

Office of the Minister for ACC

Chair, Cabinet Committee on State Sector Reform and Expenditure Control

Update on the ACC Transformation Programme

Proposal

- 1 This paper outlines progress on the Accident Compensation Corporation (ACC) Board's 'Shaping Our Future' service Transformation Programme (the Programme), since the previous update in February 2016 (SEC-16-MIN-0001 refers).

Executive Summary

- 2 ACC has made good progress in recent years in delivering better service to New Zealanders. Significantly, the Scheme is fully funded and the financial performance remains strong, reflected in on-going levy reductions, public trust and confidence at record levels, more funding going into injury prevention and the dramatic drop in the number of privacy breaches.
- 3 However, I agree with ACC that more work is required to improve the experience and outcomes New Zealanders receive through the delivery of services. Weakness remains in an historic operating model where poorly integrated processes have not been aligned with changing customer needs, alongside outdated and poorly integrated systems.
- 4 Shaping Our Future is ACC's strategy to deliver significant change that builds a more customer-centred and transparent organisation without compromising stewardship and financial sustainability of the Scheme.
- 5 This focus is driven by the need to improve the public's trust and confidence, provide better service quality, improve productivity and claims performance, and deliver more effective public services.
- 6 As a result, ACC established the Transformation Programme in 2014 to deliver much of the Strategy, focusing its staff, processes, technology and information around the needs of customers.
- 7 It is more than a technology modernisation programme. Successful transformation for ACC is about ensuring the organisation has the ability to consistently deliver the right services, in the right way at the right time. This will be achieved by better understanding, and being aligned to, the expectations of customers.
- 8 The Programme has three phases:
 - Discovery and Diagnostic (completed)

- Integrated Design and Planning (completed)
- Delivery (underway).

9 Significant progress has been made since the previous update to Cabinet in February 2016:

- Customers and staff are starting to experience changes in the way ACC delivers its services
- ACC has selected its key partners for the delivery phase of the programme
- ACC has developed a change management plan
- Programme governance has been strengthened by appointing Murray Jack as an external member on the ACC Board Shaping Our Future Committee, which has oversight over the Programme.

The overall scope of the Programme remains unchanged.

10 There is recognition by the ACC Board that this is a complex programme that requires tight management over a long time period. There are significant technology elements required to support the investment objectives, and these projects carry delivery risk that need specialist skills to oversee, supported by a comprehensive internal and external quality management regime.

11 These skills have been engaged through the selection of a Transformation Partner (PricewaterhouseCoopers, PwC) and provision of Independent Quality Assurance (IQA) services (Ernst & Young, EY), reporting directly to a Board sub-committee.

12 The Programme is targeting completion of delivery in mid-2020, in line with the approved business case. The detailed design work of the first significant customer enhancement – the policy and levy management system for business customers – was completed in late 2016. Technical reviews completed on the result of this detailed design process have been positive, providing confidence in the resulting cost and time forecast.

13 This process has identified that additional investment will be required over the current budget for that initiative. The current budget for Business Customer is \$ [REDACTED] million; the forecast increase is \$ [REDACTED] million, to be accommodated from within the overall programme budget.

ss9(2)(g)(i)

14 [REDACTED]

15 With the greater focus on the two ICT systems that ACC is implementing, it has become clear that these are more complex than originally estimated or costed for.

With the early realisation of these factors ACC has brought appropriate management attention to bear.

s9(2)(g)(i)

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[REDACTED]

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[REDACTED]

18 Where feasible ACC is looking to use existing products and solutions in the market instead of building its own. This includes working closely with other government agencies, such as Inland Revenue, on the development of a system interface with providers of accounting software.

19 The whole of life costs for the Programme remain at \$456 million with \$280 million of this (plus \$40 million contingency held by the Board) being the investment required for delivery.

20 Whole of life benefits have improved to approximately \$[REDACTED] million from \$[REDACTED] million despite some minor delays to delivery time frames.

21 The Net Present Value has increased to \$[REDACTED] million over 15 years from \$51 million, with significant non-financial benefits identified.

Background

22 In late 2013 ACC spoke with more than 5,500 New Zealanders, including 1400 staff, who told it that they wanted the Corporation to be more responsive, more transparent and easier to deal with. This feedback confirmed that despite service improvements in recent years, ACC remained ineffective and inefficient in delivering core services to customers.

23 This was because as ACC had grown, its processes had become more complex. It's became organised around its practices and products and developed technology solutions that suited it rather than what suited its customers – New Zealanders.

