

Round 2 – Tranche 1 results November 2018

Investor Confidence Rating

Investor Confidence Rating (ICR) assessments have been completed for most recent cohort of investment-intensive agencies. The MSD and SDHB assessments complete all twenty-five investment-intensive agency assessments, and the results include the first three repeat ICR assessments for Defence, HNZC and NZTA.

The summary results are shown in the table below:

Agency	ICR Result
MSD	C
SDHB	D
Defence	B
HNZC	A
NZTA	C

More detailed information on the five results is found below.

For further information on the basis for the ratings refer to the Treasury website at

<https://treasury.govt.nz/statesector/investmentmanagement/review/icr/information>

Detailed Agency Results for Round 2 - Tranche One of the Investor Confidence Rating: November 2018

Ministry of Social Development	Investor Confidence Rating	C	Scope of ICR assessment:	Property and ICT portfolios managed by MSD including assets owned by the Ministry for Children
(MSD)	<p>Treasury Comment</p> <p>This assessment took place during a period of transition for MSD, 6 months after the establishment of the Ministry for Children Oranga Tamariki and before the organisational strategy had been agreed. The assessment recognises the positive impact of MSD’s investment and asset improvements in recent years. It also highlights areas for further improvement to achieve Cabinet’s expected level of a “B” rating for investment-intensive agencies.</p> <p>The evidence shows that MSD has strengths in asset management and in delivering projects to scope and on budget. MSD also has a good grounding in organisational change management, implemented some good procurement initiatives and successfully used procurement to deliver social outcomes.</p> <p>However, further work is required for MSD to ensure consistent practice across the organisation and to improve its project, programme and portfolio management maturity, and benefits management.</p>			
<p>Implications</p> <p>The Ministry intends to improve its P3M3 maturity and benefits performance. Based on a C rating there would be no change to the general approval thresholds or other requirements set out in Cabinet Office circular CO(15)5.</p>				

Southern DHB (SDHB)	Investor Confidence Rating	D	Scope of ICR assessment:	Property, Clinical Equipment and ICT portfolios
	<p>Treasury Comment</p> <p>SDHB has received the lowest ICR result to date and is the first agency to be assessed as a D.</p> <p>Although SDHB demonstrates relative strength in procurement, is open in its engagement with central agencies and monitors, and contributes to regional health initiatives, the assessment has highlighted significant gaps.</p> <p>There is currently a low level of maturity in P3M3 (portfolio, programme and project management) with no consistent approach to portfolio or project management. This is reflected in the results for benefits and project delivery performance. Additional work is also required to improve its asset management maturity and long term investment planning.</p> <p>Alongside the major investment in the new Dunedin Hospital, significant effort from SDHB will be needed to address these gaps, and support will be required from the Ministry of Health, central agencies and functional leads.</p> <p>SDHB’s executive team is committed to improving the DHB’s investment maturity and performance, along with working closely with the Ministry of Health and Southern Partnership Group on the redevelopment of Dunedin hospital.</p>			
<p>Implications</p> <p>Implications are subject to future discussions with stakeholders following the outcome of work by the Ministry of Health and the Treasury to improve investment performance across the DHB network.</p>				

Defence (overall combined result, and separate results for the Capability portfolio and Estate portfolio)	Investor Confidence Rating	B	Scope of ICR assessment:	Capability (i.e. specialist military equipment, majors and minors), property, ICT
	<p>Treasury Comment</p> <p>Defence (NZDF and the Ministry of Defence) has a unique set of overlapping accountabilities as established in the Defence Act 1990. While the Chief of Defence Force and Secretary of Defence have separate formal accountabilities, the expectation of Ministers and the practice of the two chief executives is that both organisations collaborate closely on investments. Accordingly, the ICR assessment covers both entities. However, to highlight the relative strengths and areas of improvement at the sub-portfolio level, the assessment also produced ICR results for the Capability (Specialist Military Equipment) portfolio and Estate portfolio.</p> <p>In 2015, Defence was rated a B. That rating was based on an assessment of the Major Capability portfolio. The latest ICR assessment broadened the scope of Defence’s assessment to include Capability minor projects, Estate and some ICT and organisational components. In the latest assessment, Defence has increased its score and maintained its B rating.</p> <p>From a portfolio perspective, the Capability portfolio continues to perform strongly and has been rated an A. This is a positive result and signals that the improvement activity since its last assessment has led to improved results in benefits management, P3M3, and organisational change management. Procurement capability is also strong, driven by senior level commitment.</p> <p>The Estate portfolio, assessed for the first time in this round, also delivered a strong result, noting particular strength in asset management maturity and P3M3. This portfolio has been rated a B.</p> <p>In terms of improvement actions, the main implication for Defence arising from the ICR is to continue embedding existing improvement actions and leveraging the relative portfolio strengths across its other portfolios.</p> <p>Defence Implications</p> <p>In recognition of its improved rating, the Capability threshold is increased to \$75m for selected medium risk and \$100m for selected low risk Capability investments and maintained at \$50m for Estate investments.</p> <p>The B rating also provides a good basis for confidence that Defence would make good use of greater portfolio and programme management flexibility. Defence and Treasury Officials will examine mechanisms to support enhanced portfolio and programme management for Defence investments.</p> <p>The Secretary of Defence and the Chief of the Defence Force will also have joint discretion over the use of independent Gateway reviews as part of an assurance plan for individual high risk investments in the Defence Capability portfolio.</p>			

