



IN-CONFIDENCE

4102 Te Riu Kairangi – Tenancy Bond Transformation

Indicative Business Case



Document Control

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Endorsed by

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Governance approvals

The following MBIE Governance groups have endorsed this document:

Name	Decision	Date
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Purpose of the Document

This is a mandatory supporting document for a business case on a medium to high complexity project. This project has been assessed a high complexity.

Each MBIE project must complete a project complexity assessment which is determined by the following factors:

1. Customer Impact
2. Funding required
3. Change Leadership
4. MBIE's Delivery experience from similar projects
5. Project duration
6. Number and availability of resources required for project team
7. Technology complexity
8. Dependencies on other projects
9. Legislative requirements
10. Strategic Alignment
11. Operational Sustainability
12. Impact on Operational staff
13. Business change impact
14. Cross agency collaboration



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1 Executive Summary

1.1 Introduction

The Tenancy Bond Transformation Project has been established to replace the legacy Tenancy Bond ICT system (Bond2000), and the associated bond management operating model, with a modern system that meets customer, service delivery, regulatory, and data needs.

The existing Bond 2000 system is at the end of its usable life and at high risk of failure. It is also not well aligned with increasing customer expectations relating to automation, ease of use, accessibility, and privacy. The new system will enable customers to conduct tenancy bond transactions online with minimal assistance required from the Tenancy Bond Services (TBS) and Service Centre teams. The transformation will ensure that residential tenancy bond transactions – a legislative function – are stable, secure, supported; as well as meeting and improving on our committed service requirements and customer expectations.

The bond service has grown significantly over the years. In 1999, the Trust Account held around \$100 million in bonds (\$152 million in 2019 dollars); by 2010 it had increased to \$305 million (\$351 million in 2019 dollars), and it currently holds over \$750 million in bonds. This is projected to increase to \$1.5 billion in 2029.

There are currently over 460,000 active bonds, and in the 2022/23 financial year to date, TBS lodged a total of \$218 million in bond lodgements and refunded \$205 million in bond refunds. The continued growth of New Zealand's rental market is expected to result in an increase in the number of bond transactions in the future.

The project scope includes:

1. Change management and customer and stakeholder engagement to ensure MBIE users and customers have the knowledge they need to use the new system effectively and make it easy for them to do the right thing.
2. A transition period from the old system to the new as functionality is deployed incrementally.
3. Continuing to stabilise Bond2000 to ensure it remains available until all functions have been replaced.
4. Establishing the ongoing support and continuous improvement operating model for the new system handover to the business.
5. Decommissioning of Bond2000 and associated legacy components once the new system is in place.

1.2 Strategic Case

The main objective of the investment is to provide a new Tenancy Bond ICT system for more effective management of tenancy bonds under the Tenancy Bond Services Strategy approved in 2019. The Tenancy Bond Strategy identified the following principles:

1. The customer and stakeholders are at the centre.
2. We make compliance and interacting with us (as the regulator) easy.
3. It is the tenant's money until determined otherwise.
4. The tenancy bond service is easy to use - whether your situation is simple or complex.
5. We value the role of bond data in supporting the regulatory system.

A significant barrier to implementing this strategy is that the bond service and processing model are limited by the current legacy ICT system, Bond2000. That system carries significant technical and operational risk.

This project is an initiative identified in Budget 2021.

1.3 Economic Case

The following short-listed options have been considered to determine the option most likely to optimise value for money, usability, and supportability of the tenancy bond management system (the preferred option).

1. **Option 0:** Status quo (do nothing).
2. **Option 1:** Upgrade the existing Bond2000 system (do minimum option).
3. **Option 2:** Procure a new tenancy bond system (preferred way forward).
4. **Option 3:** Purchase a Commercial Off The Shelf (COTS) system.
5. **Option 4:** Remove tenancy bonds from the tenancy regulatory system.
6. **Option 5:** Adapt software used in other jurisdictions.

The preferred option (option 2) proposed in this business case is to replace Bond2000 with a new system that allows customers (tenants, landlords and property managers) to complete their bond transactions online without the intervention of MBIE staff wherever possible. This will be built using the Microsoft Power Platform, in alignment with MBIE's enterprise digital strategy.

The options to continue to use Bond2000 (the status quo and do minimum options) are not feasible as the technology is fragile, unsupported and at high risk of failing. Upgrading and like-for-like replacement options were investigated. However, due to the highly customised nature of the technology, it was decided that the most efficient use of resources would be to replace the entire system. Work has been undertaken to stabilise and ring-fence Bond2000 to ensure it can continue until the new system is in place but there are still significant risks. Continuing to use Bond2000 does not allow Tenancy Bond Services to improve customer experience and service delivery, provide the online functionality that our customers expect or extract benefits from bond data.

1.4 Commercial Case

A Request for Information was conducted in October 2021 to identify suitable technology options for a replacement system. This found that there are no products that could be used 'out-of-the-box'. Based on the responses, MBIE Enterprise Architects conducted a technology options analysis and proposed the Microsoft Power Platform. The Microsoft Power Platform is MBIE's strategic approach to 'low code' technology to deliver this sort of functionality.

A Request for Proposals (RFP) was conducted in 2022 and an implementation and delivery supplier has been selected as a result. The final stage of the procurement (the discovery phase) to refine costs and develop a detailed implementation plan was completed mid-February 2023. This phase was successful, and the business case includes the costs and duration proposed by the supplier in their RFP response.

1.5 Financial Case

Funding for this project and for the operational support of the new system was allocated in Budget 2021¹. This identified funding of \$20 million of capital (against the Business, Science, and Innovation Vote) and \$18 million of operating funding (against the Building and Construction Vote) to ensure that the ICT system used to facilitate residential tenancy bond transactions is stable, secure, and well supported. The system replacement will deliver much needed service improvements, improve data quality, and support outcomes across the wider tenancy regulatory system.