24 Many of its letters and forms spoke the language of process; not people and it relied too heavily on manual and paper-based work which increases the risk of privacy breaches. The Corporation didn't offer people enough options to exchange information with it and wasn't always available when and how its customers wanted.

25 As a result, ACC looked hard at how it could improve its customer service to New Zealanders, and their trust and confidence in the Corporation and Scheme.

- 26 This led to ACC in 2014 developing a programme to transform its operating model and improve customers' experience and outcomes.

Transformation Programme

- 27 On 22 July 2014, the Cabinet Committee for State Sector Reform and Expenditure Control (**SEC**) noted a business case for ACC's Transformation Programme (SEC Min (14) 13/2 refers).¹ This Programme focuses on four key areas – improving customer outcomes and experience, refreshing ACC's organisational design, strengthening staff capability and culture, and upgrading technology to support better service delivery.

- 28 In February 2016 Cabinet was updated on the Programme's next steps, following the ACC Board's approval of a revised business case in November 2015 (SEC-16-MIN-0001 refers). Key points included:

- The update confirmed the case for change was still compelling. Change was still required to address the operational risks, including risk of further privacy breaches, to achieve ACC's vision and to improve the outcomes and experience for customers.
- The Board changed its approach to deliver key elements of the Target Operating Model and in a prioritised and phased approach over three to five years, rather than the original three years. This change was in response to delivery risks, including the ability to maintain business operations during transformation, and potential data migration risks.
- The Programme costs were updated, with cash costs broadly similar to the 2014 business case, while whole-of-life costs and benefits were reduced due to the change from full replacement of core systems to partial replacement and extending the Programme to five years.
- The Programme would be delivered in two stages (tranches) over a five-year period to enable ACC to meet delivery objectives while ensuring minimal disruption to business operations. ACC is taking a steady, incremental approach where all significant new initiatives will be fully tested before going live with appropriate assurance (including external independent quality assurance) in place.
- The first tranche focuses on solutions that can be delivered in 2017/18 and includes:
 - service improvements for business customers (levy payers) such as simplified levy invoices – which have already been introduced – and enabling more digital interactions with ACC
 - an improved weekly compensation experience through clients being able to access compensation faster. Removing delays will enable a

¹ In September 2015 there was an update outlining progress made since the 2014 business case (SEC-15-MIN-0010 refers).

greater focus on rehabilitation

- customers being able to access online information more easily through a revised acc.co.nz web site.
- Delivery of the second tranche starts in 2018. It builds on the enhanced digital access provided to business customers in the first stage, and gives clients and providers the necessary tools and information to improve rehabilitation and return to work outcomes. ACC is looking at initiatives such as instant cover decisions for clients when they visit their providers, expanding self-management to more injured clients, and better digital options for both clients and providers.

Progress since February 2016

29 The ACC Board has considered ACC's progress (as at 1 November 2016) against the November 2015 business case. This update is reflected in the following sections of this paper.

ACC's customers, clients and staff have started to experience change

30 The following key outcomes have been delivered to date:

- The Customer Experience Programme (Tika), launched in February 2015, has been rolled out to all staff. ACC is using Tika to describe its ambition to put customers at the heart of everything it does. The word Tika means: doing the right thing, in the right way, at the right time. In the wake of Tika, process changes have been made to support staff delivering a better customer service.
- Business customers receive levy invoices that are easier to understand
- Commencement of weekly compensation is faster for a selected cohort of clients
- A successful pilot for automated text alerts for clients notifying them when their medical certificate is about to expire
- A successful pilot for self-employed customers to self-service online (using RealMe) and update their information to ensure accuracy of their first invoice
- A beta-version of the new acc.co.nz website has been completed and is being tested. The new acc.co.nz website, scheduled to be launched in June 2017, will be mobile friendly and easy for customers to understand and use.
- A contemporary and flexible technology platform enabling faster implementation of system solutions.

31 ACC has experienced improvements in its Net Trust Score (reference is made to Table 3 in Paragraph 51):

- Client Net Trust Score is now seven points above baseline

- Business Customer Net Trust Score has experienced a positive uplift of two points off the baseline
 - Provider Net Trust Score has moved up to nine points above the baseline.
- 32 Also, the employee Net Promotor Score has moved up by 14 points above baseline.
- 33 Work is well underway on a number of additional changes customers will see throughout 2017. Key examples of these are:
- Replace the levy management system and enhance business customer experience. This will remove complexity for ACC staff and customers and enable business customers to directly register with ACC. It gives them flexibility in how they do business with the corporation.
 - Extend the weekly compensation payments simplification to other business areas. This will result in clients receiving their weekly compensation entitlements faster.
 - Prepare for system changes which will enable the provision of real time claims cover decisions
 - Partial delivery of the client and business customer self-service solutions so that customers can access ACC's services and information online 24-hours a day.

