

COMMERCIAL-IN-CONFIDENCE



Reference: T2015/1759 DH-44-0

Date: 5 August 2015

To: Minister of Finance (Hon Bill English)

Deadline: None

Aide Memoire: Update on Police HRMIS project

This aide memoire provides an update on NZ Police's Human Resources Management Information System (HRMIS) project. It informs you of emerging resourcing, schedule and cost issues, and the actions underway to address these issues.

Treasury is due to provide Ministers with its Major Projects report by 20 August. In that report we will be changing our monitoring confidence rating for this project from Amber to Amber/Red, i.e.

Successful delivery of the project and/or benefits is in doubt, with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and determine whether resolution is feasible.

Background

Police's current HRMIS, Oracle PeopleSoft, is error-prone and has a high risk of failure. The software is highly customised to meet Police's needs and there are significant manual workarounds to ensure that staff are paid correctly.

As a result, in 2014 Cabinet agreed to Police implementing a new HRMIS within a ten year whole of life project cost of \$56.2 million and with a payroll go-live date of 1 April 2016. The costs of the project are being met from within Police baselines.

Police have contracted a consortium to deliver the new HRMIS, led by PriceWaterhouseCoopers (PwC) and including SAP and Kronos. The project team is in place and co-located in Wellington and the design and build is well underway.

Emerging issues

The corporate centre has been involved in regular monitoring of the progress of the project. As part of this, Police have alerted us to emerging issues with the project's resourcing, schedule and costs.

COMMERCIAL-IN-CONFIDENCE

Resourcing pressure

Despite undertaking due diligence during contract negotiations, the consortium has significantly underestimated the resource required to deliver the project, particularly the Police resource that they need to call on. As at the end of July, the estimated project costs for the three year implementation period (2014/15 to 2016/17) have increased from \$34.6 million to \$44.7 million, a 29% increase.

Under the contract with the consortium, we would expect these increased costs to be met by the consortium. Police are working with the consortium to validate the estimated costs and clarify how these will be met.

Schedule risk

The Police HRMIS is a complex project from a technical and a change perspective. The project schedule builds in time for appropriate testing ahead of go-live (including system integration testing, end-to-end testing, user acceptance testing and parallel payroll testing). However there is now little schedule contingency left to allow for risks materialising during the testing process. In our opinion, the implementation timeframe will be challenging to meet, given the lack of schedule contingency.

If the 1 April 2016 go-live date were to slip, the implications would be largely financial – the project's burn rate would be around \$2 million per month at that point. An extended support contract is in place with Oracle for PeopleSoft until May 2016, and an option for further extension exists if required. Our general advice would be to ensure the accuracy of the payroll solution prior to go-live and that testing should not be compromised in order to meet the planned go-live date of 1 April 2016.

Project reviews

In light of these emerging issues, Police asked PwC to undertake an independent assurance review of the HRMIS project to provide a health check of the project. PwC delivered a draft report to Police on 24 July, and a final report is expected to be issued shortly. This will provide us with greater clarity on how confident we should be around budget and schedule, which will help to determine next steps.

In addition, Police have initiated an Independent Quality Assurance project review for HRMIS from IQANZ, with a draft report due in mid-August. The HRMIS project is also scheduled for another Gateway review in September.

Reporting to Ministers

Police have been reporting regularly to the Minister of Police on the HRMIS project, and he is aware of the issues discussed above, including the PwC assurance review.

Police expect to report to Cabinet shortly, alerting them to the likely increased overall project costs and seeking agreement to increase budget limits for the project. How any increase is funded is the subject of discussions with the consortium mentioned above.

COMMERCIAL-IN-CONFIDENCE

As part of this report, Police expect to give an updated picture of their benefits schedule. Initial indications are that benefits could be greater than set out in earlier business cases.