The investment required to implement the new system is assessed as achievable within the capital and operating funding allocated within Budget 2021.

1.6 Management Case

A project has been established to manage the sourcing and implementation of the Tenancy Bond Transformation using MBIE's project management methodology which is consistent with industry standard. A steering group is in place along with a Reference group which advises on requirements and scope as needed.

1.7 Next Steps

This business case is seeking formal approval to allow the project to progress with the implementation of the preferred option.

¹ [Wellbeing Budget 2021: Securing Our Recovery \(treasury.govt.nz\)](https://www.treasury.govt.nz/wellbeing-budget-2021).

2 Introduction

The *Ministry of Business, Innovation and Employment* (MBIE) is seeking to replace the extant legacy tenancy bond system (Bond2000) with a modern, fit-for-purpose solution.

This indicative business case seeks approval for the replacement of the Tenancy Bond ICT system, funding for which was allocated in Budget 2021. This will allow MBIE to engage the preferred supplier to progress the detailed design, build, test and deployment of the new tenancy bond system.

The purpose of this indicative business case is to:

1. **confirm** the strategic context and fit of the proposed investment;
2. **confirm** the case for change and the need for investment;
3. **present** a preferred way forward;
4. **present** the strategies and plans that will see the successful delivery of the proposed solution, optimum benefit realisation and return on investment;
5. **enable** decision makers to make informed decisions with respect to providing approval to commit funds; and
6. **seek** approval from MBIE's responsible Minister of this indicative business case.

An Implementation business case will be presented to MBIE's governance forums for approval in August 2023. This will include the detailed plan and costs for the project after the completion of the high level solution design phase with the vendor.

3 Strategic Case - making the case for change

The Strategic Case summarises the strategic context for the investment proposal and makes the robust case for change. It demonstrates alignment of the proposed investment with wider national or sectoral priorities and goals, policy decisions, other multi-agency projects (if relevant) and with the MBIE's strategic intentions.

3.1 Organisational overview

The MBIE Tenancy Services group provides services for customers to lodge and refund bond money and related transactions. The group has responsibility for:

- The administration of the Residential Tenancies Act, Unit Titles Act, and the Healthy Homes Guarantee Act.
- Providing services for resolving disputes, including mediation, and coordinating the Tenancy Tribunal.
- Holding bond monies in trust.
- Monitoring and enforcing compliance with the Residential Tenancies Act, Healthy Homes Guarantee Act, and associated regulations.

There are around 600,000 households in New Zealand that rent and over 450,000 active bonds managed in the current tenancy bond management system with a value of over \$750 million. The system used to administer tenancy bonds (Bond 2000) is at the end of its usable life and at high risk of failure. It is also not well aligned with increasing customer expectations relating to automation, ease of use, accessibility, privacy. An effective and efficient tenancy bond service is critical to a well-functioning regulatory system.

The Tenancy Bond Services Strategy approved in 2019 established the following principles for the replacement bond management system:

- The customer and stakeholders are at the centre.
- We make compliance and interacting with us (as the regulator) easy.
- It is the tenant's money until determined otherwise.
- The tenancy bond service is easy to use - whether your situation is simple or complex.
- We value the role of bond data in supporting the regulatory system.

The extant legacy system presents a significant barrier to implementing this strategy.

3.2 Alignment to strategic intentions

Wellbeing Budget 2021: Securing Our Recovery [Budget 2021]² focussed on improving the living standards of New Zealanders by tackling long-term challenges and ensuring that what matters to New Zealanders drives Government decision-making. Within this context, the Government outlined investments in Budget 2021 to support the long-term wellbeing of New Zealanders including changes to healthy homes standards and Residential Tenancy Act Amendments, as well as allocating:

“\$18 million operating and \$20 million capital funding to ensure that the ICT system used to facilitate residential tenancy bond transactions is stable, secure, and well supported. The system replacement will deliver much needed service improvements, improve data quality, and support outcomes across the wider tenancy regulatory system.”

This seeks to address significant ICT risks to ensure the ICT system used to facilitate residential tenancy bond transactions – a legislative function – is stable, secure, supported, and meets service requirements and customer expectations. System replacement will not only avoid the risk of system failure or compromise but deliver much needed service delivery improvements and improve the quality and availability of data.

The Te Riu Karangi – Tenancy Bond Transformation project will replace the legacy system with a new ICT platform that meets these requirements. Replacing the system will not only avoid the risk of system failure but also deliver much needed service delivery improvements for customers, such as allowing customers to conduct all tenancy bond transactions online (while also allowing for those that do not have digital access) and improving the quality and availability of data from the bond system. Funding of \$17.983 million operating (over the four years from FY21/22 to FY24/25) and \$20 million capital was tagged to the Tenancy Bond ICT System Replacement in Budget 2021 for the final phase of the replacement project - the build, deployment, and ongoing maintenance and support of the replacement system. This was allocated under the Building and Construction Vote (operating) and Business, Science and Innovation Vote (capital).

The replacement of the Tenancy Bond ICT System is a multi-year project, and the new system will be implemented using a phased approach over three years. Earlier stages of the project were funded through Budgets 2018 and 2019 which produced a number of deliverables, including, the Tenancy Bond Services Strategy for the replacement service, the service design for the replacement service, requirements definition and business process exploration.

² Wellbeing Budget 2021: Securing Our Recovery.

<https://www.treasury.govt.nz/publications/wellbeing-budget/wellbeing-budget-2021-securing-our-recovery>

3.3 The case for change

The Residential Tenancies Act³ allows landlords to charge tenants up to four weeks in rent as a bond that can be used to pay any rent owed, repairs of any damage to the property caused by the tenant, or other related claims at the end of the tenancy period. MBIE's Tenancy Bond Services team processes all residential tenancy bond transactions. MBIE is required to deposit all bond money received into a Trust Account⁴ with any resultant interest, dividends, and other gains arising treated as departmental revenue.

