



Education Report: Pokapū Waka Kura Phase 2 Implementation Business Case Approval and Budget Contingency Draw Down

To:	Hon Grant Robertson, Minister of Finance Hon Chris Hipkins, Minister of Education		
Date:	22 June 2022	Priority:	Medium
Security Level:	In Confidence	METIS No:	1289006
Key Contact:	James Meffan, Group Manager, School Transport	DDI:	04 4631524
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of report

This report seeks your approval of the:

- Pokapū Waka Kura (School Transport Information Communication Technology) Phase 2 implementation business case; and
- Draw down of the tagged operating and capital contingency for “Completion of the School Transport Contract Management System”.

Executive summary

- 1 This report seeks your approval of the Pokapū Waka Kura Phase 2 Implementation Business Case.
- 2 A single stage business case for Pokapū Waka Kura Phase 2 submitted to Budget 2022 sets out a range of options to address disparate, manual and outdated school transport processing and contract management systems (the economic case). These five options range from maintaining the status quo to establishing a fully automated system that addresses every priority the school transport business group has. The Ministry of Education recommends the “Do Max – establish a fully automated and integrated system for ‘must have’ and ‘should have’ priorities” option as this will provide the best realisation of benefits relative to cost.
- 3 The “Do Max” option is the fourth most comprehensive and costly option of the five. It will deliver significant benefits, including high customer satisfaction (for caregivers, learners, community members and schools) through increased responsiveness, equity, and fairness of decision making. It will also facilitate the delivery of safe services and provide high commercial clarity for transport service providers. It will also enable the Ministry of Education to provide automated services to schools in line with broader reforms in the education sector to reduce the administration and compliance burden on schools.

- 4 The Implementation Business Case for Pokapū Waka Kura Phase 2 sets out:
- how Pokapū Waka Kura Phase 2 fits into the broader strategic context of the school transport business group, including the possibility of a comprehensive policy review of school transport assistance (the strategic case);
 - how the Ministry of Education will procure the capacity and capability to deliver the project (the commercial case);
 - financial implications of the project for the Government (the financial case); and
 - how the Ministry of Education will manage the project to deliver it on time and on budget (the management case).
- 5 This report also seeks your approval to draw down the tagged contingency in Vote Education “Completion of the School Transport Contract Management System” approved in Budget 2022. Authority to approve draw down of this contingency has been delegated to you upon joint satisfaction with an implementation business case for the completion of the School Transport Contract Management System [CAB-22-MIN-0129 – Initiative ID 14532 refers].

Recommended actions

The Ministry of Education recommends you:

- a. **note** that in Budget 2022 Cabinet provided funding for the second phase of a two-phase project, Pokapū Waka Kura as follows [CAB-22-MIN-0129 – Initiative ID 14532 refers]:

	\$m - increase/(decrease)					
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Operating Contingency	-	0.975	1.106	1.197	2.006	3.980
Capital Contingency	-	4.555	5.505	5.305	2.958	-
Total	-	5.530	6.611	6.502	4.964	3.980

and

- agreed** that the contingency may be drawn down upon if the Minister of Education and the Minister of Finance are jointly satisfied with an implementation business case for the completion of the School Transport Contract Management System;
- agreed** that the expiry date for the above tagged contingency be 1 February 2023;

Noted

Noted

- b. **approve** the implementation of the Pokapū Waka Kura Phase 2 preferred option as set out in the attached Implementation Business Case for Pokapū Waka Kura (School Transport Information Communication Technology) Phase 2 with estimated costs as follows:

\$m	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Operating expenditure	0.846	0.998	1.070	2.542	3.802	9.258
Capital investment	5.738	5.138	4.938	2.528	-	18.342
Total costs	6.584	6.136	6.008	5.070	3.802	27.600

☒ Approve / Disapprove

☒ Approve / Disapprove

- c. **agree** the tagged contingency in Vote Education “Completion of the School Transport Contract Management System” be drawn down;

☒ Agree / Disagree

☒ Agree / Disagree

- d. **approve** the following changes to appropriations to provide for the decision in recommendation “C” above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m - increase/(decrease)					
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Vote Education						
Minister of Education						
Multi-Category Expenses and Capital Expenditure:						
Primary and Secondary Education (MCA)						
<i>Departmental Output Expense:</i>						
Support and Resources for Education Providers (funded by Crown revenue)	-	0.846	0.998	1.070	2.542	3.802
Ministry of Education Capital Injection	-	5.738	5.138	4.938	2.509	-
Total Operating	-	0.846	0.998	1.070	2.542	3.802
Total Capital	-	5.738	5.138	4.938	2.509	-

- e. **agree** that the proposed changes to appropriations and departmental capital injections for 2022/23 above be included in 2022/23 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

☒ Agree / Disagree

☒ Agree / Disagree

- f. **agree** the expenses and departmental capital injections above be charged against the contingency for "Completion of the School Transport Contract Management System" as follows and the contingency be closed with any remaining balance returned to the centre: **agreed**