ACC has selected its key partners for the delivery phase of the programme

- 34 In 2016 ACC completed a procurement process that resulted in the contracting of PwC as its Transformation Partner. [REDACTED]
[REDACTED]
[REDACTED] s9(2)(b)(ii) and (g)(i)
- 35 PwC brings world-class overseas resources, similar transformation experience from global sites and access to methodologies that will enable the transformation outcomes to be delivered.
- 36 PwC is providing Transformation and Integration services only (e.g. Programme Management, Programme Office Management, Enterprise Architecture and Change). PwC's role does not include the development of any technology (i.e. business facing software or software deployment services).
- 37 As well as the selection of a transformation partner, ACC has completed a procurement process for the policy and levy management system for business customers to replace the legacy levies system. Following shortlisting, the ACC Board approved the selection of Tenzing as the preferred vendor to provide implementation and support services and Guidewire to provide software for the new system.
- 38 Implementing a new policy and levy management system is a complex piece of work, planned for delivery in late 2017. The new system will remove complexity for ACC staff and customers, and is recognised as a best in class, insurance industry

standard solution that is used by 200 insurance companies around the world. The same system is being used by the Workplace Safety & Insurance Board (**WSIB**) in Ontario, Canada.

- 39 In both procurement processes ACC worked closely with the Ministry of Business Innovation and Employment (**MBIE**).

A change management plan has been developed

- 40 A change management plan has been developed to guide ACC in realising the key changes required to improve the customer experience. The plan aims to drive change by ensuring that teams share a clear sense of purpose and organisational silos are removed.

- 41 A newly created tier-two Executive role of Chief Change Integration Officer, reporting to the Chief Executive, has been introduced to ensure all organisational change is well planned, co-ordinated and clearly communicated.

Cross-agency collaboration is progressing well

- 42 ACC is working with other agencies as it delivers the Programme. Quarterly meetings are held with other agencies, ensuring collaboration opportunities are maximised, including identifying information exchange, data management and architecture synergies to improve service integration with the health sector and to enable common digital channels.

- 43 ACC is working to complete its new provider operating model which will include collaborative initiatives with the health sector.

ACC is on track to deliver the programme by 2020.

- 44 In February 2016, the Minister for ACC briefed the Committee on ACC's intention to deliver the Programme in two tranches over a period of five years. A summary of programme outcomes for Tranche One and Tranche Two is provided in **Appendix One**.

- 45 As noted above, the components of each Tranche are subject to constant review as detailed design phases of the contributing projects are completed and workloads assessed.

- 46 An overview of key milestones achieved and planned up to the end of 2017 is provided in **Appendix Two**.

The programme is aligned to the Government's priorities

- 47 As a Result 9 participating agency, ACC is working closely with Inland Revenue and the Ministry of Business, Innovation and Employment to support the successful implementation of the New Zealand Business Number, as well as the wider objective to reduce the costs of interacting with government by 25% before the end of 2017. ACC is building new online services, simplifying invoices and replacing core systems to improve the simplicity, quality and accuracy of services to business.

- 48 ACC is also contributing to the key target of the Result 10 programme, that an average of 70% of New Zealanders' most common interactions will be digital by 2017. ACC is updating its website to make it easier for customers to access information, and designing and delivering new digital services.
- 49 ACC collaborates with other agencies to drive successful health and social sector outcomes. The Target Operating Model has been designed to recognise the value of this collaboration.

Composition of implementation cost has changed but overall cost remains the same

- 50 The Programme's cost profile is materially the same as the 2015 Business Case. Costs increase quickly with the implementation of multiple projects, and subsequently reduce as these initiatives deliver benefits. Of the overall costs, resource costs of \$████ million represent ███% of total Programme costs, and are made up of PwC, ACC, Tenzing (the vendor that will provide the new policy and levy management system for business customers), and other external vendors and suppliers. Table 1 sets out the profile of implementation costs.

Table 1 – Implementation cost profile

Implementation Costs (\$ million)	2014/15	2015/16	2016/17	2017/18	2018/19	Total
People (ACC and long-term partners)	████	████	████	████	████	████
Suppliers	████	██	████	████	████	████
Total	████	████	████	████	████	████
New Initiatives	I	I	██	██	██	████
Total Implementation Costs	████	████	████	████	████	280.0
ACC Board managed contingency						40.0
Total programme cash cost						320.0

Supplier costs are \$████ million, approximately ███% of the Programme's costs.

