagement and formal governance is in place to facilitate this. IR has advised they plan to adopt the NZBN in Stage 1 of the Business Transformation programme.
The programme business case is currently awaiting approval from the ICT Governance Board; once this approval is received the business case will go to Cabinet for final approval.

The business case has been through an extensive and robust review process and has incorporated comments and recommendations from Programme Board members, internal MoE Business Managers and staff, Gateway team, IQANZ, Treasury, GCIO and MBIE. No fatal flaws or critical issues have been identified during the review and assurance process. Both the Gateway and IQA reviews assessed the status of the business case as being amber and raised a number of issues and recommendations that have now been resolved and implemented, where appropriate.

A Registration of Interest for the underpinning IT capability has been released to the market and closed on 30 June 2015. This initial approach to market will enable a short-list of prospective vendors to be decided and will provide more certainty as to the overall cost of this initiative.

The delivery confidence assessment for the ERS Programme remains at Amber, due to a slight delay to the planned timeframe for completion of the programme business case and possible resourcing challenges. The business case is expected to be submitted to Cabinet for consideration in September 2015.

The first tranche of the programme to June 2016 will focus on the design of an education resourcing system, confirming a technology solution, and understanding the impact of decommissioning the legacy funding system. Engagement with the market on a technology solution has commenced via a Registration of Interest process.

The approval process for the business case has taken a little longer than planned but this is not expected to impact longer-term timeframes for implementation.

The programme has identified a key risk regarding the availability of skilled staff, as there is competition for internal resources across the Ministry of Education’s wider change programme and a preference not to engage contract staff unless absolutely necessary. The programme is managing this through the Ministry’s resource management processes, and we will continue to monitor it closely.

Three high-level benefit areas have been identified related to faster and more efficient policy change and better investment decisions. Another key driver is the replacement of an ageing legacy system.

The programme expects total financial benefits of $4.43m each year following implementation. The programme has robust processes in place for managing and monitoring benefits, and has identified the benefit owners.

The Treasury’s assessment

The delivery confidence assessment for the ERS Programme remains at Amber, due to a slight delay to the planned timeframe for completion of the programme business case and possible resourcing challenges. The business case is expected to be submitted to Cabinet for consideration in September 2015.

The first tranche of the programme to June 2016 will focus on the design of an education resourcing system, confirming a technology solution, and understanding the impact of decommissioning the legacy funding system. Engagement with the market on a technology solution has commenced via a Registration of Interest process.

The approval process for the business case has taken a little longer than planned but this is not expected to impact longer-term timeframes for implementation.

The programme has identified a key risk regarding the availability of skilled staff, as there is competition for internal resources across the Ministry of Education’s wider change programme and a preference not to engage contract staff unless absolutely necessary. The programme is managing this through the Ministry’s resource management processes, and we will continue to monitor it closely.
A review of the original 2011 business case is completed. The programme is being re-focused from technical delivery to enabling learning outcomes. A draft programme plan has been prepared. Treasury are assisting the Ministry with:

- Defining programme risks
- Completing a risk profile assessment
- Defining benefits

The Connected Learning Advisory is live and providing advice to schools. The purpose of the Advisory is to help schools to integrate digital technologies into their day-to-day teaching and administrative practices.

A Student Management System (SMS) initiative has been started with an inaugural meeting in March 2015. Representatives from schools, educational consultants and SMS vendors were present. Online discussion tools have been set up to capture the SMS discussions in order to best determine the way forward.

The LwDT programme emerged from the Network for Learning 2011 detailed business case and, along with the Technology in Schools Programme, has established a managed network that offers schools access to ultra-fast internet connections. The managed network has been handed over to The Network for Learning Ltd to administer. As at 7 July 2015, 75% of schools were connected to the network.

The LwDT programme is now being transitioned to the Digital Era Learning Teaching Assessment (DELTA) programme, which has been established to consolidate Ministry of Education initiatives designed to make the most of digital technologies for teaching and learning.

A programme plan for DELTA was expected to be completed by the end of July 2015 but has not yet been received. When the programme plan is confirmed, the DELTA programme will submit a risk profile assessment to the Treasury and this will be used to inform the intensity of further monitoring.

The Treasury’s assessment

The delivery confidence assessment for this programme remains at Amber as the programme is in the middle of a transition phase and the Treasury is seeking more detail about benefits and costs. The forward plan and benefits associated with the teaching and learning outcomes are in the process of being confirmed.

The LwDT programme emerged from the Network for Learning 2011 detailed business case and, along with the Technology in Schools Programme, has established a managed network that offers schools access to ultra-fast internet connections. The managed network has been handed over to The Network for Learning Ltd to administer. As at 7 July 2015, 75% of schools were connected to the network.

The LwDT programme is now being transitioned to the Digital Era Learning Teaching Assessment (DELTA) programme, which has been established to consolidate Ministry of Education initiatives designed to make the most of digital technologies for teaching and learning.