	\$m - increase/(decrease)					
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears	Total
Operating contingency	0.975	1.106	1.197	2.006	3.980	9.264
Appropriated	0.846	0.998	1.070	2.542	3.802	9.258
Variance (Over)/Under	0.129	0.108	0.127	(0.536)	0.178	0.006
Capital contingency	4.555	5.505	5.305	2.958	-	18.323
Appropriated	5.738	5.138	4.938	2.509	-	18.323
Variance (Over)/Under	(1.183)	0.367	0.367	0.449	-	-

- g. **note** the shortfall in capital of \$19,000 between the business case (recommendation B refers) and the tagged contingency will be managed from Vote Education baselines; and

Noted

Noted

- h. **agree** that this paper be proactively released with any suitable redactions after 1 July 2022.

Agree / Disagree

Agree / Disagree



Scotty Evans
Hautū | Te Puna Hanganga, Matihiko
Deputy Secretary | Infrastructure & Digital

08/07/2022



Hon Grant Robertson
Minister of Finance



Hon Chris Hipkins
Minister of Education

Agree / Disagree
28/ 8/ 2022

Agree / Disagree
14/ 7/ 2022

Background

A contingency was approved in Budget 2022 to fund Pokapū Waka Kura phase 2

- 1 The tagged contingency “Completion of the School Transport Contract Management System” was approved in Vote Education in Budget 2022 [CAB-22-MIN-0129 – Initiative ID 14532 refers] as follows:

	\$m - increase/(decrease)					
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Operating Contingency	-	0.975	1.106	1.197	2.006	3.980
Capital Contingency	-	4.555	5.505	5.305	2.958	-
Total	-	5.530	6.611	6.502	4.964	3.980

- 2 This contingency provides funding for the second phase of a two-phase project, Pokapū Waka Kura (PWK). This will complete the build of an end-to-end contract management system to support proactive supplier management and responsive, evidence-based school transport decision-making. The contingency may be drawn down upon the Minister of Education's and the Minister of Finance's joint approval of an implementation business case.

Pokapū Waka Kura Phase 1 is complete

- 3 PWK Phase 1 successfully delivered payment functionality required to make payments to school transport providers and manage supplier performance under new Daily and Technology Bus contracts. In particular, Phase 1 built and deployed a payment calculation engine and supplier self-reporting functionality. Phase 2 of PWK will automate and integrate the remaining processing and reporting functions into the school transport contract management system. The PWK Phase 1 build was complete by the end of June this year. Contract payment functionality was in place for the new Daily and Technology bus contracts that came into place from January this year.

An implementation business case has been prepared for Pokapū Waka Kura Phase 2

- 4 In line with the Government's requirements for business cases to support new capital expenditure, an implementation business case for PWK Phase 2 (the Implementation Business Case) has been prepared (see Appendix 1).

Pokapū Waka Kura Phase 2 Implementation Business Case

- 5 The Phase 2 Implementation Business Case builds on a single-stage business case endorsed in December 2021. It sets out the 5 cases (Economic, Strategic, Commercial, Management and Financial), which have been updated since the Single Stage Business Case to include more detail where necessary. The Phase 2 Implementation Business Case was endorsed by the Ministry of Education on 17 June, following consultation with the Treasury and the Government Chief Digital Officer.

The Business Case sets out options for you to consider

- 6 To achieve the investment objectives sought through the PWK project (the economic case), the Ministry of Education considered a range of options from which a preferred option was identified:

Option Name	Description
1 Status quo	Manual processes and non-integrated technology
2 Do Min	Partly automated and integrated for must have priorities
3 Do Mod	Mostly automated and integrated for must have priorities
4 Do Max	Fully automated and integrated for must have and should have priorities
5 Do Max plus	Fully automated and integrated for all priorities

- 7 Option 4 is the Ministry of Education's preferred option as it provides fully automated processes with fully integrated technology. This option delivers the most significant benefits at the least risk, at a net present cost of \$18 million (present value) over the expected lifespan of five years. It will deliver significant benefits, including high customer satisfaction (for caregivers, learners, community members and schools) through increased responsiveness, equity, and fairness of decision making. It will facilitate the delivery of safe services and provide high commercial clarity for transport service providers. It will also enable the Ministry of Education to provide automated services to schools in line with broader reforms in the education sector to reduce the administration and compliance burden on schools.
- 8 Option 4 delivers all the "must have" (minimum scope) and "should have" (desirable) priorities as set out below:

Service scope by function	Minimum scope Must Must have	Moderate Scope Desirable Should have	Maximum scope Aspirational Could have	Out of scope
Eligibility management	X			Eligibility changes
Application management	X			
Contract management	X			
Payment management	X			
Customer relationship management	X			
Supplier relationship management	X			
Emergency management		X		
Reporting and analytics	X			
Internal Data sharing		X		
External data sharing			X	
Route and service monitoring	X			
Incident reporting	X			
Service audits		X		
Capture of patronage (on-boarding)		X		

- 9 Option 3 is the second preferred option at a net present cost of \$13 million, although it only delivers moderate customer satisfaction. Option 4 represents a 40 percent increase in net present cost from Option 3 with a corresponding 50 percent increase in benefits. This represents increased customer satisfaction and confidence in the responsiveness, equity, and fairness of decision-making and delivery of safe school transport services. Option 3 would only deliver the "must have" priorities set out above.