Implementation cost variance from the November 2015 Business Case

- 51 While the overall costs for the Programme remain unchanged, the composition of these costs has changed with the introduction of PwC as the Transformation Partner. The injection of a more modern approach to transformation superseded many of the cost assumptions in the initial business case, in particular a move away from a programme/project hub and spoke model to a more customer-centric delivery approach, incorporating where appropriate an "Agile" delivery method.
- 52 Agile is an incremental development method which uses adaptive and cross-functional planning, evolutionary development, early delivery and feedback from customers and staff. Using Agile will ensure ACC develops services which have the flexibility to meet the ever changing needs of customers.
- 53 In addition, the changes reflect the greater level of detail ACC now has on the timing

and scope of initiatives as the Programme progresses. The majority of cost changes have resulted from:

- the creation of new work streams to maintain focus on customer experience
- redistributing funds and initiatives into these work streams from project specific resources
- a change in the mix of initiatives to ensure earlier delivery of digital services.

54 Table 2 sets out the level of changes since the 2015 Business Case.

Table 2 – Variance since the November 2015 Business Case

Work stream	Key deliverables	Nov 16 Update			Nov 15	Variance
		Actual ¹	Remaining	Total		
Business Customer	<ul style="list-style-type: none"> • Simplified levy invoices for business customers • New policy and levy management system 	■	■	■	■	■
Client	<ul style="list-style-type: none"> • Faster commencement of weekly compensation payments • Simplified and modernised client management systems • Enhanced information and tools to improved rehabilitation and return-to-work outcomes 	■	■	■	■	■
Customer/ Channels	<ul style="list-style-type: none"> • New acc.co.nz website • Customer Experience Centre established • Clients and business customers can self-serve online 	■	■	■	■	■
Provider	<ul style="list-style-type: none"> • System to support provision of instant cover decisions 	■	■	■	■	■
Tech Enabling	<ul style="list-style-type: none"> • Contemporary platform enabling faster implementation of system solutions • Enhanced data capture and modelling 	■	■	■	■	■
New initiatives	<ul style="list-style-type: none"> • Business process management tool to better capture and manage client processes • Others to be decided 	■	■	■	■	■
Programme Delivery	<ul style="list-style-type: none"> • Functional capability to support and enable Transformation Programme initiatives 	■	■	■	■	■
Total		■	■	280.0	280.0	■
Board managed contingency		0.0	40	40	40	■
In \$ million		■	■	320	320	■

¹ Actuals as per 31 January 2017

55 Variances between the November 2015 and 2016 updates are caused by:

- More use of “Agile” approach adopted following appointment of PwC as Transformation Partner caused increase from individual work stream to Programme Delivery, mainly for:
 - Transformation Hub, benefits management and ‘Mission Control’ function (centralised facility for managing, controlling and monitoring all programme activities)
 - Capability development of programme and project staff
 - Additional resources for change management.
- Adoption of Agile requires allowance for emerging opportunities and innovation initiatives within the agreed scope and budget.

56 The detailed design work of the first significant customer enhancement, the policy and levy management system for business customers, was completed in late 2016. Technical reviews completed on the result of this detailed design process have been positive, providing confidence in the resulting cost and time forecast.

s9(2)(g)(i)

57 [Redacted text block]

s9(2)(g)(i)

58 [Redacted text block]

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59 [Redacted text block]

s9(2)(g)(i)

60 [Redacted text block]

s9(2)(g)(i)

61 [Redacted text block]

- 62 To further manage pressures on cost and scope of the programme, ACC, where feasible, is looking to leverage existing solutions in the market instead of building its own. ACC is also looking for alignment with work undertaken by other agencies, such as the work done with Inland Revenue on the development of a system interface with providers of accounting software.

The model for determining Programme benefits has been reviewed

- 63 The Programme benefit profile is periodically reviewed as part of good programme management practice. For projects that are in or reaching the delivery phase, the Programme has greater confidence about the accuracy of the 2016 model assumptions.
- 64 Whole-of-life benefits have increased by \$■ million to \$■ million. This arises mainly from productivity improvements and an expected reduction in weekly compensation claim duration.
- 65 Table 3 sets out the Programme's investment objectives, related benefit measures and targets as well as the status as at the second quarter of the current Financial Year.

