

Appendix 5: Alignment to Cabinet Circular CO (19) 6

Overview and alignment of Cabinet Circular CO (19) 6 to the Data and Digital investment models.

Purpose of briefing

1. This briefing provides an overview of how the proposed Ministry of Health Data and Digital investment framework and governance framework ('investment models') align to the Investment Management and Asset Performance in the State Services Cabinet Circular ('the Circular'). The investment models will be used for all digital investment prioritisation and decision making and have been used specifically to support the draw-down of funds for HIRA and Digital and Data Infrastructure and Capability Uplift Budget bid.

Executive Summary

2. The proposed model for digital investment closely aligns to the requirements and expectations of the Circular. This alignment provides confidence that the proposed investment models will maximise the value delivered to all New Zealanders, in line with the Circular objectives.
3. The objectives of the Circular centre on optimising the value of investments, data driven decision making, and enabling prioritisation and coordination of investments in line with long term priorities. These objectives are clearly enabled by the principles and objectives which underpin the investment models. Specifically, the investment framework enables these objectives by setting a standardised process to prioritise initiatives based on their alignment to the collective vision, priorities, and future ways of working. Supporting governance structures enable the Circular objectives by assuring value is delivered across the digital portfolio and embedding data-driven decision making.
4. The Circular defines investment lifecycle phases (thinking, planning, doing, and reviewing) to support investment management and decision making, noting that lifecycle phases do not have to be sequential. The Circular investment lifecycle phases broadly align with the initiative journey defined within the investment models. One area where alignment could be strengthened is in the planning phase. The investment models propose that detailed planning for delivery should occur after initiatives are prioritised and approved to reduce time and effort pre-delivery.
5. The Circular sets the roles and approval thresholds for Cabinet, Ministers, Treasury, Department Chief Executives ('DCE') and other related parties. The investment models align with the role requirements by specifying the roles of these actors within the governance framework. The investment models also align to the approval thresholds by categorising initiatives, in line with Circular approval thresholds, to determine paths to prioritisation as part of the investment framework. As the investment models are operationalised and confidence in their value is established, the approval thresholds should be reviewed to further enable decision making as close as possible to delivery.

Investment Models

6. The investment models have been established to support investment decisions and delivery across the Digital Portfolio within the Ministry of Health and wider health sector. The investment framework enables potential initiatives to be assessed against key criteria to understand their alignment to the overarching vision, future ways of working, and potential value to the digital portfolio, before progressing to more detailed documentation. The investment framework allows investments to be evaluated and understood in the context of both the broader digital portfolio and other, similar initiatives, enabling decision makers to make prioritisation decisions with confidence.
7. Given the changing health sector landscape, appropriate governance arrangements are a key enabler of successfully operationalising the investment framework. The proposed governance framework centres on

three layers of governance, supported by Portfolio Management and Assurance Groups and Advisory Forums:

- **Digital Portfolio Strategic Oversight Group:** This group is responsible for strategic oversight of alignment to strategic outcomes and digital portfolio balance.
- **Digital Sub-Portfolio Governance Boards:** These boards are responsible for sub-portfolio prioritisation and investment balance, resolving and escalating appropriate risks, issues, and dependencies and holding Initiative Governance accountable for delivery.
- **Delivery Governance:** Responsible for managing initiative decision making and delivery (within thresholds).

Alignment of Investment Models to the Circular

The section below outlines how key sections of the Circular align to the investment models.

Section A: Investment Management System

8. Objectives and expectations (s 11-13):

- 8.1 This section outlines the primary objective of the Circular which is to optimise the value from investments for New Zealanders, and the expectations of agencies to enable this.
- 8.2 The investment models align to the Circular objectives and expectations by enabling a whole of sector approach for more integrated planning, delivery, and review of investments.
- 8.3 For example, s 13.2 requires agencies to work across government to develop, assess, and implement investments. A foundational governance principle is to ensure inclusive representation on governance groups to enhance visibility of the portfolio and direction. As such, proposed governance membership includes wide government stakeholder representation.
- 8.4 In addition, s 13.4 specifies that management practices must reduce risks and improve Ministerial confidence. The governance framework provides assurance of robust and transparent risk mitigation processes and is underpinned by specific principles that align to this requirement. The investment models will also be supported by digital infrastructure that will provide transparency of investment decisions and progress to key stakeholders.
- 8.5 s 13.5 requires informed decision making based on historic, current, and projected performance. The investment framework broadly aligns to this requirement as continuous metrics will be built into the delivery phase to provide visibility throughout and initiative journey. This information would then be available when making future investment decisions. The detail of these metrics will be detailed as the framework is further developed.

