

# Shaping Our Future - spend-to-date information received by ACC Minister (to 25 June 2018)

## 1. Shaping Our Future Business Case - 30 November 2015 (excerpt from Appendix)

Table K1: One-Off Programme Cash Costs (\$millions)

Workstream	Initiative	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	TOTAL
Business Customer	Business Customer Self-Service	\$0.0m	\$5.1m	\$6.3m	\$0.6m	\$0.0m	\$0.0m	\$12.0m
	Business Customer Outlier Management	\$0.0m	\$0.3m	\$1.2m	\$0.4m	\$0.0m	\$0.0m	\$1.9m
	Policy Levy Management	\$0.0m	\$6.4m	\$28.3m	\$11.0m	\$0.0m	\$0.0m	\$45.7m
	Business Customer CCRP Integration	\$0.0m	\$0.0m	\$0.0m	\$0.0m	\$0.6m	\$0.9m	\$1.5m
	Business Customer NZBN Integration (Design Only)	\$0.0m	\$0.1m	\$0.0m	\$0.0m	\$0.0m	\$0.0m	\$0.1m
Client	Client Self-Service	\$0.0m	\$0.0m	\$2.9m	\$6.0m	\$0.0m	\$0.0m	\$8.9m
	Evidence Based Framework	\$0.0m	\$0.0m	\$0.0m	\$2.8m	\$3.4m	\$3.1m	\$9.3m
	Core Claims Management Modernisation	\$0.0m	\$6.5m	\$14.8m	\$14.8m	\$19.6m	\$19.9m	\$75.6m
	Weekly Compensation Simplification	\$0.0m	\$0.4m	\$0.0m	\$1.0m	\$0.0m	\$0.0m	\$1.4m
Provider	Provider Self-Service	\$0.0m	\$0.0m	\$0.0m	\$3.9m	\$3.9m	\$0.0m	\$7.8m
	PMS Integration	\$0.0m	\$3.0m	\$4.5m	\$0.8m	\$5.2m	\$0.0m	\$13.5m
	Local Unit Modernisation	\$0.0m	\$1.2m	\$0.0m	\$1.3m	\$0.2m	\$0.2m	\$2.9m
	Field Enabled Case Management	\$0.0m	\$0.0m	\$0.0m	\$0.0m	\$0.0m	\$1.2m	\$1.2m
	Contact Unit Modernisation	\$0.0m	\$0.5m	\$0.8m	\$0.0m	\$0.0m	\$0.0m	\$1.3m
	Business Support Modernisation	\$0.0m	\$0.0m	\$0.0m	\$0.8m	\$0.1m	\$0.0m	\$0.9m
	Customer Feedback Continuous Improvement	\$0.4m	\$1.7m	\$0.9m	\$0.0m	\$0.0m	\$0.0m	\$3.0m
	Cross Initiative Culture and Change Delivery	\$0.0m	\$0.5m	\$1.5m	\$0.0m	\$0.0m	\$0.0m	\$2.0m
	Upgrade Online Presence	\$0.0m	\$1.4m	\$1.9m	\$0.0m	\$0.0m	\$0.0m	\$3.3m
	Improve Data Quality and Accessibility	\$0.0m	\$1.5m	\$0.9m	\$0.0m	\$0.0m	\$0.0m	\$2.4m
Technology Enabling	Business Intelligence & Data Warehouse Capability	\$0.0m	\$0.2m	\$6.2m	\$4.9m	\$0.0m	\$0.0m	\$11.3m
	Programme Delivery	\$27.2m	\$13.1m	\$13.6m	\$15.4m	\$4.7m	\$0.0m	\$74.0m
<b>Total Programme Costs (excluding contingency)</b>		<b>\$27.6m</b>	<b>\$41.9m</b>	<b>\$83.8m</b>	<b>\$63.7m</b>	<b>\$37.7m</b>	<b>\$25.3m</b>	<b>\$280.0m</b>
Contingency		\$0.0m	\$0.0m	\$0.0m	\$0.0m	\$20.0m	\$20.0m	\$40.0m
<b>Total Programme Costs (including contingency)</b>		<b>\$27.6m</b>	<b>\$41.9m</b>	<b>\$83.8m</b>	<b>\$63.7m</b>	<b>\$57.7m</b>	<b>\$45.3m</b>	<b>\$320.0m</b>