Comment

Police's senior management is taking appropriate steps to respond to these issues. They have been open and direct in dealing with Treasury and others throughout this process. While we await the final PwC assurance report and the outcome of Police's discussions with PwC about resourcing, at this point we consider that Police is taking appropriate steps, including ensuring that mitigation and contingency plans are in place.

We will continue to monitor the HRMIS project closely and report to you on any material developments.

Alex Harrington, Senior Analyst, Justice & Security, 04 890 7239

Mel Wallwork, Senior Advisor, Investment Management & Asset Performance,
04 917 6301

Fiona Whiteridge, Manager, Justice & Security, 04-917 6304

RELEASED UNDER
OFFICIAL INFORMATION ACT

COMMERCIAL-IN-CONFIDENCE



Reference: T2015/2201

DH-44-0

Date: 21 September 2015

To: Minister of Finance (Hon Bill English)

Deadline: None

Aide Memoire: Update on Police HRMIS project

This aide memoire provides an update on NZ Police's Human Resources Management Information System (HRMIS) project. It follows an earlier update on 5 August (T2015/1759 refers), in which we informed you of emerging resourcing, schedule and cost issues. It is now likely that the payroll go-live date of 1 April 2016 will slip, though by how much is still to be confirmed.

Background

Police's current HRMIS, Oracle PeopleSoft, is error-prone and at high risk of failure. In 2014 Cabinet agreed to Police implementing a new HRMIS within a ten year whole of life project cost of \$56.2 million. The project costs are being met from Police baselines. Police have contracted a consortium to deliver the new HRMIS, led by PriceWaterhouseCoopers (PwC) and including SAP and Kronos. The project team is in place and the design and build is well underway.

In July, Police alerted us to emerging issues with resourcing, schedule and costs:

- The consortium has significantly underestimated the resource required to deliver the project, particularly the Police resource that they need to call on. At the end of July, the estimated project costs for the three year implementation period (2014/15 to 2016/17) had increased from \$34.6 million to \$44.7 million.
- While the project schedule built in time for appropriate testing ahead of go-live, there was little schedule contingency left to allow for risks materialising during testing. If the go-live date were to slip, this would increase the project cost further – the project's burn rate would be around \$2 million per month at that point.

Recent developments

There have been a number of developments in recent weeks. Police are keeping the Minister of Police informed through weekly meetings. We will continue to inform you of material developments.

COMMERCIAL-IN-CONFIDENCE

In light of the issues above, Police had asked PwC to undertake a short assurance review. This was delivered on 12 August. It said, amongst other things:

... there are no fundamental delivery issues at this point to suggest that the go live date is unachievable. There are, however, some significant risks that do pose a threat to achieving the go-live date. If they materialise, there is little or no schedule or financial contingency. ... Police should consider timeline, resource and budget contingency.

A technical Independent Quality Assurance review by IQANZ was also completed in August. That review echoed points raised in the PwC review, and also recommended changes to improve project governance. Police are implementing changes in response to these recommendations.

Police and the consortium have validated the increase in project costs discussed above. Commercial discussions over who will meet these costs are ongoing. Under the contract, we would expect the consortium to meet these increased costs. If any of the costs were to fall to Police, we would expect these to be met from within baselines.

Importantly, in the last week the consortium and project team have acknowledged that the project will not be able to meet the scheduled payroll go-live date. Police have asked the consortium and the project team for a specific recommended revised go-live date (1 June, 1 July, etc.), supported by a revised schedule that all parties agree is deliverable. This recommendation and schedule are expected within two weeks.

The consortium continues to make good progress in terms of the project build. However, as is expected for a project of this complexity, they continue to encounter technical issues with testing and configuration.

Given the importance of Police's payroll function, Police are ensuring that mitigation and contingency plans are in place. This includes investigating project off-ramps.

In our view, the actions that Police are taking to manage the situation are appropriate.

Next steps

Police and the consortium will continue to urgently develop an agreed revised schedule and revised payroll go-live date. Commercial discussions over liability for the increase in budget will continue.