9 Investment life cycle (s 14-27):

- 9.1 This section outlines the Circular investment life cycle phases (thinking, planning, doing, and reviewing) and the implications for decision makers. The Circular notes that the investment life cycle phases can be sequential but allows for ongoing iteration and testing.
- 9.2 The investment models largely align to the Circular investment lifecycle. The investment framework fulfils the purpose and requirements of the thinking and planning phases, albeit using a more iterative approach. One area where alignment could be strengthened is in the planning phase. The investment framework proposes that detailed planning for delivery should occur after initiatives are prioritised and approved to reduce time and effort pre-delivery. However, the Circular investment life cycle suggests detailing planning before the prioritisation decision.
- 9.3 The proposed governance framework sits across the whole investment lifecycle, in alignment with the Circular. For example, s 22 requires the testing of the merits of an investment from different perspectives. The investment framework enables this by capturing comprehensive and consistent

information about all potential initiatives, allowing consideration in the context of the entire digital portfolio.

- 9.4 s24 articulates that the key purpose of the delivery phase is to enable success while maintaining control. The proposed governance framework fulfils this purpose by enabling decisions to be made as close as possible to delivery, which is key to continuously delivering value within a rapidly changing health system.

Section B: Roles and expectations of parties in the system

10 Cabinet and Ministers (s 28-34):

10.1 This section of the Circular outlines Cabinet and Ministerial decision rights. Cabinet has decision rights on all investment proposals requiring new Crown funding or that have significant¹ fiscal and policy implications and could affect government's reputation. Annex 1 in the Circular provides the general approval thresholds for investment for both Cabinet and Ministers.

10.2 The investment models align to these approval thresholds and decision rights. For example, the investment models categorise initiatives, in alignment with Circular approval thresholds, to determine paths to prioritisation within the investment framework. This categorisation enables rapid identification of initiatives which require Cabinet or Ministerial approval (significant initiatives). As confidence is built in the investment models and value is delivered at pace, revision of the Circular approval thresholds for investment should be considered to enable decision making closest to delivery and increase speed to value.

11 Departmental Chief Executives (DCE) (s 35-40):

11.1 This section outlines the role of the DCE to create conditions for effective investment and sets out the DCE decision rights and approval thresholds. The investment models align, as noted above, to the approval thresholds in the Circular. As the governance framework is built out, consideration should be given to gaining delegated authority from the DCE to the governance structures.

11.2 The investment models also align by enabling DCE to make effective decisions supported by portfolio-wide visibility of digital investments. s 35 requires delivery of a system-wide view. The investment framework will enable a system-wide view by providing continuous metrics and capturing consistent investment data across the digital portfolio.

12 Treasury (s 43-44):

12.1 This section outlines Treasury's role as a system leader. This includes determining the appropriate level of centrally required assurance activity, Investor Confidence Ratings², and the significance thresholds for investments.

12.2 The investment models support Treasury in this role. For example, s 43.2 requires Treasury to share investment information with agencies. The investment framework, supported by digital portfolio management tools, will support Treasury in this role by providing visibility of initiatives from ideation, through to prioritisation, planning and delivery.

12.3 s 43.8 states that Treasury support determination of whether investments are significant. The investment models will support Treasury in this role by leveraging investment framework data to identify initiatives that are potentially significant through the initiative categorisation process.

Section C: Operational requirements of the system

¹ See Circular section s 28-30 for supporting detail.

² The investor confidence rating is determined by the Treasury based on relevant investment performance information <http://www.treasury.govt.nz/statesector/investmentmanagement/review/icr>

13 Financial management (s 57-60):

13.1 This section outlines financial management requirements, including the need to ensure authority is provided for investment, and additional authority is sought promptly if approved financial authority is likely to be exceeded.

13.2 The investment models align to these requirements by having clear, consistent, and transparent delivery variance and escalation processes embedded in the governance framework. These processes specify the level of authority required for approval and delivery decisions, in alignment with the Circular.

14 Investment planning and reporting (s 61-63):

14.1 This section requires that all agencies have a medium-to-long-term plan and provide high quality information to track performance against this over time.

14.2 The investment models will be further developed to include benefit tracking and monitoring. This will be supported by the governance framework maintaining line of sight and investment framework ensuring alignment to vision and priorities across the sector.