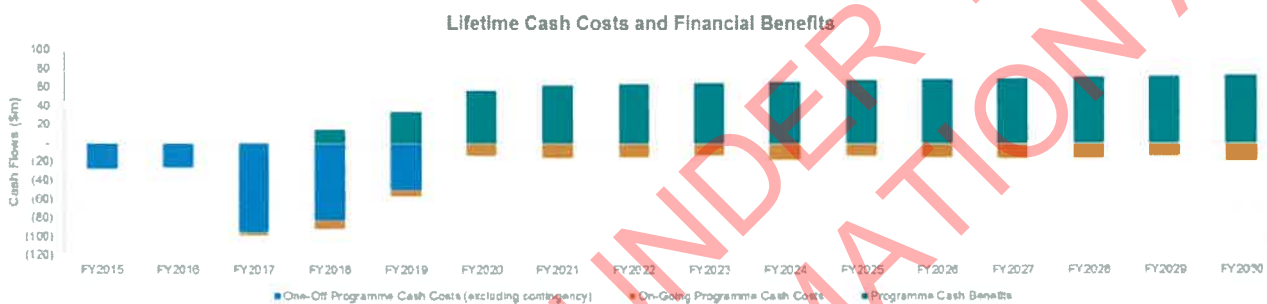
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## 2. Financial and Benefits Case Update - November 2016 (excerpts)

### Programme Cash Costs and Benefits

The majority of implementation costs occur in the early years of the Transformation Programme. FY 2017 costs amount to \$91.1 million for the year, of which, resourcing costs make up over 73% of FY2017 costs at \$66.7 million. This is attributed to a large proportion of projects being underway in FY2017 and the expectation that the majority of projects will be completed in FY2018 and FY2019.

Over the course of the Transformation Programme (FY2015 – FY2020) is an overall net cash benefit of over \$347 million will be delivered.



### Timing of costs

There are two categories of costs affecting the programme NPV: implementation costs and on-going costs.

Total implementation costs remain the same at \$280 million, however the timing and distribution of these costs has changed. This has resulted in a negative impact of ~\$1 million on the programme NPV.

In the November 2015 Business Case implementation costs were expected to be substantially higher in FY2016 at \$41.9million. Transformation Partner work did not commence work until April, and hence a delay in starting a number of projects, actual costs are much lower in FY2016 (\$25.1 million). This has delayed costs resulting in higher forecasts for FY2017, FY2018 and FY2019.

The November 2015 business case assumed \$25.3 million of implementation expenditure for FY2020. This contrasts to the November 2016 Business Case where it has been assumed

that implementation will be completed by June 2019 resulting in no planned implementation costs for FY2020.

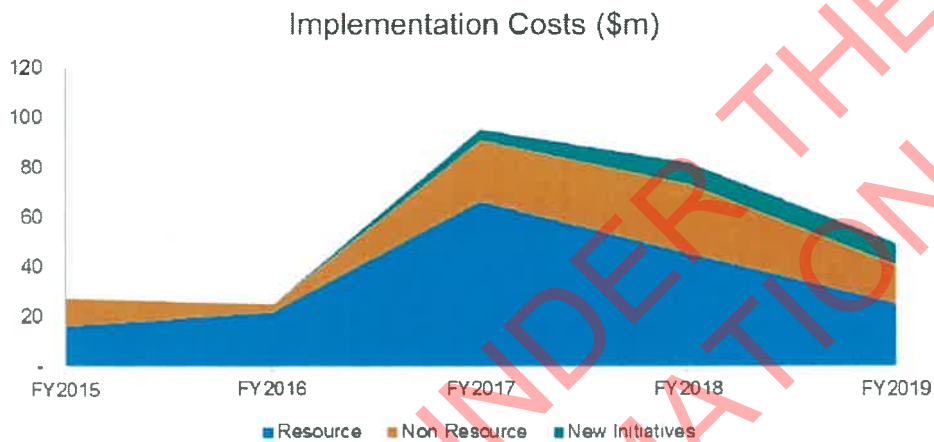
The timing and quantity of on-going costs remains the same at \$176.4 million.



