Briefing Note: Capital Programme Dashboards

To: Hon Chris Hipkins, Minister of Education

Date: 02 December 2019

Priority: Medium

Security Level: In Confidence

METIS No: 1214835

Key Contact: Sharyn Pilbrow

DDI: s 9(2)(a)

Messaging seen by Communications team: No

Round Robin: No

Purpose

This paper responds to your request for further detail to support the Capital Programme dashboards provided to you in October 2019 and provides additional context to the dashboards and our delivery performance.

Summary

- The Ministry of Education oversee the property for more than 2,100 schools at a replacement value of around $29.7 billion.
- In 2018/2019 we spent $906 million in capital on maintaining improving and expanding this portfolio.
- The dashboards provide visibility to our Capital works program of redevelopment investment in state schools and includes the Growth Programme commitments over successive Budgets.
- To improve the ability to track Budget commitments, this report includes a dashboard that separates out the performance status for each of the last three Budget packages.

Proactive Release

1. agree that this briefing can be proactively released as it provides information that transparently reports on Ministry activity.

Kim Shannon
Head of Education Infrastructure

Hon Chris Hipkins
Minister of Education

1/12/19

8/12/19
Background

2. On 19 November 2019 we met with your office to talk through the two high level dashboards illustrating the current status of the:
   - EIS Major Redevelopments (approved projects over $10m); and
   - EIS Growth Fund Programme (projects approved through Budget 2017, Budget 2018 and Budget 2019).

3. These A3 Dashboards are designed to provide a quarterly snapshot of the pipeline of projects, the progress, the (baseline and forecast) spend and the forecast completion dates.

4. From the meeting, we undertook to provide you with this briefing (placing the dashboards in context) and supply further detail on the school growth programmes funded through each of the last three Budgets.

Education infrastructure in context

The volume of projects is substantial

5. During the last three years, the Capital Works group have managed over 2,600 projects. While in excess of 1,600 of these (62%) have been minor works projects (under $1m), there are 962 major works projects (over $1m) that are delivering significant change to the school system and capacity of the state school system.¹

6. This expanse of work means there are currently projects at all stages of the planning and construction spectrum. There are 529 major projects being actively progressed during 2019 as Capital works.

7. The EIS Major Redevelopments dashboard provides an at-the-fingertips summary of the largest 59 in-progress projects and the EIS Growth Fund Programme dashboard provides visibility of 267 in-progress projects (plus 20 completed projects). This means that regular quarterly reporting is now available through the dashboards on at least 60% of current projects and this coverage will grow.

Performance in perspective

While we have been active on over 1,000 projects, in the last year you have had correspondence from approximately 30 schools requesting property update or signalling delays through Ministerial channels.

The spend is not insignificant

8. Each year, EIS has been delivering a bigger and bigger programme of work, recognised in our Capital Spend (below). For the 2019/20 financial year we are on track to spend $906 million again. As at 31 October 2019 we have spent $337 million however the Christmas holiday break is recognised as the major construction period.

9. Although the capital spend profile includes school-led projects, Ministry-led projects account for around two thirds of our annual investment (64%).

<table>
<thead>
<tr>
<th>Capital Programme</th>
<th>2017/18 $m Actual</th>
<th>2018/19 $m Actual</th>
<th>2019/20 $m Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>School-led Projects</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entitlement funding (SYA) &amp; Asset modernisation scheme</td>
<td>259</td>
<td>323</td>
<td>339</td>
</tr>
<tr>
<td><strong>Ministry-led Programmes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing Portfolio -- Redevelopment, improvement &amp; efficiency</td>
<td>231</td>
<td>239</td>
<td>210</td>
</tr>
<tr>
<td>Christchurch Schools Rebuild (CSR)</td>
<td>136</td>
<td>133</td>
<td>140</td>
</tr>
<tr>
<td>Expanding the portfolio -- New schools/ Roll growth</td>
<td>185</td>
<td>211</td>
<td>216</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>820</td>
<td>906</td>
<td>908</td>
</tr>
</tbody>
</table>

¹ These projects include the delivery of whole new schools/kura, expansions to existing schools/kura, roll growth classrooms, learning support satellites and redevelopments of current sites.
² Based on data between October 2018 and November 2019.
Increasing Capability

10. As an asset manager and strategic investor, the Ministry is progressing through the maturity steps. The Investor Confidence Rating (ICR) is a three-yearly assessment of how well agencies meet Cabinet's expectations of investment management and asset performance. Our most recent assessment was conducted in November 2018 and we were notified of the outcome this year.

11. The ICR is an independent review process and looks at nine areas across all investment and asset decisions. The three specific areas linked to the school building programme are the evaluations of:
   - P3M Maturity (Portfolio, Programme, Project Maturity);
   - Procurement Capability; and
   - Project Delivery.

12. In the most recent (2018) ICR review, the Ministry of Education achieved a score of 68 points out of 100 and was promoted from a C rating to a B rating. This result showed that the Ministry had improved across all nine elements of the ICR measure since 2015.

13. The 2018 result means that the Ministry has attained the minimum expectation for investment intensive agencies and resulted in Cabinet approving increased decision-making thresholds.

Presenting progress

**Individual Budget-year information**

14. The additional dashboard information (attached to this report) provides you with further detail on each of the three budget year programmes that make up the 287 growth projects, collectively worth over $1 billion.

15. This breakdown lets you track the progress on each of these packages separately.

16. When combined with the EIS Major Redevelopment dashboard this provides you with information on current status, estimated completion timing and spend for 346 of our most significant projects and a package worth $2.3 billion.

**A starting point for tracking progress**

17. We acknowledge that it is not possible to discern performance from this first Quarterly Dashboard. It does however establish a baseline for you of where the programme is currently at and when you can expect projects to be completed.

18. Future quarterly reports will provide you with information on movement against this baseline. This movement will give you further confidence that progress is being made and provide ongoing assurance on how we are performing against the delivery deadlines established in this baseline.

19. The second Quarterly Dashboard will be for the period ending 31 December 2019 and will be delivered to your office by the end of January 2020.

20. In the second Quarter Report we will be able to report our performance against the three roll growth projects and one kura that we plan to have completed by 31 December. We will also update you with any changes in the expected delivery timeframe for the rest of the programme.
Improving transparency

Current challenges
21. There are current limitations in the way we are able to access and report project information. These include:
   • Historically, project management information was developed and managed locally across different business teams, with different manual processes, for different reporting needs. Transitioning these systems over time has resulted in multiple sources of data with varying levels of information captured within.
   • Heavy reliance on MS Excel, with limited auditable and system based controls for strategic management oversight.

22. The long term goal is to transition the Ministry to a more comprehensive, integrated Portfolio, Programme and Project management system. We are preparing to submit a budget bid for Budget 2020 for this system. If we proceed with this proposal it could still be years before any new system is implemented. In the interim we are considering more tactical interventions to bridge the gap including changing our processes and enhancing the functionality of our existing systems to deliver some of the benefits of the replacement systems.

Proactive approach
23. EIS already has a number of initiatives underway to improve, standardise, and simplify our delivery performance, data quality and reporting capability including changes to:
   • Systems – aligning our tools, templates and developing new centralised systems;
   • Processes – undertaking reviews to increase management control and the effectiveness and efficiency of delivery; and
   • People – alongside recent recruitment of new performance roles created, we are also providing increased training and education to our project managers.

24. We have also initiated a project to develop a comprehensive and reliable register of past projects following the difficulties we experienced in early November providing teaching space information outside of reporting financial year information.