3.3.1 Problem and opportunity statement

The following issues have been identified with the extant Tenancy Bond ICT system (Bond2000) that will prevent the successful implementation of the Tenancy Bond Services Strategy:

1. The system is based on legacy technology that is no longer supported and presents a high risk of technology failure.
2. Manual processing of paper forms is time consuming and resource intensive, results in delays for customers, and creates privacy risks.
3. Data entry errors and missing information on manually completed forms results in poor data quality and limits the ability to use the data to inform policy and service delivery decisions.
4. Customers are unable to access accurate and up to date information, particularly at busy times when form processing can take several days to complete. This can result in tenants being paid their bond refunds weeks after moving out of a property.
5. Up to \$4 million in bonds remain unclaimed or are not collected each year as a result of customer contact details held in the system being incorrect or refund processes not being completed.
6. Currently the MBIE Service Centre receives over 10,000 calls per month from customers asking about the status of their bonds.
7. Opportunities to target information, education, and identify pathways for early problem resolution are not realised as the bond service is not well integrated with the rest of Tenancy Services.
8. The ability to utilise quality data to provide for regulatory insights, or input into policy-setting and compliance is limited.

3.3.2 High-level business outcomes

The following high-level business outcomes are linked to the delivery of the new Tenancy Bond Strategy:

1. An improved experience for users of the Tenancy Bond ICT system; and,
2. Increased satisfaction expressed by customers interacting with Tenancy Services via the Tenancy Bond ICT system.

To achieve these high-level outcomes and to meet the changed needs of customers, this necessitates a replacement of the current outdated and outmoded Tenancy Bond ICT system and manual service delivery model with a modern multi-channel service delivery offering. The replacement Tenancy Bond ICT system will automate the Tenancy Bond process and deliver the following system improvements:

³ Residential Tenancies Act 1986.

⁴ The Residential Tenancies Trust Account.



1. **Improved timeframes for bond refunds.** This will alleviate customer concerns relating to delayed repayment of the bond from their previous tenancy and, in turn, support tenants fund the bond for their next tenancy. The move away from the manual bond transaction process will aid visibility at all stages of the bond process.
2. **A reduction in unclaimed and uncollected bonds.** Customers will experience improved outcomes through the reduced number of unclaimed and uncollected bonds.
3. **A reduction in calls to the Service Centre.** As customers get used to being able to view bond details and update their contact information online this is expected to reduce calls to the Service Centre for those activities customers can perform themselves.
4. **Customers⁵ will be able to lodge and request refunds on-line.** Customers will have full visibility of the status of their bonds and be able to lodge or request bond refunds through an on-line portal. Those customers who unable to access the portal will still be able to call the Service Centre.
5. **Landlords and property managers will be able to integrate their property management software.** This will eliminate the potential for errors to arise through the duplicate entry of information into different systems and reduce landlord and property manager processing time.
6. **Data can be relied on.** Bond data is accurate, reliable, and can be used to improve regulatory decision-making and policy interventions.
7. **Reduction in technology risk.** The new Tenancy Bond ICT system will be stable, well supported, and reduce technology risk with high quality information supporting more effective management of debt.
8. **More effective case management.** The new operating model will support a more effective case management approach being taken by Tenancy Bond Officers allowing them to better personalise their interactions with tenants. The new system will also support the Service Centre taking an increased role managing exceptions and complex requests.

3.3.3 Project objectives

The Tenancy Bond Transformation project objectives are to:

- implement a new technology system that meets the requirements of Tenancy Services and improves service delivery and the customer experience.
- ensure that customers are well supported in adapting to a changed service delivery model and using the new Tenancy Bond ICT system.
- establish an operating and support model for the new Tenancy Bond ICT system, and those changed functions that will be provided by Tenancy Bond Services and the Service Centre when the Tenancy Bond Strategy is implemented.
- decommission the extant legacy Bond2000 system.

3.3.4 Potential scope and services

In scope	Scope exclusions
Implementation of a new bond technology system, that includes: • online portal for tenants, landlords and property managers to conduct their	

⁵ This includes tenants, landlords and property managers.



In scope	Scope exclusions
bond transactions and maintain their contact information. • backend system for MBIE users to manage the Bond Service and respond to customer inquiries. • consistent management reporting. • an integration facility (API) to allow property management systems to send bond transactions directly to the new system.	
Ensure that all active bond information that remains in the legacy database is available for internal users to copy into the new system as required. Implementation of the Archive Disposal and Retention policy so that inactive bonds refunded more than 7 years previously are archived.	
Decommission legacy technology.	
Migration of bond data on a case-by-case basis in conjunction with property managers and landlords to validate that the data is correct and complete.	Bulk migration of Bond data from Bond2000 to the new system
Change management for internal and external users, customers and other stakeholders to ensure that they have appropriate support to work with the new operating model and use the new system.	

3.3.5 Main benefits

The project Benefits are outlined in the table below.

Benefit #	Benefit Type	Benefit Name	Benefit Description
1	Improved services (External)	Improved customer experience	There are multiple benefits of this type which can be measured in the following ways: 1. Improved customer satisfaction. 2. The percentage of refunds that are processed 'straight through' (i.e., without MBIE staff intervention) within one working day.



Benefit #	Benefit Type	Benefit Name	Benefit Description
			3. Reduced numbers of uncollected and unclaimed bonds. 4. Reduction in the number of privacy breaches. 5. Reduction in the number of calls to the Service Centre for activities customer can undertake themselves.
2	Improved services – internal & external	Improved bond operations	There are multiple benefits of this type which can be measured in the following ways: 1. The percentage of transactions conducted online; the target is greater than 80%. 2. Availability of better reporting on bonds.
3	Technology risk	Reduced technology Risk	New system built on supported technology and passes cybersecurity accreditation and certification.
4	Future focussed	Technology Flexibility	The new system will allow future changes to legislation or service delivery to be introduced as required.