## Costs and Cost Methods (Implementation Costs)

### Cost Profile

The Programme's one-off cost profile is similar to the November 2015 Business Case. Costs ramp up quickly in line with the mobilisation across multiple projects, and then reduce as initiatives deliver. Due to delays in the commencement of projects, the timing of implementation costs has changed. As a result, costs do not ramp up as quickly in FY2016, and are higher than expected in the remaining years of implementation.



Resource costs, at \$176 million, represent 63% of the total programme costs and consist of a mix of PwC, ACC, Tenzing and other external vendors and suppliers.

Implementation Costs (\$m)	FY2015	FY2016	FY2017	FY2018	FY2019	Total
Resource	16.2	22.1	66.7	45.7	25.4	176.1
Non Resource	11.4	3.0	24.4	27.8	15.3	81.9
<b>Total</b>	<b>27.6</b>	<b>25.1</b>	<b>91.1</b>	<b>73.5</b>	<b>40.7</b>	<b>268.0</b>
New Initiatives	-	-	4.4	8.8	8.8	22.0
<b>Total Implementation Costs</b>	<b>27.6</b>	<b>25.1</b>	<b>95.5</b>	<b>82.3</b>	<b>49.5</b>	<b>280.0</b>

### Cost Variance from the November 2015 Business Case

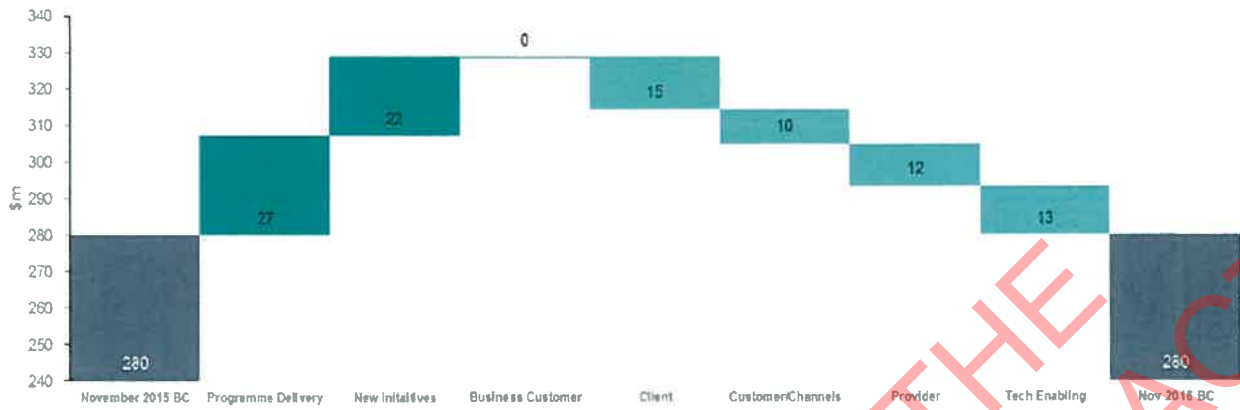
While the total Transformation Programme one-off costs are the same as those presented in the November 2015 Business Case, the composition of these costs has changed. These changes reflect the greater specificity of timing and scope achieved as the programme progresses.

The majority of these changes have resulted from:

- The creation of new workstreams.
- The redistribution of funds, initiatives and related projects to these workstreams.
- Removing/creating new initiatives.