Once Police have a clear view of the revised schedule and costs, the Minister of Police will report to Cabinet with an update on developments, a demonstration of the impact on the project's business case, and seeking agreement to increase the project budget.

Alex Harrington, Senior Analyst, Justice & Security, 890 7239
Lisa King, Senior Advisor, Investment Management & Asset Performance, 890 7410
Gwen Rashbrooke, Acting Manager, Justice & Security, 917 6239

IN-CONFIDENCE



Treasury Report: Additional Information on the Major Projects Performance Report, March to June 2015

Date:	22 September 2015	Report No.:	T2015/2165
		File Number:	ST-4-8-2-3-16

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Note the information in this report regarding the Major Projects Performance Report, March to June 2015. Not Relevant to Request	Friday 25 September 2015

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
s9(2)(g)(i)	Data Analyst	s9(2)(g)(i)	N/A (mob) ✓
Jason Webber	Manager	04 917 6203 (wk)	s9(2)(a)

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury:3298967v1

IN-CONFIDENCE

IN-CONFIDENCE

**Treasury Report: Additional Information on the Major Projects
Performance Report, March to June 2015**

Executive Summary

The purpose of this report is to respond to your requests for further information on the *Major Projects' Performance Report, March – June 2015*.

Not Relevant to Request



Recommended Action

We recommend that you:

- a note the information in this report regarding the *Major Projects Performance Report, March – June 2015*, and
- b Not Relevant to Request

Jason Webber
Manager

Hon Bill English
Minister of Finance

[Pages 3 & 4 not relevant to
request]

¹ For this report, the word project should be interpreted to mean project or programme.