3.3.6 Key risks

An initial risk assessment has been carried out and the following key risks have been identified. A more fulsome summary of risks associated with the project is included at Appendix A.

Risk	Consequence (H/M/L)	Likelihood (H/M/L)	Comments and Risk Management Strategies
Technology Risk of legacy system (Bond2000).	H	M	Monitor the impact of changes in the wider MBIE environment and remediate as needed.
Legislation changes not made in time to allow transactions to be received without a physical signature.	H	M	Work with Tenancy Services, MBIE Legal, and MHUD to ensure changes are made. Include a “Plan B” in the system design to allow for signatures if the legislation change does not happen in time.
Approved funding is not enough to complete project.	M	M	Close management of project approach. Active management to avoid scope creep, identify and eliminate inefficiencies. Reporting to board of



			project finances and any call on contingency allocation.
New system and service design does not meet customer or business requirements.	M	L	Involve representative customer user groups during design and testing. Change management to include education and support needed to ensure easy adoption.

3.3.7 Dependencies and assumptions

The following dependencies have been identified:

#	Description	Impact	Date needed
1	Changes to the Residential Tenancies Act to allow transactions to be received without a signature	The new system assumes that customers will login to authorise transactions. If the legislation changes are not made in time, the system will need to be changed to accept physical and electronic signatures.	Legislation changes need to be in place prior to go live, however confirmation of this timing is needed as soon as possible so that the appropriate system design is implemented. If certainty of timing is not possible, then the system will be designed to accept signatures.

The following assumptions have been made in developing the project:

#	Description	Validation date
1	The required legislation changes will happen as planned.	Prior to go live.
2	The costs (funded by the project) for MBIE and external resources to support implementation do not change materially.	Financial year end 2023 and 2024.
3	The Microsoft Power Platform to support the new Tenancy Bond system has the functionality required with only minimal customisation.	Through the Delivery phase.



4 Economic Case – exploring the preferred way forward and identifying the preferred option

The purpose of the economic dimension of the business case is to identify the proposal that delivers best public value to society including wider social and environmental effects. It demonstrated that options have been considered and provides rationale for the recommended option.

4.1 Critical success factors

The Tenancy Bond Transformation project will deliver a modern, stable, and well supported technology system that supports customers in meeting their obligations under the Residential Tenancies Act by enabling them to easily access and manage their tenancy bond information.

The Critical Success Factors (CSFs) for the project are listed below:

Key Critical Success Factors	Description – how well the option supports the CSFs
Strategic fit and business needs	1. meets the agreed investment objectives, related business needs, and requirements. 2. fits with other strategies, programmes, and projects.
Potential value-for-money and public value	1. optimises value-for-money (the optimal mix of benefits, costs, and risks). 2. optimises public value when Wellbeing benefits are considered.
Supplier capacity and capability	1. matches the ability of potential suppliers to deliver the required services. 2. is likely to result in a sustainable arrangement that optimises value-for-money over the term of the contract.
Potential affordability	1. can be met from available funding. 2. matches other funding constraints.
Potential achievability	1. is likely to be delivered given the organisation's ability to respond to the changes required. 2. matches the level of available skills required for successful delivery.

4.2 The Preferred way forward

The preferred way forward is the implementation of a new technology solution alongside changed operating and service delivery models to facilitate online bond transactions. This will enable the Tenancy Bond Services team to focus on managing those transactions that require intervention and to assist customers who have difficulties using or accessing the online system.

4.3 Options assessment

The following options were considered during the process of determining the preferred way forward (the Recommended Option):



1. **Option 0:** Status quo (do nothing).
2. **Option 1:** Upgrade the existing Bond2000 system (the do minimum option).
3. **Option 2:** Procure a new tenancy bond system (the preferred way forward).
4. **Option 3:** Purchase a Commercial Off The Shelf (COTS) system.
5. **Option 4:** Remove tenancy bonds from the tenancy regulatory system.
6. **Option 5:** Adapt software used in other jurisdictions.

These options are described in further detail in the tables below. Option 2 (the procurement of a new tenancy bond system) is the only option assessed as providing the required investment outcomes. Option 0 is carried forward as the baseline comparator.

Option 0 (status quo)	Do nothing (retained as a baseline comparator)
Summary	The existing Bond2000 system is based on legacy technology that is no longer supported and presents a high risk of technology failure. The system requires the manual processing of paper forms that is time consuming and resource intensive, results in delays for customers, and creates privacy risks. The system is used to facilitate residential tenancy bond transactions, a legislative function.
Option 1 (do minimum)	Upgrade the existing Rent2000 system
Summary	The Bond2000 technology is fragile, unsupported and at high risk of failing. Work has been undertaken to stabilise Bond2000 to ensure it can continue until the new system is in place but there are still significant risks remaining.
Advantages	This option does not meet the stated investment objectives or critical success factors for the project.
Disadvantages	The system does not currently allow Tenancy Bond Services to improve the customer experience and service delivery, or provide the online functionality that our customers expect and extract benefits from bond data. Upgrades to the current system to support this are not feasible.
Conclusion	This option has been discounted. System replacement will not only avoid the risk of system failure or compromise but deliver much needed service delivery improvements and improve the quality and availability of data.
Option 2 (recommended option)	Procure a new tenancy bond system (the preferred way forward)
Summary	This option procures a new tenancy bond ICT system and replaces the current manual service delivery model with a modern multi-channel service delivery offering. This will deliver the following system improvements: • Improved timeframes associated with bond refund requests. • Reduced volumes of unclaimed and uncollected bonds.