The variances between the November 2015 Business Case are highlighted in the following graph:

### One-Off Programme Cost Variances



Nov 16	Programme Delivery	Other	Business Customer	Client	Customer/Channels	Provider	Tech Enabling	Total
Actual	54.9	-	7.3	4.7	6.3	0.9	2.5	76.5
Remaining	48.0	22.0	41.4	43.9	21.3	25.5	1.5	203.5
Total	102.8	22.0	48.7	48.6	27.6	26.4	4.0	280.0
Nov 15	75.6	-	49.1	63.2	37.1	38.0	17.0	280.0
Variance	27.2	22.0	(0.4)	(14.6)	(9.5)	(11.6)	(13.0)	(0.0)

NB: Actual = As at 1 November 2016

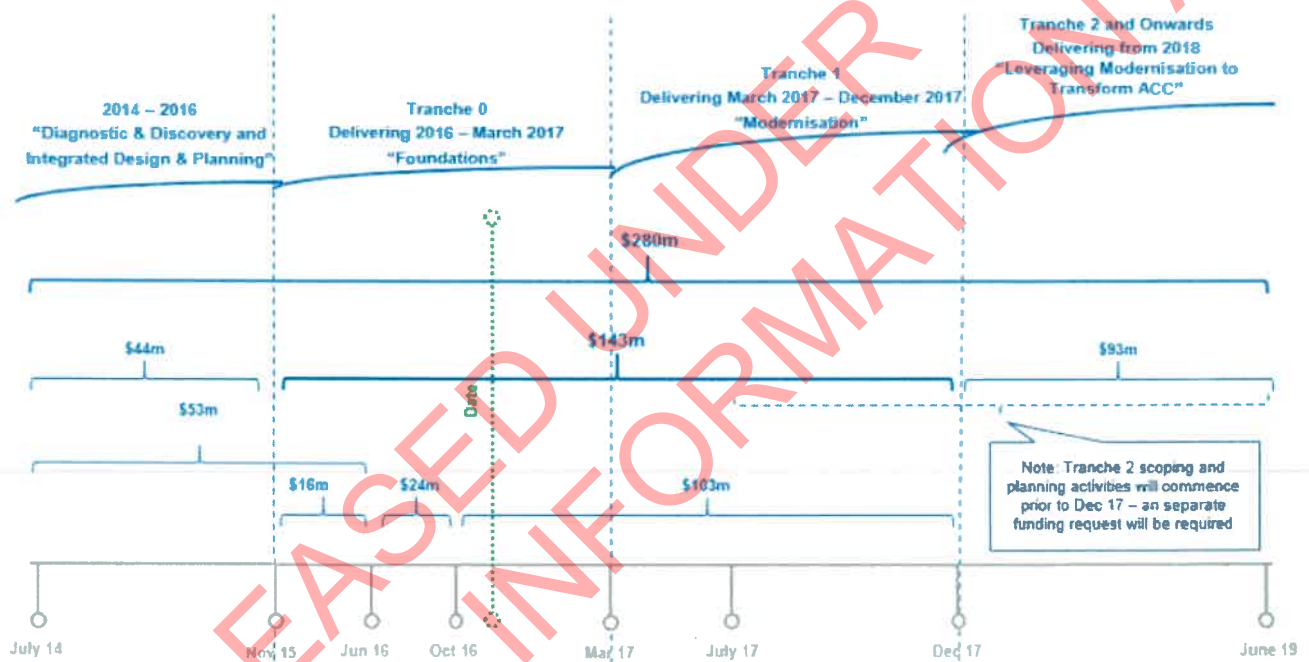
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## Funding Drawdown

The proposed funding drawdown reflects the tranche approach to the Transformation Programme delivery. Initial expenditure required to proceed with Tranche One (FY2016 – FY2018) remains the same at \$143 million.

The Transformation Programme will work within the approved delegation framework. Individual business cases will be submitted for each initiative within the Programme following the ACC project management methodology.