IN-CONFIDENCE

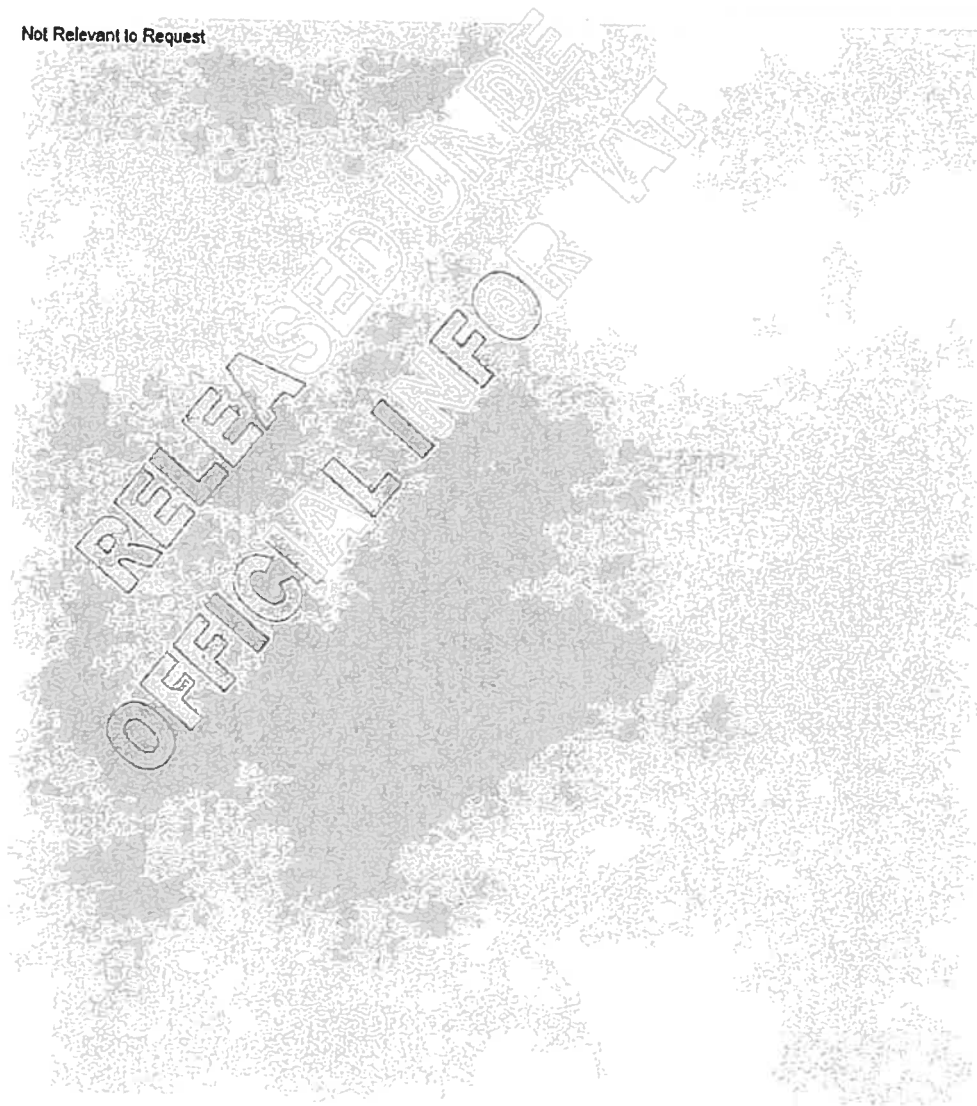
IN-CONFIDENCE

17. Not Relevant to Request

POLICE HRMIS Project

18. You asked who will pay the extra costs of Police's HRMIS project. Police are in ongoing discussions with the consortium to clarify the actual increase in costs and who will meet them. Police intend that the consortium will meet any increase in costs, meaning no increase in costs for the Crown, though we cannot rule out this possibility. If there are increases in costs for the Crown, Police will look to meet these within baselines, which is how the whole project is being funded.

Not Relevant to Request



COMMERCIAL-IN-CONFIDENCE

Reference: T2015/2580 DH-44-0

Date: 6 November 2015

To: Minister of Finance (Hon Bill English)

Deadline: None



Aide Memoire: Update on Police HRMIS project

This aide memoire provides an update on NZ Police's Human Resources Management Information System (HRMIS) project. It follows our aide memoire on 21 September (T2015/2201 refers), in which we updated you on resourcing, schedule and cost issues, and informed you of a likely slip in the 1 April 2016 go-live date. Police have now agreed in principle to a revised go-live date of 6 June 2016, subject to the satisfactory conclusion of commercial discussions over the increased costs.

Background

Police's current HRMIS, Oracle PeopleSoft, is error-prone and at risk of failure. In 2014 Cabinet agreed to Police implementing a new HRMIS within a ten year whole of life project cost of \$56.2 million, with the project costs being met from Police baselines. Police have contracted a consortium, led by PriceWaterhouseCoopers (PwC), to deliver the new HRMIS.

In July, Police alerted us to issues with resourcing, schedule and costs. At that time the estimated project costs for the implementation period (2014/15 to 2016/17) had increased from \$34.6 million to \$44.7 million, and there was little contingency remaining in the project schedule to allow for risks materialising during testing. As a result, Police and the consortium have been reviewing the project's governance, schedule, resourcing and budget, with assistance from Independent Quality Assurance New Zealand (IQANZ) and central agencies.

Recent developments

The consortium and the project team have gone through a detailed replanning process to develop a revised schedule, with a new recommended go-live date of 6 June 2016. The schedule has been reviewed by IQANZ, who consider it to be achievable. That said, a quantitative risk assessment undertaken by Police judged a go-live date of 6 June to be optimistic, with a date of 11 August the most likely scenario.

COMMERCIAL-IN-CONFIDENCE

A number of factors will need to work in the project's favour to achieve a 6 June go-live date, including:

- Testing progressing to plan;
- Police's data being of sufficient quality, and any data quality issues that arise being resolved in a timely manner;
- Determining an effective solution to an issue with around 500 staff who are currently paid incorrectly;
- Effective management of relationships within the consortium; and
- Police's human resources team being ready to implement the new solution.