	• Service call for activities customers will be able to self-perform will reduce. • Refunds and bond lodgements will be able to be done online. • Integration with landlord and property manager systems. • Improved data accuracy. • Reduction in debt. • More effective case management.
Estimated costs	Capex: \$19,656,121 Opex: \$6,768,796
Advantages	This option is the best strategic fit of all the options considered in terms of meeting business needs, being affordable, providing value for money, and in terms of supplier capacity and capability to deliver. It is assessed as achievable within the funding earmarked as part of Budget 2021.
Disadvantages	Of the main risks identified, the technology risk associated with the legacy system (Bond2000) and the impact of delays to legislation are the most significant in terms of having a negative impact on the critical success factors for the project. The impact of Bond2000 failing before a new system is in place is high, but the system is being closely monitored with work necessary to build system resilience undertaken as needed. If the new legislation necessary to support signature free transactions is not going to be passed before the system goes live then the system design will be modified to allow for signatures.
Conclusion	This option best meets the agreed investment objectives and critical success factors for the project. The new system will mitigate the increasing risk of legacy system failure and deliver much needed service delivery improvements and improve the quality and availability of data.
Option 3	Purchase a COTS system
Summary	There are currently no COTS 'out of the box' software solutions available that can meet business requirements. This is supported by a review of other jurisdictions that are all using systems developed specifically for their own requirements.
Option 4	Remove tenancy bonds from the tenancy regulatory system
Summary	This option was considered and discounted during the development of the strategy as tenancy bonds are a critical part of the policy settings, are a foundational element of the regulatory system, and removing them would create inequities and power imbalances within the rental market.
Option 5	Adapt software used in other jurisdictions
Summary	A scan of comparable other jurisdictions and their supporting technology solutions was undertaken during the development of the project. However, the legislative requirements of these jurisdictions differed significantly from

	the Residential Tenancies Act making it unfeasible to re-use software developed for these other jurisdictions without significant investment in time and money to modify the solution for our purposes.
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4.4 Economic assessment of the short-list options

The following two options have been short-listed. These are the do nothing option (Option 0) and the recommended option (Option 2).

Option 0 (do nothing): Status quo (retained as a baseline comparator). Under this option MBIE continues to operate the legacy system and accepts the technology and service risks it presents.

The current technology is fragile, unsupported, and at high risk of failing making this option unfeasible. While work has been undertaken to ensure the system can continue to function until the new solution is in place, significant risks remain relating to the system stability. Continuing to use the Bond2000 system does not enable Tenancy Bond Services to improve the customer experience or provide the online functionality that our customers expect. The legacy system also does not support bond data being easily extracted limiting data analytics being used to inform wider reporting requirements.

Option 2 (the preferred way forward): Implement new technology and a changed operating model that allows customers (tenants, landlords and property managers) to complete their bond transactions online without the intervention of MBIE staff wherever possible.

This will be built using Microsoft Power Platform, which has been recommended by the Enterprise Architects as MBIE's strategic low-code/no-code technology. A Request for Proposals (RFP) procurement was conducted in 2022 to select a suitable provider to configure the technology to meet the system requirements.

5 Outline Commercial Case

The purpose of the commercial dimension of the business case is to demonstrate that the preferred option will result in a viable procurement. It explains the procurement process and the contract arrangements for the products, services or resourcing required.

5.1 Procurement summary

In October 2021 a Request for Information (RFI) was published seeking information about possible solutions to replace the Bond2000 system, given the lack of suitable 'commercial off the shelf' (COTS) or Software as a Service (SaaS) technology solutions. The RFI included a set of high-level requirements for the new solution.

Eight responses were received proposing a mixture of technology options. All respondents recommended a multiple stage delivery comprising a discovery phase followed by detailed design and then build phases. The suppliers proposing bespoke solutions recommended an Agile approach with prioritisation of the scope to manage the cost and timeframe of the delivery which would be charged on a Time and Materials (T&M) basis. The remainder of the suppliers suggested a mixture of some phases at fixed price, with others charged as T&M or capped T&M.

MBIE's Enterprise Architects completed an Architectural Options Analysis to determine what type of solution should be sourced from the market via an open Request for Proposals (RFP). Without that direction it would be very difficult to compare the proposals received, and it also ensured MBIE actively considered which of the technology options it would find most acceptable (so as not to waste suppliers time responding with technology options MBIE does not want). This identified that a Low/No Code Rapid Development using the Microsoft Dynamics/Power Platform presented the best solution across the areas assessed. A procurement plan documented this approach and was approved by the MBIE Chief Executive on 27 July 2022.

After approval of the Procurement Plan, an RFP was released seeking a provider with the requisite technical expertise to partner with MBIE and configure the Microsoft Power Platform to meet the requirements of the new Tenancy Bond ICT system.

The procurement was conducted in three stages:

1. **Stage one (written proposal):** This has been completed and a shortlist of two respondents was taken forward to the next stage.
2. **Stage two (capability and approach workshop for shortlisted respondents):** This has been completed and a preferred respondent was invited to proceed to the final RFP stage.
3. **Stage three (detailed discovery):** This was a paid activity for the preferred respondent that commenced in December 2022. We retained the option, if we did not wish to proceed to contract with the short-listed supplier, of engaging the second ranked respondent and re-doing the detailed discovery stage. The stage has been successful, and it is now intended to contract the preferred respondent for the build and deployment of the new system subject to funding approval being obtained.



6 Outline Financial Case

The purpose of the financial dimension of the business case is to demonstrate the affordability and funding of the preferred option. It summarises the project costs and financial commitments, ongoing whole of life costs, where this funding will be sourced from and any financial benefits and efficiencies.

Funding for this project and the operational support of the new system was allocated in Budget 2021⁶. Funding of \$17.983 million operating (over the four years from FY21/22 to FY24/25) and \$20 million capital was tagged to the Tenancy Bond ICT System Replacement in Budget 2021 for the final phase of the replacement project - the build, deployment, and ongoing maintenance and support of the replacement system.

This was allocated under the Building and Construction Vote (operating) and Business, Science and Innovation Vote (capital).