A separate Tranche Two funding request will be presented to the Board when Tranche One is near completion.



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### **3. Briefing Paper: Shaping Our Future - 17 November 2017 (excerpts)**

12 Back in November 2015 the ACC Board approved a total funding envelope of \$280 million, with an additional Board-managed contingency fund of \$40 million. As at September 2017, we have spent \$177 million of this amount. We expect that after delivery of the new Policy and Levy Management System in February 2018, a total funding of \$106.6 million (\$93 million funding plus \$13.6 million unspent contingency) will be available as a contribution to the initiatives in the roadmap.

62 In November 2015 the ACC Board approved a total funding envelope of \$280 million, with an additional Board-managed contingency fund of \$40 million. As at September 2017, we have spent \$177.3 million of this amount.

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#### 4. Shaping Our Future - letter from Board Chair - 2 February 2018 (excerpt)

As illustrated in Figure 1, before the Transformation Programme began, ACC historically spent between \$55 million and \$75 million a year on change initiatives and maintaining existing technology (including software licenses).

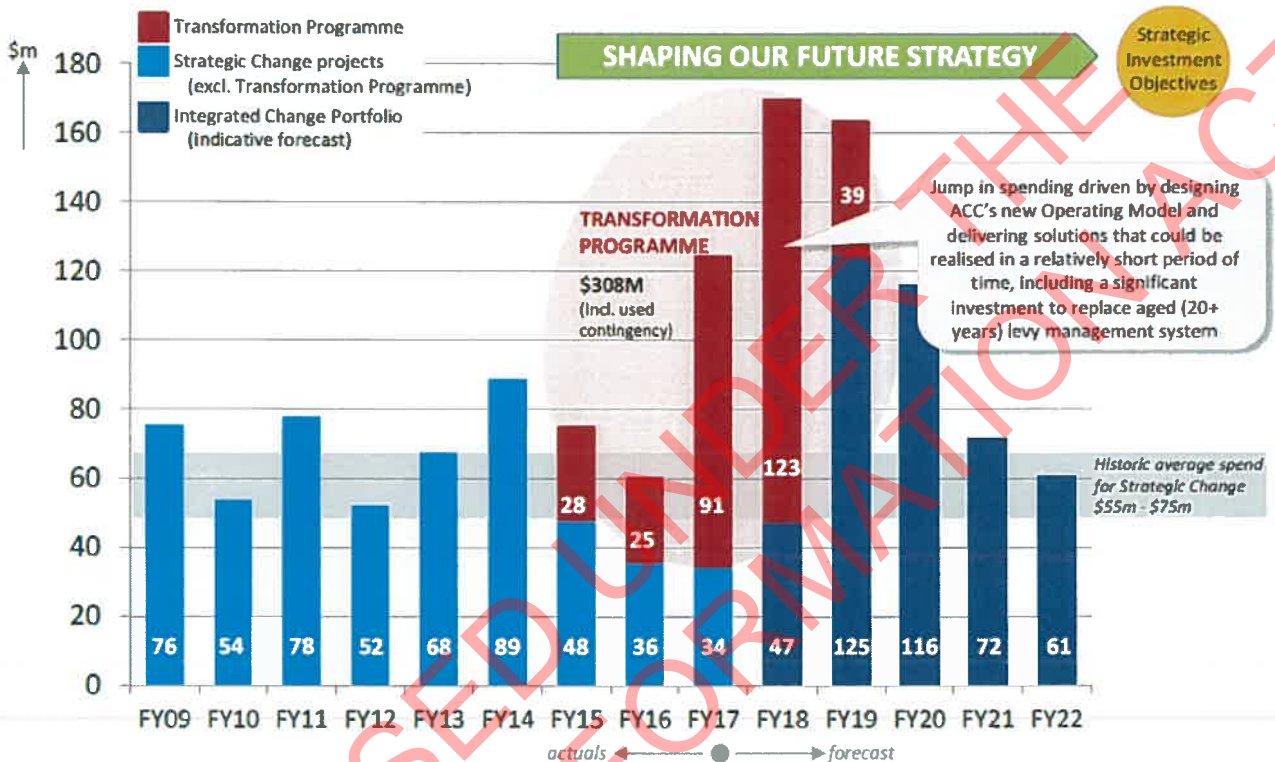


Figure 1 – ACC's historic spend on change initiatives. Note that forecast information is still subject to upcoming Board review of business cases and the 2018/19 Budget.