A programme plan for DELTA was expected to be completed by the end of July 2015 but has not yet been received. When the programme plan is confirmed, the DELTA programme will submit a risk profile assessment to the Treasury and this will be used to inform the intensity of further monitoring.

Benefits and outcomes

The Network for Learning detailed business case approved in May 2011 did not quantify any financial savings. The benefits identified were avoided additional cost, improved infrastructure, and improved outcomes for learners.

Treasury has advised the programme to focus on the identification, delivery and measurement of benefits related to learning, and we expect the programme follow the Treasury’s Managing Benefits from Projects and Programmes guidelines.

The programme has now refocused from a technology delivery to a future focused, and connected learning programme of work.

Agency comment

A review of the original 2011 business case is completed. The programme is being re-focused from technical delivery to enabling learning outcomes. A draft programme plan has been prepared. Treasury are assisting the Ministry with:

- Defining programme risks
- Completing a risk profile assessment
- Defining benefits

The Connected Learning Advisory is live and providing advice to schools. The purpose of the Advisory is to help schools to integrate digital technologies into their day-to-day teaching and administrative practices.

A Student Management System (SMS) initiative has been started with an inaugural meeting in March 2015. Representatives from schools, educational consultants and SMS vendors were present. Online discussion tools have been set up to capture the SMS discussions in order to best determine the way forward.

The Connected Learning Advisory is live and providing advice to schools. The purpose of the Advisory is to help schools to integrate digital technologies into their day-to-day teaching and administrative practices.

A Student Management System (SMS) initiative has been started with an inaugural meeting in March 2015. Representatives from schools, educational consultants and SMS vendors were present. Online discussion tools have been set up to capture the SMS discussions in order to best determine the way forward.

The programme has now refocused from a technology delivery to a future focused, and connected learning programme of work.

Benefits and outcomes

The Network for Learning detailed business case approved in May 2011 did not quantify any financial savings. The benefits identified were avoided additional cost, improved infrastructure, and improved outcomes for learners.

Treasury has advised the programme to focus on the identification, delivery and measurement of benefits related to learning, and we expect the programme follow the Treasury’s Managing Benefits from Projects and Programmes guidelines.

The programme has now refocused from a technology delivery to a future focused, and connected learning programme of work.

Benefits and outcomes

The Network for Learning detailed business case approved in May 2011 did not quantify any financial savings. The benefits identified were avoided additional cost, improved infrastructure, and improved outcomes for learners.

Treasury has advised the programme to focus on the identification, delivery and measurement of benefits related to learning, and we expect the programme follow the Treasury’s Managing Benefits from Projects and Programmes guidelines.

The programme has now refocused from a technology delivery to a future focused, and connected learning programme of work.

Benefits and outcomes

The Network for Learning detailed business case approved in May 2011 did not quantify any financial savings. The benefits identified were avoided additional cost, improved infrastructure, and improved outcomes for learners.

Treasury has advised the programme to focus on the identification, delivery and measurement of benefits related to learning, and we expect the programme follow the Treasury’s Managing Benefits from Projects and Programmes guidelines.

The programme has now refocused from a technology delivery to a future focused, and connected learning programme of work.

Benefits and outcomes

The Network for Learning detailed business case approved in May 2011 did not quantify any financial savings. The benefits identified were avoided additional cost, improved infrastructure, and improved outcomes for learners.

Treasury has advised the programme to focus on the identification, delivery and measurement of benefits related to learning, and we expect the programme follow the Treasury’s Managing Benefits from Projects and Programmes guidelines. 
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 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 update to the programme business case to its board in November for approval. Treasury will work with ACC to review the update 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.

### Budget and expenditure

<table>
<thead>
<tr>
<th>Whole-of-life cost</th>
<th>$750-950m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual expenditure</td>
<td>$27.65m</td>
</tr>
</tbody>
</table>

### 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

**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 update to the programme business case to its board in November for approval. Treasury will work with ACC to review the update 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

- **Programme Business Case** 07/14
- **30 June 2015**
- **TOM Endorsement** 08/15
- **Approval of updated PBC** 11/15
- **In-service date** Progressive

### Assurance schedule

- **Technology Stream Gate 3 Review** 08/14
- **IQA of programme & design work** 08/15
- **Gate 0 Review** 08/15
- **IQA of Tech Solution** 08/15
- **IQA of programme stage gate** 12/15

- **Benefits Review TBC**

---

*An update to forecast expenditure will be published Apr/May at the conclusion of procurement process*
**Health Payment Systems Project - MOH**

*Replacing outdated health payment methods with new, modern business processes*

### Budget and expenditure

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Estimated cost this year</th>
<th>Actual expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>13/14 - 14/15</td>
<td>$5.50m</td>
<td>$1.26m</td>
</tr>
</tbody>
</table>

**Benefits and outcomes**

The key benefits from this project are to reduce risk by moving from an old, custom-built payments system to a modern, ERP-Based platform and system. This is expected to significantly reduce manual costs and reduce incidences of fraud.