Moving the go-live date out by two months to 6 June would mean a further increase in project costs. While revised cost estimates for the implementation period are yet to be finalised, a burn rate of around \$2 million per month would suggest they may increase to around \$48 million.

Commercial discussions over the increased costs of the project are well advanced, with a likely outcome being PwC and Police each meeting a share of the costs. Any increase in costs for Police would be met from within existing baselines.

The project's Executive Steering Committee met on 3 November, and they agreed in principle to accept the revised schedule and go-live date of 6 June, subject to satisfactory conclusion of the commercial discussions.

Progress continues to be made on the project itself, with the team achieving milestones against the proposed new schedule and delivering high quality product.

Our views

While it has taken some time, Police and the consortium are making good progress to resolve the issues with the schedule, resources and budget. Discussions have been constructive and working relationships within the project team have been preserved.

Moving the go-live date is an appropriate step to take. A date of 6 June will be challenging to achieve, and it may end up needing to be slipped further, but this will become clearer as testing progresses. Delivery of a quality payroll solution needs to be the primary focus.

Police and the consortium are having the right commercial discussions. Police have assured us that they will be able to manage a one-off increase in project costs from within their existing baseline.

COMMERCIAL-IN-CONFIDENCE

Next steps

Once Police and the consortium have concluded their commercial discussions over the increased costs of the project, the project's Executive Steering Committee will need to confirm their decision to accept the revised schedule and go-live date of 6 June.

Once that has happened, the Minister of Police will report to Cabinet with an update on developments, a demonstration of the impact on the project's business case, and seeking agreement to increase the project budget.

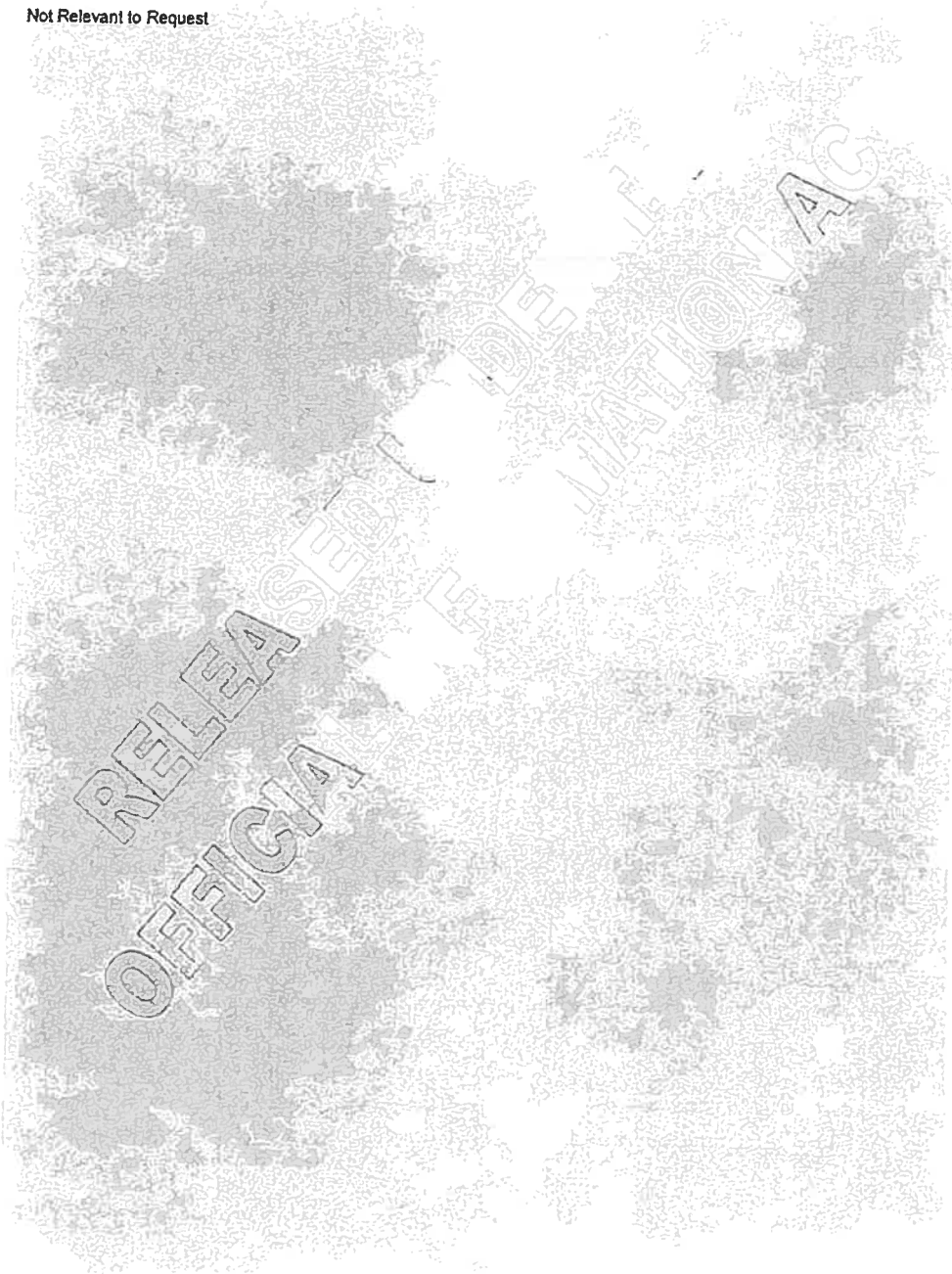
We will continue to closely monitor the project and report to you on material developments.