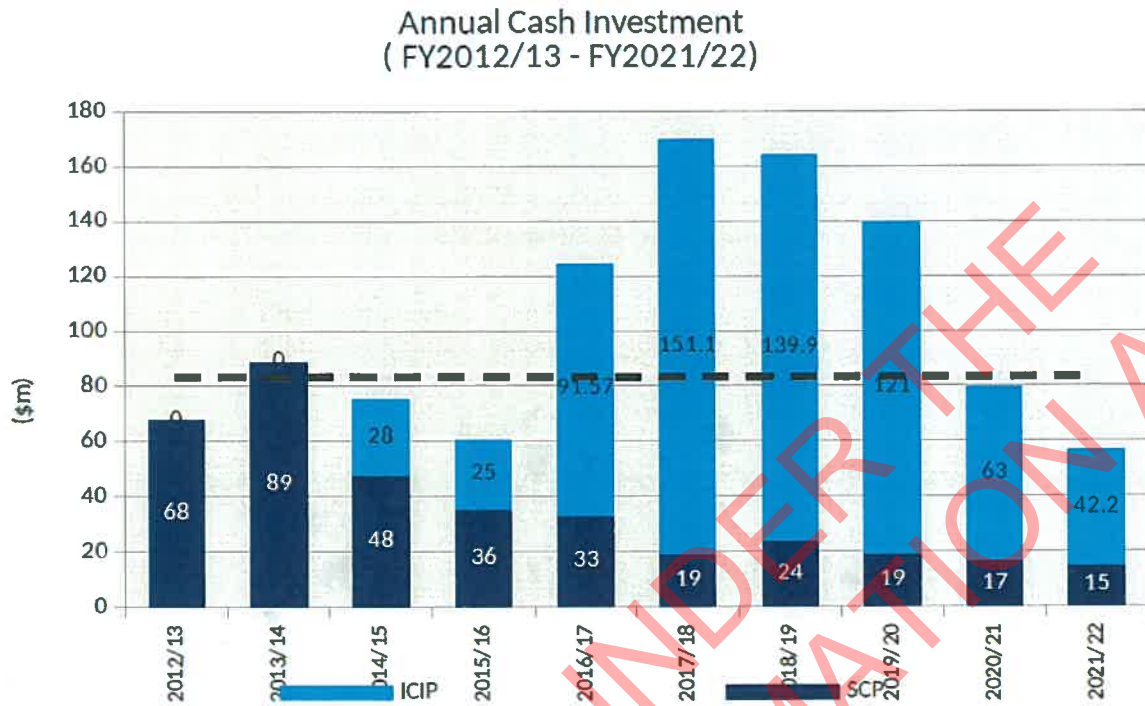
## **5. Accident Compensation Corporation Service Transformation Progress - 22 June 2018 (excerpts)**