6.1 Financial costing model

The breakdown by year of the funding tagged to the Tenancy Bond ICT System Replacement in Budget 2021 is detailed below:

Operating costs (\$m)	2020/21	2021/22	2022/23	2023/24	2024/25 & out years	Total
Project Costs		2.000	2.500	2.500	-	7.000
Operating costs					3.700	3.700
Depreciation				1.667	3.333	5.000
Capital Charge		0.100	0.475	0.875	0.833	2.283
Total Operating		2.100	2.975	5.042	7.866	17.983
Capital costs (\$m)	20/21	21/22	22/23	23/24		Total
System Build		4.000	11.000	5.000		20.000
Total Capital		4.000	11.000	5.000		20.000

The forecast expenditure of the project (by year) is illustrated in the table below:

Financial Summary	Financial Years					
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	Outyears	Total
Capital expenditure		\$3,979,820	\$11,106,202	\$4,570,099		\$19,656,121
Operating expenditure	\$1,498,477	\$2,729,340	\$2,000,031	\$540,947		\$6,768,796

⁶ [Wellbeing Budget 2021: Securing Our Recovery \(treasury.govt.nz\)](https://www.treasury.govt.nz/publications/budget/2021).



Financial Summary	Financial Years					
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	Outyears	Total
Total Project Delivery Expenditure	\$1,498,477	\$6,709,160	\$13,106,233	\$5,111,046		\$26,424,916
Ongoing Cost (<i>Excl. Depreciation</i>)				\$1,264,796	\$6,589,056	\$7,853,852
Whole of Life costs (<i>Delivery Cost + Ongoing Cost excl. depreciation</i>)	\$1,498,477	\$6,709,160	\$34,278,768	\$6,375,842	\$6,589,056	\$34,278,768



7 Outline Management Case

The purpose of the management case is to demonstrate that robust arrangements are in place for the delivery, monitoring and evaluation of the initiative, including feedback into the organisation's strategic planning cycle.

7.1 Project governance arrangements

The project has the following governance arrangements in place:

1. A Project steering group which meets monthly.
2. A reference group which meets fortnightly.

In addition, all governance documentation is subject to the standard MBIE governance processes and will be submitted to the following groups:

1. Customer Delivery Oversight Committee for endorsement.
2. Delivery Governance Board for endorsement.
3. Investment and Change Delivery Committee for approval.

7.2 Project management arrangements

The project will be managed using MBIE project delivery methodology. The engagement with the technology supplier, Datacom, will be managed as a hybrid agile approach. The project will be delivered in multiple increments, each increment will be comprised of:

1. A design phase which will be charged as T&M.
2. A build and test phase which will be fixed price.
3. A deployment phase conducted by MBIE project and operational staff.

7.3 Project roles

Name	Substantive Role	Project Role
Suzanne Stew	Deputy Chief Executive, Te Whakatairanga Service Delivery	Sponsor
Ingrid Bayliss	General Manager, Building & Tenancy	Business Owner
Privacy of natural persons	Head of Tenancy	Senior User
	Operations Manager	Senior User
	Systems Delivery Manager	Senior User
		Programme Director
		Project Manager



7.4 Scope and key deliverables

7.4.1 Scope

In scope	Scope exclusions
Implementation of a new bond technology system, which includes ensuring that the Datamart reporting includes the data from the new system.	
Ensure that all active bond information is available to internal users: • Implementation of lookup functionality against the residual bond database. • upgrade the Oracle database to a supported version. • implementation of the Archive Disposal and Retention policy. • decommission the Bond2000 client application.	
Migration of bond data on a case-by-case basis in conjunction with property managers and landlords to validate that the data is correct and complete.	Bulk migration of bond data from Bond2000 to the new system. The quality of the bond data held in Bond2000 is of a standard that migration would not be a desirable or feasible exercise. Some mandatory contact information is missing which would present operational and privacy risks.
Development of an integration facility (API) to allow property management systems to send bond transactions directly to the new system.	
Change management for internal and external stakeholders to ensure that they have appropriate support to work with the new operating model and use the new system.	



7.4.2 Indicative project deliverables

Note that the full project plan is still to be developed and will be described in the Implementation Business Case.

#	Key Deliverables	Description
1.	New technology system deployed.	The new system will be delivered in multiple iterations which introduce new functionality for users, rather than as one 'big-bang' deployment.
2.	Implementation of the new operating model to support the new system.	Change management to ensure the new Operating model is adopted by all internal stakeholders.
3.	Decommission Bond2000.	This will include deployment of the 'residual bond database' and associated lookup application for use by Tenancy Bond Services; upgrading the database to a supported version of Oracle; decommissioning the Bond2000 client application; implementing the Disposal and Retention schedule to remove personal data from all bonds that have been refunded more than 7 years in the past.

7.5 Timeline and key milestones

The project is run over multiple increments and is estimated to take approximately 2 years. The dates below are indicative and will be refined in the Implementation Business Case.

Key Milestones	Date
Go live of first increment	June 2024
Go live of second increment	September 2024
Go live of third increment	November 2024
Project closure	March 2025

7.6 Change management arrangements

A business impact assessment has been completed and used to develop the change management plan and approach using the PROSCI change management methodology. Full details of the change management activities required are included in the Change Management Plan.

7.7 Stakeholder Engagement and Communications

Stakeholder engagement is critical to the customer-focus ethos of the project. Comprehensive details on the Stakeholder Engagement and Communications approach can be found in the Stakeholder Analysis and Planning document and in the Engagement and Communications Plan.

The strategy, framework, and plan for dealing with stakeholder engagement and communications can be summarised as follows:

1. Identification of internal and external stakeholders.
2. Assessment of stakeholders' influence, impact and expectations which determines how to engage with them and how frequently to engage with them.
3. Tracking engagement and updating the analysis as needed.

7.8 Benefits management

The benefits from this project have been identified and captured. The resulting Benefits Map represents the key 'benefits themes':

- 1) Customer satisfaction increase
- 2) Transparency / real time status of bond status and bond transactions
- 3) Consistent service levels through demand peaks
- 4) Bond team size
- 5) Reducing technical debt and risk

A Benefits Realisation Plan will be developed once the business case has been approved.