Table 3 – Benefit measures

Transformation Programme Investment objective	Related Benefit Measures	Target 16/17	Status at Q2 16/17	5 year target	15 year target
FINANCIAL BENEFITS					
Improve the productivity of ACC.	Claims processed per Full Time Equivalent	571	584 ^a	█ █ █	█
	Technology savings	█	█	█ █	█
	Savings from postage and mail cost reduction	█	█	█	█
Reduce total weekly compensation days paid.	Average weekly compensation days paid	86.7 days	88.3 days ^b	4.25 days reduction █	█
Improve Levy Collection through better quality information, reducing time to payment and lowering bad debt.	\$-saving through a better levy cash flow and levy debt reduction	█	█ █	█	█
NON-FINANCIAL BENEFITS					
Improve Customer trust and Confidence in ACC.	Improved Client Net Trust Score	22.3	22	+15 to +25 point shift	
	Improved Business Customer Net Trust Score	-33.9	-32		
	Improved Provider Net Trust Score	-22.9	-14		
Empower and Engage ACC Staff to deliver ACC's core services more effectively.	Improved Employee Net Promoter Score (eNPS)	-5.2	-3	+42 point shift	
Reduce the exposure to operational failures through improving the operational resilience of our people, processes and technology.	The extent to which ACC is able to withstand and respond to business challenges and shocks expressed as a score against 14 metrics	9	8	Score 14 out of 14	
Notes:				Total	\$ █ million

- a. Actual performance over FY16/17 to date is above target, caused by an increase in claim volume. ACC is considering changing the benefit profile to recognise the change in starting position compared to the Business Case to better reflect historical performance levels.
- b. Actual performance over FY16/17 to date is below target. ACC is considering changing the benefit profile to recognise the change in starting position compared to the Business Case to better reflect historical performance levels.

66 Productivity improvements are based on a reduction in the number of FTE staff required to deliver the Target Operating Model. These reductions will result from automating existing manual processes and implementing digital channels for service (and self-service) delivery. █

67 It is expected that weekly compensation claim durations will be reduced by an average of 4.25 days. These reductions will result from the introduction of evidence based frameworks (to manage claims progress and return to independence) along with other specific interventions (such as early contact with clients).

Benefits variance

The summary of changes across benefits from the November 2015 Business Case is set out in Figure 1.

Figure 1 – Benefit variance (by financial benefit) from November 2015



68 While the Treasury discount rate is now 7% which if applied would produce a net present value of \$■ million, to enable a consistent comparison of benefits, the Programme will continue to use a discount rate of 9%, consistent with the decision taken at the time of presenting the November 2015 Business Case, resulting in a net present value of \$■ million over 16 years. The Programme will continue to assess new initiatives and look to further improve NPV.

The Net Present Value of the programme has increased

69 When updating the Business Case in 2015, the ACC Board changed its approach to deliver the programme in a prioritised and phased approach over three to five years, rather than the original three years. This change was in response to delivery risks.

70 No further changes to this risk-conscious approach were made with the November 2016 business case update.

71 As a result of the increase in Programme benefits, the net present value (NPV) has changed from \$51 million in 2015 to \$█ million based on the 2015 discount rate. The Programme's NPV has minimal impact on the Scheme and has no negative impact on levies. Table 3 sets out the changes to whole-of-life costs and benefits made since the original 2014 Business Case:

Table 2 – Variance since the November 2015 Business Case

Whole-of-life	Business Case 2014	Update 2015	Comments	Update 2016	Comments
Expected duration	3 years	5 years	Longer duration reduces risk	5 years	No change
Expected lifetime	15 years	15 years	No change	15 years	No change
Whole-of-life costs	\$750m - \$950m	\$456m	Reduction in whole-of-life technology cost	\$456m	No change
One-off cash cost	\$268m	\$280m	Reflecting additional certainty	\$280m	No change
Contingency	\$40m	\$40m		\$40m	
Total cash cost	\$318m	\$320m		\$320m	
Whole-of-life benefits	█ █	█	Reduced productivity savings due to phasing and number of FTE reduction Re-phased weekly compensation benefits due to longer implementation Reduction in whole-of-life technology benefits	█	Productivity improvements and expected reduction in weekly compensation duration
Net Present Value	█ █	\$51m	Re-phased benefits and delay in timing	█	Reflecting improved whole-of-life benefits
Discount rate	9.5%	9.0%	Treasury guidelines	9.0%	No change