### Agency assessment

**Agency comment**

Technology components of the new sourcing and contracting capability are in place and a small number of contracts are now operational in the production system. Progress has continued in the development of the Procure-to-Pay operating model required to deliver the revised value proposition. However, the need to migrate to an Oracle 12 platform is a significant challenge for the project. This is essential to realise the desired state and value proposition given the intended use of Oracle 12 throughout the sector.

Work is underway within the Ministry for migration to Oracle 12 through the development of a business case (now approved and awaiting funding allocation) however best estimates indicate a Q2 2016 availability of the new platform.

The project is proceeding with investment in the existing platform (Oracle 11i) limited to those components directly reusable in Oracle 12. Availability of the Oracle 12 platform is the major issue faced by the programme.

Work is underway in parallel for replacement of one of the core payment engines (CCPS) into the new Oracle platform. Strategy for replacement of the other major payment engine (Proclaim) has also commenced with the preparation of a further business case.

### The Treasury’s assessment

The delivery confidence assessment for this project is Amber primarily because the project is progressing satisfactorily, with parts of it already successfully migrated to the new Oracle platform.

However, the core payments engine (Proclaim) is still to be migrated and a strategy for this is being developed over the next few months, which may require establishment of a separate project. A business case is being developed, and this initiative may require additional funding.

During development of the Business Case to replace Proclaim, we expect to see appropriate assurance points for the next phase of development.

Approximately $8b of payments are made annually through the Health Payments System and many of the current (non-Oracle) systems are written in old, unsupported code.

There is an additional risk around the need for a substantial upgrade to the core Oracle software from Release 11 to Release 12 this year. MOH are developing a plan for this and we will work with GCIO to review and assess this proposal when it has been completed.

### Project timeline

- **Indicative Business case**: 06/06
- **Stage 2 Business case**: 09/08
- **Single Stage Business case**: 10/12

### Assurance schedule

An Assurance Schedule is expected with the updated Business Case.

**In-service date**: TBC

**Benefits Review**: TBC
The Ministry is reviewing key Phase 1 information with DHBs for data quality and completeness. DHB Phase 2 key information capabilities assessed on an ongoing basis and transition plans are in train. The Ministry iterative requirements development and software delivery process for Phase 2 is well underway with first component user acceptance testing scheduled to commence 15 August 2015.

Phase 3 Impact Assessments show large gaps in current capability and timeframes for wholesale change. The timeframes remain challenging also for the Ministry, and appropriate risk management for all delivery streams is a critical success factor to facilitate quality and completeness of the data collection as it develops over time.

The delivery confidence assessment for this project remains Amber, due to ongoing issues with gaps in data collection, variations in quality, and delay in completion of Phase 2.

It has taken longer than expected for the DHBs to complete the data collection process, and the initial quality of some data was variable. The project team has had ongoing engagement with the DHBs to resolve this.

The Ministry has indicated that Phase 2, originally scheduled to be completed in July 2015, has now been delayed (approved through formal Change Control) to October 2015, after an assessment of DHB’s Phase 2 Readiness and implementation plans was completed.

We support this approach, which should result in an overall improvement in data quality.

The key benefit from Phase 1 is the ability to quantify unmet referred demand for a First Specialist Assessment. All DHBs are currently submitting Phase 1 data regularly to the collection. DHBs and the Ministry are undertaking assessments of quality and completeness of data and this information is expected to be available for release in early 2016.

The Treasury’s assessment

Benefits and outcomes

The key benefit from Phase 1 is the ability to quantify unmet referred demand for a First Specialist Assessment. All DHBs are currently submitting Phase 1 data regularly to the collection. DHBs and the Ministry are undertaking assessments of quality and completeness of data and this information is expected to be available for release in early 2016.
The delivery confidence assessment for this project remains unchanged at Amber/Green, due to successful delivery appearing probable, but with an on-going need to manage resourcing risks.

The current delivery stage is on-track for completion as planned in July 2015. A report to Ministers is scheduled for September 2015.

Due to the project's security classification we limit this report to a short comment, plus GCSB’s ‘Red/Amber/Green’ ratings for the project. If the project fundamentals deteriorate to the point where Ministerial attention is warranted, Treasury will provide more detailed reporting to the responsible Minister.
The delivery confidence assessment for this project remains unchanged at Green, due to successful delivery appearing highly likely, and no major issues threatening delivery.

Completion of a detailed business case is on-track for planned completion in August 2015.

Due to the project’s security classification we limit this report to a short comment, plus GCSB’s ‘Red/Amber/Green’ ratings for the project. If the project fundamentals deteriorate to the point where Ministerial attention is warranted, Treasury will provide more detailed reporting to the responsible Minister.
The Programme is reporting as Amber. This is mainly due to the dependencies around the independent review of RealMe and the refresh of the Result 10 Blueprint.

The final draft programme business case (PBC) was completed during April and socialised across the department. Any decision to proceed needs to take affordability into consideration and work is underway with Finance to model the impact of the programme on the Department and estimate funding requirements for Budget 16.