Alex Harrington, Senior Analyst, Justice & Security, 890 7239
Lisa King, Senior Advisor, Investment Management & Asset Performance, 890 7410
Gwen Rashbrooke, Acting Manager, Justice & Security, 917 6239

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

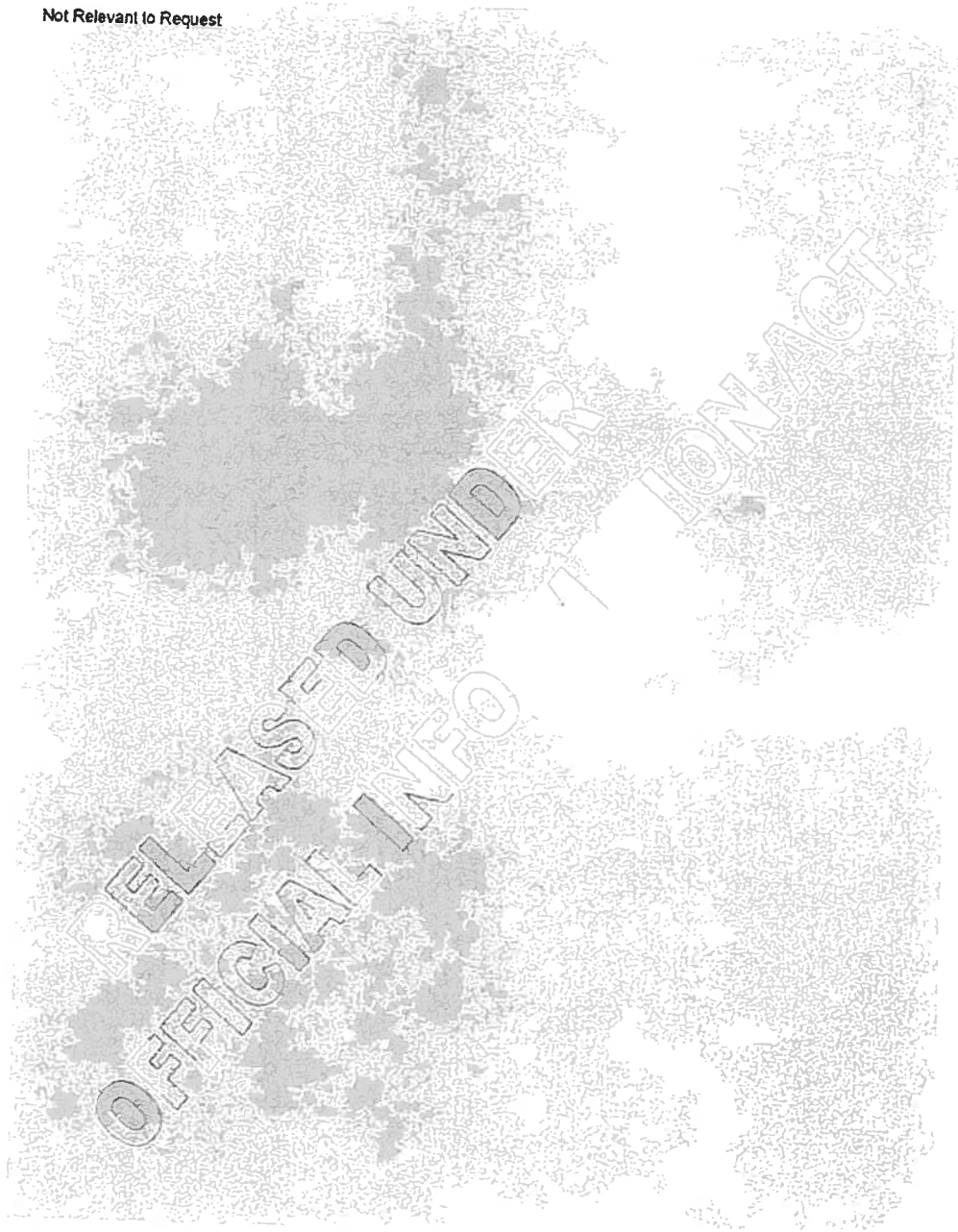
Questions and Answers
Managing Government Investment Projects – 2014/15