7.9 Assurance

The strategy, framework and plan for dealing with assurance is to follow the 3 lines of defence approach.

1. First line of defence: Project Controls.
These are the day-to-day project management processes and controls used to manage and monitor risks and performance as well as ensure adherence to agreed standards, frameworks, policies, processes, and the achievement of objectives.
2. Second line of defence: Project Governance.
In addition to regular reporting to steering groups, the project will be subject to monthly internal governance oversight.
3. Third line of defence: Project Assurance.
Independent Quality Assurance (IQA) has already been obtained to provide confidence that the approach to develop the business case is sound and robust, the planning for design and build is achievable, and risk management practice is effective. External IQA review will provide confidence that internal and external users are ready for the transition to the new system go-live and that benefits are on track.



Appendix A – Risk Schedule

Te Riu Kairangi - Tenancy Bond Transformation Risk Schedule

#	Risk Title	Description	Inherent Risk Level	Controlled Risk Level	Treatments and Controls
1	Low uptake of new online channel by users	Causes: Poor design, constrained functionality, resistance to change by external stakeholders, customers do not have the required digital literacy, customers reluctant to use due to low trust in government. Impact: May need additional resources to support the processing of paper forms.	High	Medium	Service design and testing to ensure the online channel is easy to use and includes the required functionality. Communications, training, and support for customers - this will recognise that since the beginning of the COVID pandemic more people are using online channels than previously.
2	Impact of COVID on project resources	Cause: COVID infection may result in a large proportion of the extended project and business team being unwell at the same time. Impact: Delays to project timeline.	Medium	Medium	Monitor team capacity and determine minimum numbers of people needed for activities to ensure they can continue.
3	Legislation constrains online bond services	Cause: Current legislation is old and is not written with an online bond service in mind. Impact: Increased calls/ emails to address functionality the service cannot deliver.	High	Medium	Analysis of constraints in legislation; legal opinion on what can be done in ambiguous situations; changes to legislations to be explored.
4	Go live timing in budget bid request cannot be met	Cause: The project may take longer than described in the budget bid request. Impact: Additional funding may be required.	Medium	Medium	Manage unspent money. Advise Treasury and Minister early.



5	Failure of legacy Bond2000 system	Cause: Age of the current system may result in an unrecoverable failure. Impact: Reduced service, longer processing times, reputational damage.	High	Medium	A technical contingency plan and updated disaster recovery plan are being developed to ensure that the business can continue to function if this risk is realised. Risk mitigation work including using Citrix and Oracle database support provisions has been undertaken.
6	Approved funding is not sufficient to complete project	Cause: The project requires more funding to complete than has been allocated. Impact: Scope reduction and/or compromise in functionality delivered, reputational damage in not meeting expectations.	Medium	Medium	Close management of project approach including procurement, design and development to avoid scope creep and inefficiencies. Advise Treasury and Minister early.

Indicative Business Case Summary A3

Project No.	Project Name	Business Group	Sponsor	Business Owner	Project Manager	Date
4102	Te Riu Kairangi – Tenancy Bond Transformation	Te Whakatairanga Service Delivery	Suzanne Stew	Ingrid Bayliss	Privacy of natural persons	March 2023

Business Case Purpose

This business case seeks \$19.6m of capex and \$2.5m opex funding across financial years FY22/23, FY23/24, FY24/25 to deliver the Te Riu Kairangi – Tenancy Bond Transformation project. The delivery stage of the project will start on 1/3/2023 and is expected to be completed by 31/3/2025. This is an indicative business case based on the RFP response from the preferred supplier, an Implementation business case containing the detailed plan will be provided after the Discovery phase is completed and the supplier has provided their final proposal.

Problem and Opportunity

The current Tenancy Bond ICT system, Bond2000, prevents the full implementation of the Tenancy Bond Services (TBS) Strategy, does not meet customer, service delivery, regulatory or data needs. Bond2000 also presents the following challenges:

- Bond 2000 is a legacy system that is no longer supported and presents a high risk of technology failure
- The manual processing of Bond transactions by Tenancy Bond Services is time consuming and resource intensive, creates privacy risks, causes delays for customers and creates failure demand for the Service Centre
- Date entry errors and missing information on the forms manually filled in by customers results in poor data quality, rework and limits the ability to use the data as an asset to inform policy and service delivery decisions

Impact of Not Proceeding

The current legacy Bond2000 system is end of life, unsupported and it is increasingly difficult to keep it running. It does not meet the needs of customers or the business. If it were to fail then processing Bond transactions manually would present significant barriers, cause significant issues and delays for customers, cause significant underperformance or failure of the regulatory system, cause severe reputational damage for MBIE and would require considerable resource to resolve.

Complexity	High	Treasury RPA	Medium	Business Impact	High
Project Start Date	1/7/2023	Indicative Closure Date	31/3/2025	Privacy Threshold Assessment	High

Funding Information		FY 21/22	FY 22/23	FY 23/24	FY 24/25	Out years	Total
Budget 21 Approved Funding	Capex	\$4,000,000	\$11,000,000	\$5,000,000			\$20,000,000
	Opex	\$2,000,000	\$2,500,000	\$2,500,000			\$7,000,000
Funding approved through MBIE governance forums	Capex						
	Opex	\$1,824,630	\$2,729,340				\$4,553,970
Funding requested in this Business Case	Capex		\$3,979,820	\$11,106,202	\$4,570,099		\$19,656,121
	Opex		\$0	\$2,000,031	\$540,947		\$2,540,979
Estimated Project Costs	Capex		\$3,979,820	\$11,106,202	\$4,570,099		\$19,656,121
	Opex	\$1,498,477	\$2,729,340	\$2,000,031	\$540,947		\$6,768,796
Estimated Ongoing Operating Costs	Opex				\$1,264,796	\$6,589,056	\$7,853,852