Proposed school transport policy review taken account of

- 10 The strategic case takes account of the Minister of Education's direction to undertake a comprehensive review of school transport assistance policy [METIS 1283832 refers]. The objective of the review will be to assess whether school transport assistance policies are fit for purpose, in terms of their ability to support delivery of excellent and equitable educational outcomes through the removal of barriers to access. The review may result in operational changes, including: the ways in which customers interact with School Transport; the application of policies and exemption management; the tracking and processing of applications for services; service design; and the use of data to support tactical and strategic goals. To be successful in the implementation of these changes, School Transport requires an integrated and flexible ICT system to support evidence-based decision making and proactive contract management.
- 11 The school transport policy review and PWK's success are mutually dependant. arrangements that will maximise opportunities between the projects. The success of the review is also contingent on having easy access to good quality data. The existing School Transport ICT environment is unable to deliver data that reaches this level of quality and accessibility. PWK will deliver easy to access high quality data that will support the Policy review.

Capacity and capability to deliver PWK phase 2 in place

- 12 The commercial case includes an evaluation of supplier performance. The Ministry of Education is confident that preferred suppliers have the capacity and preparedness to deliver the PWK business requirements within agreed budget and timeframes. In accordance with the MBIE procurement lifecycle, this business case seeks a stage 6 decision to negotiate and award a contract for the implementation. If a satisfactory price cannot be agreed through negotiation, we will reserve the right to return to market through a request for proposal process.

Updated business case costings vary slightly from contingency but can be met from within Vote Education baselines

- 13 The financial case in the Implementation Business Case has been updated since the Contingency was agreed in Budget with a greater understanding of the business requirements. Preferred vendors have also been able to provide more detailed costings. Consequently, some minor changes to the proposed capital and operating costs have been made. The variance with the Contingency is set out in the table below:

	\$m - increase/(decrease)					
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears	Total
Operating contingency	0.975	1.106	1.197	2.006	3.980	9.264
Implementation Business Case	0.846	0.998	1.070	2.542	3.802	9.258
Variance (Over)/Under	0.129	0.108	0.127	(0.536)	0.178	0.006
Capital contingency	4.555	5.505	5.305	2.958	-	18.323
Implementation Business Case	5.738	5.138	4.938	2.528	-	18.342
Variance (Over)/Under	(1.183)	0.367	0.367	0.430	-	(0.019)

- 14 The capital requirements for the Implementation Business Case are slightly more (\$19,000) than provided in the Contingency. This shortfall will be met from within Vote Education baselines.

Governance and project management in place to delivery PWK phase 2

- 15 The management case includes planning around the control processes that will be used to manage PWK phase 2 delivery, governance arrangements, reporting, risk and issue management, dependency management and resourcing requirements. The Ministry is confident that the proposed investment is deliverable and its benefits realisable, with arrangements in place to manage successful delivery. The key project milestones set out in the implementation business case are:

Proposed milestones	Estimated date
Discovery and design stage, detailed requirements, and contract finalisation	July 2022
Tranche 5 - Remaining payment services	October 2022
Tranche 6 - Specialised equipment-delivery	June 2023
Tranche 7 - Route and Service Management/Monitoring-Delivery	March 2024
Tranche 8 - Scope-Delivery	June 2024
Tranche 9 - Scope-Delivery	December 2024
Tranche 10 - Final Business Improvement Functionality-Delivery	May 2025
Closure	June 2025

Approval to draw down Budget contingency

- 16 The Ministry of Education recommends you approve the PWK Phase 2 Implementation Business Case. If you are satisfied with the Implementation Business Case, the contingent funding to undertake the Phase 2 build will be drawn down.

Financial implications

- 17 The expenses and capital injections for implementation of Pokapū Waka Kura Phase 2 differ slightly from the estimates in the Contingency as set in paragraph 12 above. Capital is required sooner than thought at Budget time and the overall capital cost is slightly higher than expected (\$19,000). This shortfall will be met from capital reprioritisation within the Ministry. Operating costs are slightly lower than in the Contingency over five years. After these draw downs the contingency will be closed and any remaining balance returned to the centre.

Consultation

- 18 This paper was prepared by the Ministry of Education in consultation with the Treasury. The Treasury support the recommendations in it.

Proactive release

- 19 It is recommended that this report be proactively released after the draw down of the Budget contingency.