Funding and timeframes

- 72 Total cash costs continue to be funded from ACC's internal cash resources.
- 73 The funding approach reflects the requirements and timeframes of the tranche approach that ACC has taken for the Programme.
- 74 The majority of the implementation costs occur during 2016/17 and 2017/18 financial years. During the 2016/17 financial year total costs of \$█ million will be incurred, with resourcing costs making up █% of these costs (at \$█ million). This is due to a large number of initiatives being progressed during the 2016/17 year. It is expected that the Programme will be completed by 2019/20.
- 75 The funding required for each tranche of the Programme is set out in Figure 2. █



Figure 2 – Programme funding and timeframes

		31 Jan 2017	
		'Delivery'	
		TRANCHE 1	TRANCHE 2
By Tranche	Budget: [REDACTED]	Board approved budget: \$143m	
	Actual: [REDACTED]	Actual: [REDACTED]	
Programme Total	Programme Budget: \$280m		
	Actual: [REDACTED]		
Contingency	Board managed contingency budget: \$40m		
	Actual: 0		

76 An overview of key milestones achieved and planned up to the end of 2017 is provided in **Appendix Two**.

Risks to successful implementation

77 Risks to the Transformation Programme are commensurate with its scope, size and magnitude. ACC has adopted a strong enterprise risk management framework which is firmly embedded. Risk and Issues registers for the Programme are updated and regularly reported to governance forums including the Shaping our Future Committee. The Treasury receives reporting on the high level Transformation Programme risks as part of the online Programme dashboard.

78 ACC has identified five critical areas of risk to successful implementation of the Programme:

Key areas of risk	Management Actions under way or considered
Risk to Programme resourcing – getting the right people at the right time in a challenging Wellington and wider New Zealand labour market	Access to appropriately skilled and experienced resources is a constant focus. [REDACTED] [REDACTED] Programme resourcing is also discussed with Inland Revenue to ensure consistency in approach to resource procurement is maintained
Complexity of the underlying business requirements unique	ACC is engaging with suppliers of key systems to understand and mitigate the likelihood and impact of this

s9(2)(g)(i)

Key areas of risk	Management Actions under way or considered	
to ACC could drive up implementation timings and costs	<p>occurring</p> <p>A constant focus on ensuring we are developing solutions for the future rather than duplicating current functionality and processes is also in place.</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	s9(2)(g)(i)
Future capabilities of ACC staff – ACC's workforce will need to have different capabilities after the transformation	<p>A revised Cultural Framework and expanding the Customer Experience Programme (Tika) to enable the required cultural and capabilities to be put in place is underway</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>In addition the Chief Executive has created a new executive role of Chief Change Integration Officer to ensure the smooth alignment and delivery of all organisational change related activities and initiatives.</p>	s9(2)(g)(i)
Maintaining business performance during the transformation could at times be challenging	<p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	s9(2)(g)(i)
[Redacted]	<p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	s9(2)(g)(i)

Monitoring and assurance

Feedback loops and lessons learned sessions form an integral part of programme quality assurance

79 Throughout the delivery phase of the Programme, deliverables and outcomes are validated against:

- The Target Operating Model, to ensure ACC is on track to deliver the scope it promised

- The Programme Benefits, to ensure benefits are realised and programme objectives are met
 - The Budget, to ensure actual spend is within budget
 - ACC's Vision and Values, to ensure deliverables and outcomes support the desired culture
- 80 In addition, ACC has established a Customer Experience Centre in the Counties-Manukau Branch in Auckland for co-designing and testing of the future engagement models with customers and staff.
- 81 Lessons learned are taken as work progresses and after completion of projects. Key learnings are recorded and are available to all programme staff. In addition, lessons learned are picked up from ACC's Transformation Partner, from other key vendors, from independent and technical assurance providers and from other agencies going through transformation (such as Inland Revenue and, most recently, Land Information New Zealand).

