MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

Briefing Note: Investor Confidence Rating steps to get an 'A'

To:	Minister Chris Hipkins		
Date:	8 April	**Priority:**	Low
Security Level:	In Confidence	**METIS No:**	1184322
Drafter:	Ricky Utting	**DDI:**	s 9(2)(a) [redacted]
Key Contact:	Ricky Utting	**DDI:**	
Messaging seen by Communications team:	No	**Round Robin:**	No

Purpose of Report

To outline the effort, resourcing and timeframe it would take to improve the Ministry's Investor Confidence Rating from a 'B' to an 'A'

Note the step-change that would be required to lift the Ministry's investment and asset management maturity from a 'B' to an 'A' ICR rating

Noted

Note the current approach to the improvement plan

Noted

Agree that this Briefing will be proactively released, following Treasury's public release of ratings in June 2019.

Agree / Disagree

Summary

- A step change in investment and asset management would be required to get the Ministry's investment and asset management at a level where it could be considered an 'A' rated agency.
- The Ministry's preference is to make real and lasting improvements as a sound basis for an improved rating, which will require additional capability and resourcing.
- Given resource constraints, an 'A' rating may not be a realistic goal for the next assessment in 3 years time.

Zoe Griffiths
Deputy Secretary
Business Enablement and Support

08/04/2019

Hon Chris Hipkins
Minister of Education

22/5/19

Background

1. All investment intensive agencies, such as the Ministry of Education, are required to undergo an Investor Confidence Rating (ICR) assessment every three years under the Cabinet circular CO(15)5. The ICR is intended to be a rating of the agency's investment management environment, similar in concept to an external credit rating. The Ministry received a preliminary 'B' rating in the latest assessment (scoring 68 with at least 66 required for 'B'), an improvement on the 'C' rating assessment in 2015.

2. Your office has asked for a briefing note on what it would take, and what steps we are taking, to get an 'A'.

3. The Ministry views the ICR rating as an outcome of us being good investment managers rather than being the sole driver for change. In its 2017 ICR outlook indicator letter to the Treasury the Ministry said "The Ministry is supportive of the intentions underpinning the ICR framework and committed to the improvement to maturity and performance that are required to lift the Ministry's ICR to at least a 'B' in accordance with Cabinet's intentions for investment intensive agencies. We see these improvements as part of a broader lift in investment management maturity that extends to all expenditure, not just the investments within scope of the Cabinet Circular CO(15)5."

4. An 'A' rating would bring potential positive implications to the Ministry (see Annex 1).

Step change in investment management and asset performance

5. The change required to move from a 'B' rating is significant. The Ministry would need an additional 13 points above its current score to reach the 81 points to rate an 'A' (we improved 5 points between our 2015 and 2018 assessments). The areas of greatest opportunity to improve are: Benefits delivery performance (8/20); Project, programme and portfolio management maturity (P3M3 9/15); Project delivery performance (6/10) and Quality of the Long Term Investment Plan (6/10).

6. This will require a large maturity lift to move from our current levels. For example:

    a. In the P3M3 assessment we would need to move from looking solely at the Ministry's separate large asset portfolios (School Property and ICT) to assessing the Ministry's overall investment portfolio, and how the asset portfolios fit within it.
    b. In benefits management, cost/benefit analysis would need to become part of all major investment decision making, alongside better assessment of benefit realisation, which will be a significant capability lift over current practice.
    c. The Long Term Investment Plan would need enough certainty of an education policy programme to model the changes being considered in the next ten years and indicate an achievable investment plan.

7. Underpinning any maturity lift will require investment in capability (throughout the organisation), processes, systems (tools) and data. To do this within the Ministry's current departmental funding will be challenging and will need to be considered against other demands for resources.

8. In short, additional departmental resourcing over a number of years will be needed to design and undertake improvement changes. Incremental improvement will continue to be pursued.

Improvement plan

9. Overall there are 185 improvement recommendations for the Ministry from the 9 assessments that makeup the ICR. The Ministry is currently reconciling which of the recommended improvements may be currently being worked on and those yet to be implemented, ahead of a prioritisation discussion on what the Ministry would like to focus on next for improvement.

10. It is three years before the Ministry's next scheduled ICR assessment. At this stage we are looking to make improvements where we think we can get the most enduring benefit, and consolidate where we are going well (e.g. procurement, asset management). In doing so, we expect to improve our current score, but we may not have the resources to enable us to lift to an 'A' rating in time for the next assessment.

Proactive Release

11. We recommend that this Briefing is proactively released as per your expectation that information be released as soon as possible. Any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

12. The release will not happen until after the Treasury have publically released the ICR assessment scorecard on their website, expected in late June 2019.

Annexes

Annex 1: Potential implications of the ICR A rating

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	For departments									
	1	2	3	4	5	6	7	8	9	10
	Spending accumulated depreciation on departmental balance sheet	Authority to make investment decisions on departmental assets	Authority to retain proceeds from departmental asset disposals	Authority to make investment decisions on Crown assets	Level of assistance available for improvement activity	Level of corporate centre support for new Crown funding	Level of CC or monitoring department assurance activity	Level of project, programme, portfolio reporting to and by CC	Assurance requirements	Charges from CC for additional interventions or support
Rating A	No change in management of cash disbursements	Significantly expanded authority for Minister and CE	Supported, subject to agreement on LTIP requirements	Limited assistance	Favourable, subject to merits of investment proposal	Tailored, recognising agency strengths				Unlikely