Not Relevant to Request



[Pages 2 - 4 not relevant to request]

Not Relevant to Request



17. Is the Police payroll system going to be “another Novopay”?

- No. Unlike the Novopay project, the Police have no deadline to move from their existing system, and will not “go live” with the new system until they are confident it will work as intended.

- The Police have invited a representative from the Ministry of Defence/New Zealand Defence Force payroll project (case studied in this report) to sit on their governance group, so they can benefit from that successful implementation.

s9(2)(f)

OVER THE
ON ACT

IN-CONFIDENCE

Police Human Resources Management Information System Project – Report Back

Responsible Person: Gwen Rashbrooke, Acting Manager, Justice & Security, 917-6239

First Contact Person: Alex Harrington, Senior Analyst, Justice & Security, 890-7239

Purpose

1. This paper provides an update on progress with NZ Police's Human Resources Management Information System (HRMIS) project, and seeks agreement to an increase in the project's budget, to be met from within existing baselines.

Comment

Background

2. Police's current HRMIS, Oracle PeopleSoft, is error-prone and at risk of failure. The software is highly customised to meet Police's needs but requires significant manual workarounds to ensure that staff are paid correctly.
3. In 2014 Cabinet agreed to Police implementing a new HRMIS within a ten year whole of life project cost of up to \$56.2 million, with the project costs being met from Police baselines. Police contracted a consortium, led by PriceWaterhouseCoopers (PwC), to deliver the new HRMIS. The project was targeting a go-live date of 1 April 2016.