15 Investor Confidence Rating and Reporting (s 64-71):

15.1 This section specifies reporting requirements to Treasury on significant investments, intentions, and performance. These are affected by the Investor Confidence Rating, which provides an objective basis for confidence in an agency's investment performance. The investment model, supported by digital portfolio management tools, will enable this requirement by providing Treasury with more accurate and timely data on investment planning and performance.

16 Procurement (s 78-83):

16.1 This section requires agencies to apply the Government Procurement Rules.³ The investment models enable these requirements to be met through robust processes which ensure consistency across digital investments.

16.2 For example, s 79 emphasises the importance of early engagement with the market and active management of supplier relationships. The delivery principles defined in the investment framework are considered from the planning stage of investment through delivery, and specifically require the strategic use of partners to manage resource and capacity.

17 Assurance (s 84-93):

17.1 This section outlines how agencies must comply with Treasury requirements for significant investments. These include early identification of significant investment and development of business plans according to business case guidance. The investment framework broadly aligns to these requirements by rapidly identifying significant investments and gathering useful data in advance of prioritisation which can inform the development of business cases. The detailed approach to documentation will be developed as part of the operationalisation of the framework, in consultation with Treasury.

17.2 In addition, s 90 requires assurance plans for significant investments. This is articulated within the governance framework – the Initiative Steering Group will develop the assurance plan which will be monitored by the Digital Portfolio Strategic Oversight Group.

³ <https://www.procurement.govt.nz/procurement/principles-charter-and-rules/government-procurement-rules/>

18 Appendix - Overview of the Circular

- 18.2 The Circular sets out Cabinet’s expectations for the management of investments and both physical and intangible assets (s 3). The Circular is relevant to the Ministry of Health, as a departmental agency, and District Health Boards as Crown entities (s 1).
- 18.3 The Circular defines system objectives and expectations. These are designed to enable prioritisation and good stewardship, as each agency fulfils its role to develop and implement investments for New Zealanders, based on good practice with respect to roles, information sharing and risk reduction.
- 18.4 The Circular defines the roles of each party to meet system expectations and objectives, which focus on optimising value for current and future generations of New Zealanders (s 11). The approval thresholds for investments are defined in Annex 1. Significant⁴ investment matters will require Cabinet or Ministerial consideration or approval. If investments are not significant, these may be approved by a Department chief executive (DCE).
- 18.5 Key considerations in determining these thresholds include:
- 18.5.1 **Significance:** significant investments have a high degree of importance or require Cabinet / Ministerial approval, as determined by Treasury (s 43.8)
 - 18.5.2 **Risk level:** Risk Profile Assessment⁵ must be completed by all significant investments, and medium or high-risk risk profiles provided to Treasury (s 86)
 - 18.5.3 **Value level:** based on dimensions of effectiveness, efficiency, sustainability, resilience, and adaptability, as defined in Annex 2 of the Circular
 - 18.5.4 **Investor Confidence Rating**⁶: provides an objective basis for confidence in an agency’s investment performance (s 64), as determined by Treasury (s 43.6)
- 18.6 As system leader, Treasury also oversees and provides guidance, shares investment information, and determines the appropriate level of centrally required assurance activity (s 43).
- 18.7 Agencies are expected to adopt and apply central agency and functional lead assurance guidance for all investments, even if non-significant (s 89). Agencies must also have an overarching medium-to-long-term plan which meets Treasury guidelines and aligns to system expectations (s 38, 61).
- 18.8 The Circular also defines the investment lifecycle as made up of four stages.
- 18.8.1 Within the **thinking** phase, the problem or opportunity for investment must be understood, as well as potential benefits and range of investment responses (s 17).
 - 18.8.2 During the **planning** phase, business case and government budget processes are to be applied. Their purpose is to consider the agency’s capability, opportunities to scale the investment, alternative financing mechanisms and impact on expected value (s 22).
 - 18.8.3 The focus of the **doing** phase is assurance of expected value delivery, including providing decision makers with advice on further actions which may be required to secure this value (s 25). This means agencies must promptly seek additional authority when the approved financial authority is likely to be exceeded (s 58).
 - 18.8.4 Finally, the **reviewing** phase considers the investment portfolio to optimise customer service and asset performance (s 27).

⁴ This refers to investments requiring Cabinet approval including where investment proposals require new Crown funding or have significant fiscal and policy implications (detailed in s 28-30)

⁵ The investment risk profile is determined by the Treasury based on its risk profile assessment framework (RPA). See: <http://www.treasury.govt.nz/statesector/investmentmanagement/think/riskprofile>

⁶ The investor confidence rating is determined by the Treasury based on relevant investment performance information <http://www.treasury.govt.nz/statesector/investmentmanagement/review/icr>