- 3 In 2014, ACC launched the Shaping Our Future strategy in response to engagement carried out with 5,500 New Zealanders (clients, providers, businesses, stakeholders and ACC employees). The Strategy puts the customer at the heart of everything ACC does, and aims to create a transparent, modern and efficient organisation that improves health outcomes for New Zealanders.
- 4 In 2015, the ACC Board established the Transformation Programme to deliver the necessary large-scale organisational change required to support the Strategy. There is still a lot of work to do and ACC has learned important lessons along the way, prompting a change in the way the programme is governed; however, delivery is progressing well. So far ACC has:
  - Introduced a new, shorter weekly compensation process for clients that reduces the timeframes from accident to first weekly compensation payment, and allows the client to focus on their recovery rather than how to access their entitlements;
  - Launched a new levy collection and management system (Juno) which provides business customers and employers with critical choice and flexibility over how they interact with ACC and make their levy payments; and
  - Delivered online services for business customers (MyACC for Business) and an early version of the equivalent service for clients (MyACC).
- 5 The Transformation business case was approved by the ACC Board in November 2015 and Cabinet noted this in February 2016. Cabinet reviewed progress in March 2017 with the intent to have more frequent engagement with ACC on the programme [CAB-17-MIN-0118]. This paper provides the latest report back on progress, and discusses recent Board changes to governance of the portfolio.
- 6 In April, the ACC Board agreed a new approach to managing Shaping Our Future delivery. The intent and direction of the Strategy remain the same – putting the customer at the heart of ACC's business. However, to better give effect to the Strategy, other critical organisational change initiatives have been included within a broader Integrated Change Investment Portfolio (ICIP).
- 7 Taking this portfolio approach provides a single view of the change across ACC and a single point of reference for Ministers, the Board and stakeholders on progress. While ICIP represents a change in the overall governance framework, business cases for each project will still be subject to individual Board approval and close monitoring as previously. The key benefits of an integrated portfolio are:
  - Greater clarity that the package of initiatives will improve outcomes for New Zealanders;
  - Increased organisational visibility on the direction, pace and sequencing of change, and improved ability to manage the interdependencies between projects;
  - More successful integration of change into the business, increasing the likelihood of impact and reducing risks to delivery;



- Greater ability to respond to unplanned contingencies including cost, complexity or availability of critical expertise, and
  - Improved ability to connect ACC's change effort with other parts of government e.g. Ministries of Health and Social Development and Inland Revenue's transformations, and cross-government digital and analytics priority development.
- 8 ICIP will upgrade ACC's core systems, which are past their useful life, and deliver several new initiatives, to support improved outcomes, operational resilience, and efficiency.
- ICIP will consolidate three of five core systems onto an upgraded claims management system (and upgrade this system), replace the legacy levy system with a new system (Juno) and upgrade the finance platform. This renewed technology platform will be the foundation for the new ways ACC will interact with clients, business customers and providers to improve their experience and outcomes. Table 2 has more information on these changes.
  - Two other key additions to the portfolio will add further focus on client experience and outcomes – a redesign of ACC's case management model (Next Generation Case Management (NGCM)) to improve client recovery and return-to-work rates, and the new Health Services Strategy will improve the way ACC and providers (e.g. primary care, DHBs) work together to support improved client recovery.
- 9 Reflecting the broadened scope, the costs and benefits of the programme have increased. Additionally, ICIP timelines and increased funding contingency have been informed by delivery lessons to date – some early initiatives have proved more complex and costly than anticipated and so been delivered later than originally planned. ACC has learned key lessons about the impact that complex legislation has when building new systems, and the challenges in integrating data systems and the importance of thinking carefully about how data is collected.
- 10 The expected cost of the portfolio (2015-2022) is \$669 million (including \$128 million available contingency) which will be fully funded by ACC reserves and will not require additional government investment or an increase in levies to fund. Of this total, \$294 million has been spent to date, with \$375 million (including contingency) available for the next four years; an average annual spend of \$94 million over the remaining four years of the programme (Appendix 1).
- 36 Historically, ACC spends about \$80 million each year on maintenance of existing IT and other assets. Compared to that, over the four largest years of investment (2016/17-2019/20), ICIP represents an average annual spend of \$150 million. There are four remaining years left in the programme, 2018/19 to 2021/22, and the estimated annual spend over that period is \$94 million.

Appendix 1: ICIP Annual Investment vs. Historical Spend and Incremental Net Cash Flow Profile



In the chart above, SCP refers to ACC's business as usual spend on change (Strategic Change Portfolio) and ICIP represents the spend on transformation to date and forward ICIP estimated costs.

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