The PBC was presented to the Department’s Finance and Investment Governance Board (F&IGC) for approval to proceed to the Executive Leadership Team (ELT). F&IGC requested a report back in June confirming the financial modeling outcomes and seeking $2.5m opex from baseline in FY15/16 for the development of the Tranche 1 Detailed Business Case.

External agency engagement is progressing with initial workshops held with the Ministry of Social Development, Inland Revenue, the Ministry of Education and the National Health Board with the Ministry of Justice in August.

Next period the programme will seek approval to develop a Detailed Business Case and submit it to Cabinet for approval.

Benefits and outcomes
Expected direct benefits are estimated as $129m over a 10 year period, with a positive return on investment predicted by year 6 of the programme. A further $340m has been identified as indirect benefits, much of which would be accrued by other agencies and third parties. Indirect benefits to DIA include reducing the risk of failure or error of a number of older legacy systems which the programme will replace.

Benefit delivery may require external agencies to make changes to the way they send or receive life event data from DIA and the programme has yet to discuss the detail with these stakeholders.

Project timeline

In-service date 2017/18

Assurance schedule

Gate 0/1 Review 03/15

The Treasury’s assessment

The delivery confidence assessment for the project remains at Amber/Green. DIA has presented a draft programme business case (PBC) to Treasury.

Treasury’s main concern with the programme is its affordability. DIA’s preferred option is estimated as $102m, with a further $74m operating costs required over 10 years.

Our view is that although the programme will contribute to DIA’s delivery of Result 10, this business case will be competing with a large number of other bids in Budget 16. The programme is currently undertaking a financial modelling exercise to examine other options for funding rather than bid for new capital. Treasury continues to encourage the programme to explore alternative funding and delivery approaches that may reduce the costs of the programme.

The business case currently outlines a service delivery model that is contingent on the use of RealMe for access security and ID authentication. Uncertainty about RealMe’s future functionality and user costs pose a risk.

Our broad advice, which is in line with the programme’s view, has been that further consideration of options in the business case should be paused until the completion of the independent review of RealMe.

Following this, we expect the programme will consider the impacts of the RealMe review on the options outlined in the PBC.
In March the project was approved by the Minister of Foreign Affairs and Trade.

An initial drawdown of $2m capital funding was approved by the Project Review Committee to undertake a Detailed Design Phase for the project. The milestones of this phase include the completion of the Solution Design and estimates for the next phase of the project. Good progress has been made on the deliverables for this phase.

The design phase started seven weeks later than planned while awaiting approval. Good progress is being made and two weeks of the seven weeks have been clawed back and it is expected that the remainder all of the time can be clawed back during the project. The budget is on track.

The project has robust processes in place for monitoring and measuring benefits, including a confirmed benefit owner and benefit manager.

Benefits and outcomes
Direct and indirect benefits have been identified by the project and no financial benefits have been quantified at this stage. The direct benefits are related to improved resource utilisation and improved quality of data, reporting and information for better decision making.

The Treasury’s assessment
This project is a new entry to major projects monitoring and the initial delivery confidence assessment is Amber/Green.

A key rationale for the project being monitored is the selection of a lead software supplier with limited experience in delivering a project of this particular scale. Officials from MBIE are involved in providing advice to the project regarding appropriate contract and vendor management approaches to mitigate this risk.

Appropriate steps have been put in place at this stage, although the inherent risks related to the resilience of a relatively small supplier remain.

A delay of seven weeks to the planned timeframe was incurred during the approval of the business case, though some time may be recovered in later phases.
The project is reporting as red but continues to work to a 1 April 2016 Go Live date. Change requests and additional resources brought on board within Police, over the advised number of resources required, have put significant pressure on the budget. The forecast for FY15/16 is under review by the CFO.

- PwC Assurance Review has been initiated to provide assurance to both PwC and Police on the status of the project.
- Additional project resources have been provided to support the PMO and others are due to commence.
- Systems Integration resourcing has been addressed but test phase start dates for SAP SIT and Parallel Payroll Testing have slipped two weeks.
- Delays in the Oracle RAC solution design have delayed the provisioning of the SAP QAS environment and there is now no schedule slack in provisioning of the environment leading into Dress Rehearsal 1.
- Data Mapping completed though some additional cleansing issues have been identified around current schedules.
- Kronos infrastructure production build completed as per signed-off verification checks and a technician is completing install.

Benefits and outcomes

The main benefit of the first phase of the project is to replace the current Peoplesoft payroll system. This system is at risk of failure and is error prone. Benefits of $33.1m are to be realised by 2023. The benefits are made up of $1.9m in staff cost reduction and $31.1m cost avoidance based on the estimated running costs of the current system until 2023.

The project delivery schedule and budgets are currently being reviewed and we will be seeking assurance that any revisions will not impact benefit delivery.

The Treasury’s assessment

The delivery confidence assessment for this project has moved to Amber/Red, as emerging system change requests and the need for more resources have put pressure on the development schedule and budget.