Effective governance and assurance arrangements are in place

- 82 ACC has a comprehensive monitoring and assurance model with an approved budget and plan. Independent Quality Assurance (IQA) is conducted by EY as per plan approved by, and reported to, the Board's Shaping Our Future Committee. The findings from IQA and any other independent assurance are monitored by ACC's Board Risk & Audit Assurance Committee.
- 83 ACC's Assurance Services team supplements IQA with risk based controls assurance, and Technical Quality Assurance at appropriate milestone points.
- 84 Governance arrangements ensure that an appropriate level of oversight and reporting occurs at Board, executive and senior programme levels. Decision-making is reviewed regularly to ensure effectiveness.
- 85 ACC follows external monitoring requirements as prescribed by Treasury. This includes corporate centre monitoring (predominantly by Treasury), Gateway Reviews, triennial Treasury Reporting, and annualised updates of our business case. The Government Chief Information Officer (GCIO) monitors ACC's assurance over the Transformation Programme.
- 86 On 13 May 2016 the ACC Board appointed Murray Jack as an external member on its Shaping our Future Committee. This Committee has a specific responsibility for governance matters relating to ACC's Shaping Our Future strategy and the Transformation Programme. Murray Jack brings expert advice, guidance and experience on the governance of large transformation programmes. This includes being part of the Ministerial Inquiry into the Novopay Project (as well as leading the technical review into the school payroll system), and working with Inland Revenue on its current transformation programme.
- 87 Measures in place to support effective oversight, monitoring and management of government interests include:

- a) Regular monitoring of the Programme by Treasury – reporting to me, the Minister of Finance and the Cabinet Committee on State Sector Reform and Expenditure Control via the Major Projects Performance Report
 - b) Regular meetings between ACC, the Treasury and the Office of the Government Chief Information Officer (**GCIO**) throughout the lifetime of the programme
 - c) Quarterly meetings between ACC, Inland Revenue and the Ministry of Social Development (**MSD**) to ensure each agency's change programmes are aligned, and to identify opportunities to leverage activity across the three programmes
 - d) Gateway reviews at key decision points in the Programme as well as an annual Gateway Review with the purpose to reconfirm the need for the programme and the likelihood of it achieving the desired outcomes.
- 88 In July 2016 ACC received its Investor Confidence Rating (**ICR**) reflecting the confidence investors have in ACC's ability to deliver promised investment results where funding is committed. The Treasury leads the ICR process.
- 89 ACC's investment rating was confirmed as 'B'. In particular, the ICR assessment team noted that ACC has strengths in key investment management maturities that are reflected in its project delivery and asset performance results. It was also noted that ACC's benefits delivery results should improve over time, backed by strong overall project, programme and portfolio management maturity (especially in benefits and finance management).
- 90 This rating will be reviewed after two years (2018).
- 91 ACC has also taken on board the lessons from Novopay, and is following all recommendations from the Ministerial Inquiry, including:
- **Lessons learned** – all projects are learning from previous project and programme errors and successes by completing a review post initiative implementation, and ensuring these learnings are actioned and made available to others, whether in the same project or in later projects. In addition, to check its cadence, risk awareness and management responses, ACC is seeking input from suppliers and independent and technical quality assurance providers, as well as from other agencies. ACC's most recent lessons learned session resulted in the GCIO producing a lessons document for all-of-government use.
 - **Monitoring central agency and IQA reviews** – the programme regularly engages with both IQA reviews as well as being monitored by central agencies. IQA findings and recommendations are captured in a central register, and actively managed and monitored for resolution.
 - **Robust 'go-live' processes in place** – all projects undergo go-live assessments and readiness assessments prior to any implementation. This is started approximately two months before a formal deployment to ensure the appropriate readiness analysis and documentation is completed prior to implementation. The Programme has a number of tools it uses to ensure the

Business is able to implement as seamlessly as possible. The tools are based on the GCIO Go-Live readiness assessment.

Consultation

- 92 The following agencies were consulted on this paper: The Treasury, Department of Internal Affairs, Ministry of Business, Innovation and Employment, Inland Revenue, Ministry of Social Development and the Ministry of Health. The Department of the Prime Minister and Cabinet has been informed.

Corporate centre comment (The Treasury, MBIE's ACC Policy team and GCIO)

- 93 Engagement with ACC's transformation programme has been transparent. The programme provides effective signalling of where complexities exist, with a consistent description of progress and key risks across multiple levels from Board to the Senior Responsible Officer to ACC's finance team.
- 94 There are cost pressures and issues that are apparent within the Programme but these are appropriately flagged for management and governance oversight. ACC's overall programme rating is Amber to reflect the issues being managed. The delivery confidence rating in Treasury's Major Projects Monitoring Report will be updated from Amber/Green to Amber accordingly.
- 95 Whilst ACC recently initiated the drafting of a Terms of Reference for collaboration around joined-up customer experience (also referred to as customer journeys) and data management information flows, this is at a very early stage and visibility of cross-agency collaboration between the major transformation programmes (Inland Revenue's Business Transformation and MSD's Simplification) has not been sufficient.
- 96 GCIO Assurance encourage ACC to continue to have close oversight and assurance over the performance of the suppliers of services/solutions to the programme. The findings from the supplier cross agency workshop sponsored by ACC in mid-2016 provides important guidance and should be referenced. We will also continue to work with the Risk, Audit and Assurance Committee of the ACC Board to ensure that independent assurance reviews provide timely and high quality information to the governors of the programme. This is critical for effective and timely decision making and managing programme risk.