Emerging issues and response

4. In July 2015, Police alerted us to issues with resourcing, schedule and costs. These stemmed in part from the consortium underestimating the resource required to deliver the project (including Police resource), and in part from technical challenges relating to the design and integration of core system components.
5. As a result, Police and the consortium have reviewed the project's governance, schedule, resourcing and budget, with assistance from Independent Quality Assurance New Zealand (IQANZ), the Treasury and the Government Chief Information Officer (GCIO).
6. On 2 February 2016 the HRMIS Executive Steering Committee agreed to revise the project's delivery schedule. The project is now working to a go-live date of 4 July 2016. The project will incorporate 10 weeks of contingency beyond that date to address any unforeseen issues that may emerge from remaining testing phases. As a result, Police are confident that they can achieve a go-live date of no later than September 2016.
7. The cost of the project has increased as a result of the issues above. The estimated cost of the phase one implementation period (2014/15 to 2015/16) has increased by \$11 million to \$41.6 million, and the whole-of-life cost over ten years is now estimated as being up to \$64 million, which is above the amount originally approved by Cabinet. Accordingly Police seek agreement to an increase in the project's cost.
8. Police and PwC have a commercial arrangement around cost-sharing for additional costs arising from project delay. To the extent that costs fall to Police through this arrangement, Police have committed to meet these from within existing baselines.

IN-CONFIDENCE

Our views

9. The following Treasury/GCIO comment has been included in the paper:

The Treasury has been involved in regular monitoring of the progress of the HRMIS project and the GCIO has been providing assurance guidance. Police has engaged openly and constructively throughout the process.

The Treasury and the GCIO support Police's decision to proceed with the HRMIS project with a revised schedule, go-live date and budget. PeopleSoft needs to be replaced: is at the end of its useful life, is error-prone and requires significant manual workarounds to ensure that staff are paid correctly. The Police HRMIS is a complex project with a number of design challenges. Accordingly it has not been surprising that Police have encountered difficulties in the course of the project. In the face of these difficulties, the Treasury and GCIO consider that Police are right to focus on achieving a quality solution rather than compromising project scope and/or increasing delivery risk.

The GCIO are satisfied that the HRMIS Executive Steering Committee is being provided with well-considered and timely reporting from its independent assurance provider and that project risks are being managed proactively and effectively. We note that Police has effective governance in place to manage these risks.

The Treasury and the GCIO will continue to actively work with the project and report to Ministers as required.

Treasury Recommendation

10. We recommend that you support the recommendations in this paper.

The following table goes into the Executive Summary of the paper

Title	Pg	Recommend	Fiscal Implications (\$m GST excl.)					Treasury Comment
			15/16	16/17	17/18	18/19	Out years	
Police Human Resources Management Information System Project – Report Back		Support	<i>Operating</i>					The project has had issues with resourcing, schedule and cost. We support Police's decision to revise the schedule and go-live date and to increase the budget (to be met from existing baselines). Their payroll system needs to be replaced and they must ensure a quality solution rather than compromising scope or increasing delivery risk.
			-	-	-	-	-	
			<i>Capital</i>					
			-	-	-	-	-	

IN-CONFIDENCE



Treasury Report: Major Projects Performance Report November 2015 - February 2016

Date:	24 March 2016	Report No:	T2016/390
		File Number:	ST-4-8-2-3-18

Action Sought

Action Sought	Deadline
Not Relevant to Request	

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
s9(2)(g)(i)	Analyst	s9(2)(g)(i)	N/A ✓
Jason Webber	Manager, IMAP	04 917 6203 (wk)	s9(2)(a)

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury and Lodge the attached Cabinet paper by 31 March.

Note any feedback on the quality of the report

Enclosure: Yes Cab 100 Major Projects Performance Report November 2015 - February 2016 (Treasury:3419084v1)
Major Projects Performance Report Nov 15 - Feb 16 (Treasury:3419461v1)

{Pages 2 - not relevant to request}

Treasury: 3398796

IN-CONFIDENCE

IN-CONFIDENCE

30. The panel identified seven projects that have low monitoring delivery confidence and require particular scrutiny, which are summarised in the table below:

Projects receiving increased monitoring attention over the next reporting period

Lead agency	Project name	Areas of focus
Not Relevant to Request		

New Zealand Police	Human Resource Management Information System project	<ul style="list-style-type: none">• Commercial position• Schedule
--------------------	--	--

Not Relevant to Request

[Page 6 not relevant to request]