A short review by PwC has found there are risks to the go live date of 1 April 2016 and current payroll defects are greater than anticipated. Costs have risen by $10m (29%) and the project is unlikely to be delivered within its total appropriated costs of $56.2m.

Resource pressures for ICT testing are impacting Police’s ability to keep to schedule and effectively implement business process changes. Additional resources have been brought in to free up Police & ICT subject matter experts to concentrate on project tasks. This has driven up costs. System change requests and variances required or requested by the vendors have risen to $2.5m.

The project’s design principles set out to limit customisation and configuration of the new solution as much as possible. This will mean some changes to existing business processes. Because of this, the most significant risk to delivery is the implementation of revised business process, and effective adoption of these by the business.
The Ministry is rolling out Simplification’s changes continuously over the next 2.5 years using an iterative and agile implementation approach. Its first set of initiatives are:

- Medical Certificate - E-lodgement which enables medical certificates to be sent electronically from GP’s to the Ministry. This removes over 400,000 transactions per year from our service centres.
- Contact Centre – implemented new Voice Enabled Technology changes which deliver enhanced self service options to Students and deliver $400k in capacity gains. Implemented an Online Assistance Contact Centre Pilot to support clients online.

The next series of releases will include a national training and communications campaign (to front line staff) to support client online assistance and drive digital uptake from late July and the release of enhanced mobile services.

The Ministry has also developed strong engagement with the Accident Compensation Corporation and Inland Revenue, both of which are also transforming into modern, digital age businesses and face challenges similar to those the Ministry faces. Shared lessons learned and support during this programme will help all three organisations to address these challenges.

The delivery confidence assessment for this project is Amber/Green, as the programme continues to report successful delivery of its digital initiatives, including an online assistance pilot, voice biometrics for phone and e-lodgement of medical certificates.

MSD encountered some early challenges in matching a governance structure to the pace of agile development and delivery. MSD has responded by implementing a new structure beginning in May 2015, and in Treasury’s view, the introduction of service delivery committees below the leadership team will allow an appropriate pace to be maintained. One of the key learnings from agile projects is that these types of projects require more devolved and quicker decision-making from departments.

The programme team is currently progressing the trial of front-of-house online assistance whilst awaiting the outcome of a review of physical security in Work & Income offices. Although the findings of this internal review are not yet known, recommendations could challenge the front-of-house online assistance model and impact digital take-up targets.

There is a risk that the late delivery of an in house Housing Asset Transfer project by 4 weeks could delay delivery of the programme’s next two projects (IRIS and MyMSD), as it could require a test environment at the same time as Simplification. This is being managed by the use of schedule contingency.
The Vision 2015 programme is scheduled to be finished in the third quarter of 2016.

Work and Visitor online applications successfully went live in June 2015. This included capability for approved third parties, including immigration advisors, education agents and education providers, to be able to apply on behalf of their clients and a Chinese language Visitor visa form.

In addition, eVisas (Passport-free and label-less visas) are also available to all onshore online work and visitor visa applicants (except for those from China).

All of this is a major step for Immigration New Zealand as our new online services now mean that 60% of visa applications by volume can now be lodged online.

Benefits and outcomes

The IGMS detailed business case (DBC) estimated that visa applications would be processed more quickly and accurately, with financial benefits of $252 million over 15 years. The Vision 2015 programme was subsequently established to provide a unified approach to managing the business change and technology development. The programme is estimating financial benefits of $142.29 by June 2026.

To reflect the various changes that have occurred since the IGMS DBC, MBIE will update the Programme Management Plan by 31 August 2015.

Project timeline

Assurance schedule
The Advanced Survey and Title Services (ASaTS) Project has been through the Budget 15 processes, its status is deferred and it is under active consideration by Ministers. Further Support for the preferred investment option will be sought from Cabinet in Budget 16 as well as investigations into alternative funding options including elements of Software as a Service (SaaS).

Current work includes the investigations into SaaS, reviews of the Expression of Interest (EOI) documentation, revisiting the procurement strategy, and the scaling up of a Programme Management Office (PMO). The PMO will support the existing business case approval work, as well as the future procurement and delivery phases of the project and the overarching Survey and Title Change Programme.

The delivery confidence assessment for the project remains Amber/Green, as the project continues to examine alternative delivery and funding options. Since failing to secure funding approval in Budget 15, the project has been concentrating on revisiting its options for funding.

The project is reviewing a possible option to use Software as a Service (SaaS) for its technical solution. There is vendor interest in a hybrid approach, where LINZ retains some ownership of data and some critical components, and this is currently being tested. LINZ will be reporting back to Cabinet by Quarter 3 on alignment between Integrated Property Services and the ASaTS proposal. At this point, LINZ also intends to re-submit the detailed business case for further consideration.

Treasury’s view continues to be that LINZ should explore ways to implement a base set of functionality and look for alternative funding sources for the project.