Housing New Zealand Corporation	Investor Confidence Rating	A	Scope of ICR assessment:	Housing portfolio & corporate information systems
(HNZC)	<p>Treasury Comment</p> <p>HNZC has maintained its A rating since its first ICR assessment in 2016 and continues to have the strongest all-round investment management capabilities assessed to date.</p> <p>Retaining its A rating is a positive result, particularly given the improvements to make the ICR assessment process more robust, and because of the effort required to maintain an appropriate level of capability.</p> <p>Although the rating remains the same, the evidence shows that the action taken by HNZC in response to its first ICR assessment has materialised into improvements in its project, programme and portfolio management, asset management and long term investment planning. Procurement capability also performed well with resource being committed to lift capability in this area.</p> <p>In recognition of its A rating in its first assessment, HNZC was given discretion by the Treasury over its use of Gateway and other investment reviews. Based on the latest result, HNZC will retain this discretion.</p>			
<p>Implications</p> <p>The Board of HNZC has full authority to make baseline-funded investment decisions, subject to meeting Ministerial consultation requirements. At present the consultation threshold is \$30 million.</p> <p>The A rating provides a good basis for confidence to increase the ministerial consultation threshold for major baseline-funded investment proposals from \$30 million to \$50 million. As a Crown agent, any changes to this threshold will be agreed between the Responsible Minister and the Board.</p>				

New Zealand Transport Agency (NZTA)	Investor Confidence Rating	C	Scope of ICR assessment:	Highways and ICT (excluding regulatory functions)
	<p>Treasury Comment</p> <p>At the time of NZTA’s second ICR assessment, the change of Government prompted a significant change in the way transport investments are planned, with NZTA being expected to take a much broader role in the transport system. NZTA has made significant changes to its work programme to support the new Government’s policies. It is also noted that NZTA has been undertaking a whole of organisation transformation, which began prior to the change of Government, to ensure the organisation is on a path of being ready for the future. This context is partly responsible for the dip in some areas of investment maturity and performance and is reflected in NZTA’s latest C rating, from a B rating in 2015.</p> <p>The ICR assessment shows that NZTA has improved its asset management maturity since the last assessment and its organisational change management maturity remains strong. Procurement capability, assessed for the first time this round, also performed strongly.</p> <p>However, there has been a decrease in NZTA’s project, programme and portfolio management maturity. This does not mean that individual projects are not performing well, but that NZTA has significant opportunity to improve consistency.</p> <p>NZTA’s benefits delivery also experienced a small reduction in performance. The assessment shows that benefits are not always consistently measured. This is expected to improve with the benefits work NZTA has underway. Due to the long time lag between project closure and benefits realisation, particularly in transport projects, these benefit improvements are expected to materialise into improved performance over the medium to long term.</p> <p>Implications</p> <p>As a Crown agent, NZTA has certain statutory functions. As with the previous assessment, the ICR does not affect these functions. General approval thresholds continue to apply as set out in CO(15)5, and existing business case and assurance requirements continue to apply.</p> <p>In terms of improvement actions, the main implication for NZTA arising from the ICR is to work with central agencies and functional leads to continue improving and embedding activities to lift its P3M3 maturity, benefits management and aspects of its long term investment planning.</p>			