

Q&A on the Interim Major Projects Performance Report April 2017

<http://www.treasury.govt.nz/statesector/investmentmanagement/publications/majorprojects>

Update:

What impact has the Kaikōura Earthquake had on major projects?

- The last Interim Major Projects Performance Report (November) was finalised before the Kaikōura Earthquake on 14 November 2016. This report reflects some changes to the projects' confidence as a result of the effects of this event, notably the 2018 Census.
- The Corporate Centre (Treasury, State Services Commission, Department of the Prime Minister and Cabinet, the Government Chief Information Officer and New Zealand Government Procurement and Property) is working with agencies to help achieve the best possible outcomes for these projects.

General:

Why is the Treasury involved in major projects performance reporting?

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

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

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

What is the Interim Report?

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

Who contributes to the *Major Projects Performance Report*?

- The lead agency explains how the project is going, identifies any variances to the project plan, and explains why these are occurring and how they are being managed.
- The report also provides the monitoring delivery confidence assessment, which is developed by relevant monitoring entities and the Corporate Centre. Monitoring entities include the Ministry of Health, the Ministry of Transport and the Treasury.

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

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

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

- A Red or Amber/Red rating does not mean that the project will not succeed. Rather, it is a way to highlight that there are issues or risks that need to be addressed to ensure the project is delivered successfully.

- Projects tend to be rated Red or Amber/Red as an issue emerges, and once this is managed, the delivery confidence rating improves to reflect this.
- A Red or Amber/Red rating is not uncommon for major projects, which are a collection of the most challenging projects Government is undertaking. Previous experience suggests we can expect 5-15% of the portfolio to be rated Red or Amber/Red at any one time.
- Projects with Red or Amber/Red monitoring delivery confidence assessments are offered support from the Corporate Centre to help overcome challenges.

Lincoln University/AgResearch Stage One Building Project

Why is this programme rated Amber/Red?

- This project is currently rated Amber/Red as there are key areas of the business case which require additional development, specifically the investment objectives, financial options, the target operating model and programme governance.

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

- The amber/red rating is a point in time assessment while the project is working to respond to Independent Quality Assurance and officials' feedback. The project is providing additional information to inform Cabinet decision making.

2018 Census

Why is this programme rated Amber/Red?

- The programme has declined from Amber to Amber/Red as it has experienced significant schedule delays following the Kaikōura earthquake while temporary accommodation was secured and essential systems were made accessible.

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

- StatsNZ is re-sequencing programme activities to ensure critical systems are in place for go-live on 6 March 2018. StatsNZ are confident they can achieve the go-live date if they have the flexibility to invoke contingency plans as and when needed. To provide this flexibility StatsNZ are seeking from Cabinet an increase in the programme contingency funding from 5% to 10%.

Te Puni Kōkiri (TPK) – Māori Land Service

Why is this programme rated Red?

- This programme has been rated as Red because there are concerns about the new Māori Land Service investment options, phasing of the Service from day one through to a mature state and delivery within the statutory timelines.

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

- TPK are reviewing the programme and are developing a plan to report back to ministers for decisions on the scope and phasing options. The Corporate Centre will support TPK with implementing ministers' expectations and the business case will be updated to reflect this.

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

Why is this project rated Red?

- The project is currently reporting Red due to system installation proving more complex than expected.

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

- Defence is developing options to manage these issues.

New Children's Entity/Refocused MSD

Why hasn't the New Children's Entity been included in this report?

- The programme has achieved early success, passing an important programme milestone on 1 April 2017 through the establishment of the Ministry for Vulnerable Children/Oranga Tamariki.
- Following on from this, substantial transition is still occurring, and the corporate centre continues to provide support to help ensure success. Monitoring provides feedback in real-time to continue shaping progress.
- Information about the programme will be released at an appropriate time taking into account the change the programme is seeking to effect. In the meantime the focus for all agencies is improving outcomes for vulnerable children.