The possible use of SaaS will impact costs by moving payment from Capital to Opex for those components that will no longer be considered Crown Assets. This could free LINZ to use user fee income to pay for development and maintenance of the new system and reduce the pressure on the Future Investment Fund in Budget 16.

**Budget and expenditure**

<table>
<thead>
<tr>
<th>Whole-of-life cost</th>
<th>$6.56m</th>
</tr>
</thead>
</table>

**Benefits and outcomes**

The quantifiable benefits from the introduction of the replacement system are estimated as [5] The majority of these benefits relate to time savings by third parties such as lawyers and surveyors.

There is an expectation, but no guarantee, that these cost savings will be passed on in full or in part in reduced fees to clients and productivity gains across the land development market. A significant benefit also accrues to all New Zealand users of land information through the recording and provision of more accurate and reliable data.

**Agency assessment**

**Agency comment**

The Advanced Survey and Titles Services (ASaTS) Project has been through the Budget 15 processes, its status is deferred and it is under active consideration by Ministers. Further Support for the preferred investment option will be sought from Cabinet in Budget 16 as well as investigations into alternative funding options including elements of Software as a Service (SaaS).

Current work includes the investigations into SaaS, reviews of the Expression of Interest (EOI) documentation, revisiting the procurement strategy, and the scaling up of a Programme Management Office (PMO). The PMO will support the existing business case approval work, as well as the future procurement and delivery phases of the project and the overarching Survey and Title Change Programme.

**The Treasury’s assessment**

The delivery confidence assessment for the project remains Amber/Green, as the project continues to examine alternative delivery and funding options. Since failing to secure funding approval in Budget 15, the project has been concentrating on revisiting its options for funding.

The project is reviewing a possible option to use Software as a Service (SaaS) for its technical solution. There is vendor interest in a hybrid approach, where LINZ retains some ownership of data and some critical components, and this is currently being tested. LINZ will be reporting back to Cabinet by Quarter 3 on alignment between Integrated Property Services and the ASaTS proposal. At this point, LINZ also intends to re-submit the detailed business case for further consideration.

Treasury’s view continues to be that LINZ should explore ways to implement a base set of functionality and look for alternative funding sources for the project.

The possible use of SaaS will impact costs by moving payment from Capital to Opex for those components that will no longer be considered Crown Assets. This could free LINZ to use user fee income to pay for development and maintenance of the new system and reduce the pressure on the Future Investment Fund in Budget 16.

**Project timeline**

**Assurance schedule**

Gate 0 review 07/13
Gate 2 review 08/14
30 June 2015

Resubmit Detailed Business Case 12/15

Staggered implementation of system 06/17
Fully operational 06/19
MPI received three tenders in December 2014 for construction of the laboratory. Tenders above anticipated cost of construction for the laboratory construction, and greater than the full original Cabinet approved budget of $64.7m. Fletcher Construction was selected as the preferred contractor.

MPI has since been working closely with Fletcher, the laboratory designers and sub-contractors to reduce costs. MPI and its partners have been successful in reducing the cost to a proposed $64.8m.

In early July, Cabinet considered and approved a final revised budget of $87.2m for the construction of the new Bio-containment laboratory at Wallaceville. The final budget includes an additional capital injection of $19.47m from the Crown, with a further $3.0m contribution from the Ministry. In addition, new increased operating funding of $2.2m per annum post commissioning of the new laboratory was also approved by Cabinet.

Construction is due to commence in October 2015, with project completion and full commissioning of the laboratory expected in mid-2019.

The delivery confidence assessment for this project is Amber, due to the fact that construction costs have escalated significantly since the detailed business case was approved.

As noted in previous advice (T2015/765 and T2015/1254 refer), the construction tenders received for this project were significantly above the indicated budget in the detailed business case. MPI has worked closely with the preferred supplier to reduce costs where possible. As a result of negotiations, MPI was able to reduce the cost pressures to $19.474m and Cabinet approved additional funding for the programme on 6 July 2015.

Moving forward, Treasury will encourage MPI to ensure that it has appropriate procurement and vendor management expertise. MBIE was engaged on the project during procurement.

Benefits and outcomes
The Bio-containment laboratory is primarily an insurance mechanism to protect against e.g. an outbreak of Foot and Mouth disease (1 farm estimated costs to NZ $6.1 billion; large outbreak over 500 farms estimated at $16.2 billion) with a whole of life benefit-cost ratio for the laboratory of 16:9:1. Expected benefits of $48m to $314m per annum have been identified in the Business Case as a result of factors including improved capacity to manage an FMD outbreak, improved exotic disease investigation, and enhanced export certification confidence when the laboratory has been constructed.

Agency assessment

<table>
<thead>
<tr>
<th>Budget</th>
<th>Timeline</th>
<th>Benefits</th>
<th>Overall</th>
</tr>
</thead>
</table>

Agency comment
MPI received three tenders in December 2014 for construction of the laboratory. Tenders above anticipated cost of construction for the laboratory construction, and greater than the full original Cabinet approved budget of $64.7m. Fletcher Construction was selected as the preferred contractor.