Human Rights

- 97 This paper does not raise any issues or inconsistencies with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Legislative Implications

- 98 In principle ACC's Programme can be implemented without legislative change.

Regulatory Impact Analysis

- 99 Regulatory impact analysis requirements do not apply to this paper.

Gender Implications

100 There are no gender implications from this paper.

Disability Perspective

101 ACC's programme will result in improved service delivery for New Zealanders with injury-related disabilities.

Publicity

102 ACC has a targeted communications approach aligned with its vision and wider strategic direction. I expect ACC to continue to work with my office regarding the roll-out of initiatives and the specific communications plans associated with them.

Recommendations

103 I recommend that the Cabinet Committee on State Sector Reform and Expenditure Control:

- 1 **Note** that the SEC committee invited the Minister for ACC to provide annual updates on progress with Programme, with the next update not later than February 2017.
- 2 **Note** that the ACC Board has approved an update on progress since the 2015 business case on ACC's Transformation Programme.
- 3 **Note** that PwC have been appointed as ACC's transformation partner, and are providing a higher overall level of confidence to the delivery of the Programme.
- 4 **Note** that a change management strategy has been developed to help ACC achieve the benefits and outcomes it requires of the Programme by helping ACC staff, customers and other stakeholders to become ready for change generated by the Programme.
- 5 **Note** that a new Chief Change Integration Officer has been appointed to seamlessly manage organisational change resulting from the Programme.
- 6 **Note** that one-off cash costs remain unchanged since the 2015 business case and consist of \$320 million (including \$40 million contingency) to be funded from ACC's internal cash resources.
- 7 **Note** that the whole-of-life costs remain at the level same as indicated in the 2015 business case at \$456 million; with whole-of-life benefits off-setting these costs by \$■ million. This represents an overall increase in whole-of-life benefits of \$■ million (over the 16 year life of the Transformation Programme), since the 2015 business case.
- 8 **Note** that the likelihood of contingency draw down being required may increase as a result of cost forecast increases in Business Customer deliverables and that potential for further cost increase exists.

- 9 **Note** that ACC's Transformation Programme will generate a Net Present Value of \$■ million over 15 years at a discount rate of 9%, excluding contingency.
- 10 **Note** that the next update to the Cabinet Committee on State Sector Reform and Expenditure Control on the Progress of the Transformation Programme is expected by February 2018.

Authorised for lodgement

Hon Michael Woodhouse

Minister for ACC

Appendix One – Summary of Programme outcomes

	TRANCHE 1 – predominantly Modernisation	TRANCHE 2 – predominantly Transformation
Client	<ul style="list-style-type: none"> Simplified weekly compensation payments Provider payment cards are piloted Clients are informed when their medical certificates are about to expire Health Sector engagement and CCRP underway RT cover solution design underway 	<ul style="list-style-type: none"> Clients can view and share their rehabilitation pathway Full digital experience for all client groups delivered Clients receive tailored levels of engagement based on their situation rather than injury Clients have greater visibility and understanding of entitlement calculations
Provider	<ul style="list-style-type: none"> Business customers receive easier to understand and more accurate levy invoices Business customers have access to improved digital services through ACC's portal allowing them to self-serve 	<ul style="list-style-type: none"> Providers are able to view and adjust a clients' rehabilitation path based on clinical best practice and share key information with other providers Fewer provider decisions are challenged by ACC supporting a high trust model Providers will have access to a digital portal
Business Customer	<ul style="list-style-type: none"> Staff are receiving more information on customer sentiment and feedback Business Customer staff have a simpler set of tools to work with Staff safety better assured when attending to ACC business conducted off-site Innovation labs are operational 	<ul style="list-style-type: none"> Business Customers are more involved in their employees' return to work planning Business Customers have greater visibility of how their levy contributes to return to work outcomes Staff are able to spend more time in the community
Organisation & Staff	<ul style="list-style-type: none"> Customer Relationship Management platform delivered Infrastructure As A Service established Identity Access Management set up Data cleansing commenced 	
Technology Enabling	<ul style="list-style-type: none"> Infrastructure in the cloud set up Acc.co.nz is upgraded Digital content management is established 	



Technology Enabling

Appendix Two – Achieved and planned milestones April 2016 – December 2017