MPI has since been working closely with Fletcher, the laboratory designers and sub-contractors to reduce costs. MPI and its partners have been successful in reducing the cost to a proposed $64.8m.

In early July, Cabinet considered and approved a final revised budget of $87.2m for the construction of the new Bio-containment laboratory at Wallaceville. The final budget includes an additional capital injection of $19.47m from the Crown, with a further $3.0m contribution from the Ministry. In addition, new increased operating funding of $2.2m per annum post commissioning of the new laboratory was also approved by Cabinet.

Construction is due to commence in October 2015, with project completion and full commissioning of the laboratory expected in mid-2019.

The Treasury’s assessment
The delivery confidence assessment for this project is Amber, due to the fact that construction costs have escalated significantly since the detailed business case was approved.

As noted in previous advice (T2015/765 and T2015/1254 refer), the construction tenders received for this project were significantly above the indicated budget in the detailed business case. MPI has worked closely with the preferred supplier to reduce costs where possible. As a result of negotiations, MPI was able to reduce the cost pressures to $19.474m and Cabinet approved additional funding for the programme on 6 July 2015.

Moving forward, Treasury will encourage MPI to ensure that it has appropriate procurement and vendor management expertise. MBIE was engaged on the project during procurement.
System development is now complete and the warranty period has commenced. Regression testing starts 8 July and runs in parallel with penetration testing and the completion of the access control testing. Detailed implementation planning for the Cabinet Office go live is complete and implementation planning for the first group of Ministers’ offices and agencies is progressing well.

The project is preparing Ministers’ offices and agencies for the transitional electronic process from the point the Cabinet Office begins using CabNet in early August. Further work is underway to finalise the detail of the post go-live support. Detailed planning is underway on the system enhancements for future releases. Development of the mobility solution for Ministers (CabDocs) is almost complete. Demonstrations to Ministers have commenced.

The delivery confidence assessment for this project remains at Amber due to the remaining risk to the schedule, which is tight leading in to implementation. The deployment to the Cabinet Office began from 3 August 2015.

Since February, the project [2] has put a considerable amount of effort towards change management, implementation readiness, and operational support. Key resources, including a Technical Project Manager and Implementation Project Manager, have come on board.

The project has planned a phased delivery starting with the Cabinet Office in August 2015 and rolling out to Minister’s offices and agencies to the end of November 2015. The rollout to the Cabinet Office will provide an opportunity to live-test CabNet and fine-tune the system prior to implementing in Ministers’ offices and agencies.

While the project is on track, there remains a risk to the current agreed implementation timeline and associated cost, particularly capital, if any significant issues emerge.

The project has seen good value in addressing key recommendations from recent IQA and Gateway reviews, and a further IQA review has been scheduled prior to the deployment to Minister’s offices and agencies to confirm business readiness.

Benefits and outcomes

The CabNet Business Case approved in April 2014 did not quantify any financial benefits, largely due to the difficulty in identifying savings that would be spread thinly across the public sector and a lack of baseline data. A number of the identified benefits are in the nature of quality and security of information.

The project has been asked to focus on finalising the benefits realisation plan, and particularly the approach to benchmarking and measuring benefits, and is planning to undertake a review of benefit realisation in February 2016.

Project timeline

Assurance schedule

<table>
<thead>
<tr>
<th>Baseline health check IQA review</th>
<th>Gate 0/3 Review</th>
<th>Gate 0/3 Review</th>
<th>Re-baseline health check IQA review</th>
<th>Dev and impl IQA</th>
<th>Gate 4 Review</th>
<th>Phased rollout IQA Review</th>
<th>Benefits Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/12</td>
<td>07/13</td>
<td>09/14</td>
<td>01/15</td>
<td>03/15</td>
<td>05/15</td>
<td>08/15</td>
<td>TBC</td>
</tr>
</tbody>
</table>

The Treasury’s assessment

Financial Year

<table>
<thead>
<tr>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td>15</td>
</tr>
<tr>
<td>20</td>
</tr>
<tr>
<td>25</td>
</tr>
<tr>
<td>30</td>
</tr>
</tbody>
</table>

Whole-of-life cost $22.40m
Actual expenditure $5.61m
High-level design for stages 1-4 is complete. Work on detailed design for Stage 1: Enabling secure digital services, starts in August 2015. We plan to submit an updated Programme Business Case and the Stage 1 Implementation Business Case to Cabinet by the end of 2015.

FAST Enterprises was selected as the Commercial off-the-shelf (COTS) software vendor in June 15. The software will be the core system for the new revenue system’s business process and technology platforms. The Transformation: First Phase Simplification and Other Measures Bill, was introduced on 30 June 2015, which removes some of the legislative obstacles to improving the system.

We have been working with New Zealand GST and payroll software developers on ways to deliver benefits ahead of Stage 1 of the programme roadmap. As at 30 June 2015, Finances are tracking under budget for the Design Phase; actual spend to date is $23.64m; an underspend of $5.36m against a pro-forma budget of $29.0m. $5m will be transferred to 2015/16 financial year via an In-principle transfer in the October Baseline Update. The estimate at completion is tracking under the $84m budget.

The delivery confidence assessment for this project remains Amber/Green, as the programme is on track to complete detailed design ahead of schedule and under budget. The Programme Business Case (PBC) will be updated by November 2015. Treasury is providing advice on the update of the PBC and funding options.

IR is working with the GCIO to identify which common capabilities it could use. Cost estimates and options derived through this process and from engaging with the market will be included in the updated PBC. IR’s position is that it is committed to consuming common capabilities where they meet the department’s requirements, represent value for money and are able to be deployed within the timeframes agreed with Ministers. IR plans to adopt the New Zealand Business Number (NZBN) in Stage 1 of the programme.

IR’s preference is now to initially migrate GST to the new core platform (GenTax), with other tax and social policy products to be migrated in subsequent phases. Focussing on a small, simple tax type first, such as GST, is a good way to mitigate initial delivery risks for the programme.

IR has indicated that they plan to use a range of authentication solutions, including RealMe, to verify the identity and login of customers. It plans to work with organisations that taxpayers connect with regularly (e.g. banks) that also have secure authentication processes in place, to assess appropriate solutions. Decisions from the independent RealMe review could also impact any planned adoption of RealMe by IR.
The Child Support Reform programme health status is green at this time. The Phase 1 project is currently completing the warranty period for implemented changes. Handover of final products and closure of the project is in progress. The Phase 2 project is now in solution delivery phase with release 2.1 changes currently being tested. Some delays are being experienced while resolving defects with technical solution however there is no expected impact on readiness for legislative effective date. Some changes within release 2.2 are already being tested.

Technical design of the debt write off solution is identifying complexities within the system which need resolving. The project is on track for the current deployment milestone and a number of interventions are being implemented to enable this to be achieved.

The delivery confidence assessment for this project has changed to Amber/Green since the last report. This is due to adopting a five-tier model, formerly three-tiers, not an increase in confidence.

Phase 1 has been delivered successfully and Phase 2, which delivers reduced qualifying age, debt write offs and penalty changes, has begun with a new and smaller management team.

There is a risk that IR Business Transformation could poach experienced staff and that the J2FM project could demand the testing environment at the same time as CSRP. The leadership team have confirmed the priority status of CSRP but if this were to change, it could delay the implementation of CSRP.

Testing resources have been re-directed from Phase 2 to enable Release 1.7 defects to be fixed and rolled out with Release 2.1. The rollout in September may be delayed to October to enable parents to know more about their children’s education plans.

Risks around customer and staff awareness of the complex changes are being addressed through proactive communication activities using a variety of media and staff training. Our view is that this training and communications activity has been largely successful, particularly given the potentially emotive nature of changes to Child Support payments and shared care formulas.

Benefits and outcomes
The key benefits of implementing the reforms are intangible and non monetary. The programme will introduce a fairer and more balanced child support system and will upgrade the current system to comply with the legislative changes. Research is underway to test customers’ perception of the new formula and processes.

The key benefits of implementing the reforms are intangible and non monetary. The programme will introduce a fairer and more balanced child support system and will upgrade the current system to comply with the legislative changes. Research is underway to test customers’ perception of the new formula and processes.

Agency assessment
The Child Support Reform programme health status is green at this time. The Phase 1 project is currently completing the warranty period for implemented changes. Handover of final products and closure of the project is in progress. The Phase 2 project is now in solution delivery phase with release 2.1 changes currently being tested. Some delays are being experienced while resolving defects with technical solution however there is no expected impact on readiness for legislative effective date. Some changes within release 2.2 are already being tested. Technical design of the debt write off solution is identifying complexities within the system which need resolving. The project is on track for the current deployment milestone and a number of interventions are being implemented to enable this to be achieved.

The Treasury’s assessment
The delivery confidence assessment for this project has changed to Amber/Green since the last report. This is due to adopting a five-tier model, formerly three-tiers, not an increase in confidence.

Phase 1 has been delivered successfully and Phase 2, which delivers reduced qualifying age, debt write offs and penalty changes, has begun with a new and smaller management team.

There is a risk that IR Business Transformation could poach experienced staff and that the J2FM project could demand the testing environment at the same time as CSRP. The leadership team have confirmed the priority status of CSRP but if this were to change, it could delay the implementation of CSRP.

Testing resources have been re-directed from Phase 2 to enable Release 1.7 defects to be fixed and rolled out with Release 2.1. The rollout in September may be delayed to October to enable parents to know more about their children’s education plans.

Risks around customer and staff awareness of the complex changes are being addressed through proactive communication activities using a variety of media and staff training. Our view is that this training and communications activity has been largely successful, particularly given the potentially emotive nature of changes to Child Support payments and shared care formulas.