Funding Source:	Capex	Opex	Estimated WOLC
Budget 2021	\$20,000,000	\$17,983,000	\$34,000,000

Project Overview (Short)		
This project will replace the legacy Bond2000 system with a modern system that meets customer, service delivery, regulatory, and data needs. It will enable customers to conduct all tenancy bond transactions online with minimal assistance required from the Tenancy Bond Services (TBS) and Service Centre teams. The project also includes 1) change management and customer and stakeholder engagement to ensure MBIE users and customers have the knowledge they need to use the new system effectively and make it easy for them to do the right thing; 2) a transition period from the old system to the new as functionality is deployed incrementally; 3) continuing to stabilise Bond 2000 to ensure it remains available until all functions have been replaced; 4) establishing the ongoing support and continuous improvement operating model for the new system handover to the business; and 5) decommissioning of Bond2000 and associated legacy components once the new system is in place.		
Strategic Case	The Tenancy Bond Services Strategy was developed and approved in 2019. This established the following principles for the strategic direction: 1) The customer and stakeholders are at the centre; 2) We make compliance and interacting with us (as the regulator) easy; 3) It's the tenant's money until determined otherwise; 4) The tenancy bond service is easy to use - whether your situation is simple or complex; 5) We value the role of bond data in supporting the regulatory system. A significant barrier to implementing this strategy is that the bond service and processing model are limited by the current legacy ICT system, Bond 2000. That system carries significant technical and operational risk.	
Economic Case (Preferred Option)	The preferred option proposed by this business case is to replace Bond 2000 with a new system that allows customers (tenants, landlords and property managers) to complete their bond transactions online without the intervention of MBIE staff wherever possible. This will be built using Microsoft Power Platform, which has been recommended by the Enterprise Architects. The only other option is to continue to use Bond 2000 which is not feasible as the technology is fragile, unsupported and at high risk of failing. Work has been undertaken to stabilise and ring-fence Bond 2000 to ensure it can continue until the new system is in place but there are still significant risks. Continuing to use Bond 2000 does not allow Tenancy Bond Services to improve the customer experience and service delivery, provide the online functionality that our customers expect and extract benefits from bond data.	
Commercial Case	A Request for Information was conducted in October 2021 to identify suitable technology options for a replacement system. This found that there are no products that could be used 'out-of-the-box'. Based on the responses, Enterprise Architects conducted a technology options analysis and proposed that the Microsoft Power Platform was MBIE's strategic approach to 'low code' technology for functionality like this. A Request for Proposals (RFP) was conducted in 2022 and a preferred supplier has been selected as a result. The final stage of the procurement is a Discovery phase which will complete in mid-February 2023 and will confirm the project costs and detailed plan. This business case includes the costs and duration proposed by the supplier in their RFP response as a basis for the project costs.	
Management Case	The project will follow PMO guidance for a high complexity project. The project will be delivered in a hybrid agile format where the delivery will be done in increments, each of which includes a design phase and a build & test phase. A steering group is in place along with a Reference group which advises on requirements and scope as needed. External quality assurance will be conducted as documented in the assurance plan. An IQA has been commissioned for February 2023 in parallel with the approval process for this business case. Any recommendations from the IQA will be discussed with the Steering group and implemented as appropriate.	
Financial Case	Budget funding for this project, and for operational support of the new system, was approved in Budget 2021, refer: Wellbeing Budget 2021: Securing Our Recovery (treasury.govt.nz). This funding is represented in the Approved Investment Planning Bid below. The opex/capex treatment is consistent with the advice received from MBIE External Reporting. Note the amounts requested include contingency of 10% for Opex and 20% for Capex. Estimated operating costs will be refined during the project.	
Project Objectives		
Item #	Title	Description
1	New technology	Replacement Bond system is built, tested and deployed successfully to meet the requirements of Tenancy Services and improve customer experience and service delivery
2	New operating and support model	Implementation of new operating and support procedures to support the new system and the change in functions provided by TBS and Service Centre

Business Change Summary (Impact on culture, systems, policy, processes and people)		
There will be significant business impact across multiple teams to support the new operating model. TBS will need to build new case management skills to support the future multi channel service delivery. This will require good change leadership on the part of the TBS Leadership Team to help their teams through the change implementation and transition, including managing reduction of TBS team size. There will be change for the Service Centre, including learning the new system and processes, supporting customers with different inquiries and potentially some transactions and changes over time in the types of calls to the Bond and Tenancy phone lines. The Information & Education team will leverage the new multi channel model. Data and Insights teams will leverage new and improved data sources.		
Cross-Agency Involvement		
The Ministry of Housing & Urban Development (MHUD) are responsible for tenancy policy and they have representatives on the project steering group and reference group to ensure alignment. Ministry of Justice have an interest as the Tenancy Tribunal make orders relating to tenancy bonds. Treasury is being kept updated.		
High-level Project Scope (Target Outcomes)		
In Scope	Out of Scope	
Implementation of a new Bond technology system		
Implementation of lookup functionality against residual bond database; upgrade the Oracle database; migration of bond data on a case by case basis	Bulk migration of Bond data from Bond2000 to the new system	
Change management for internal and external stakeholders		
Stabilisation of Bond2000 as needed	Changes to Bond2000 to add or modify functionality	
High-level Project Deliverables – note that these are indicative		Date
1	New technology system deployed	TBC (Mar 2025 indicative)
2	Implementation of the new operating model to support the new system	TBC (Mar 2025 indicative)
3	Decommission Bond 2000	TBC (Post Mar 2025 indicative)

Dependencies- Description		Impact	Date Needed
Changes to the Residential Tenancies Act to allow transactions to be received without physical signature		The new system assumes that customers will login to authorise transactions	Prior to go live

Benefits (Between 1 – 3 Maximum)				
#	Type	Name	Description	Target Measure
1	Improved services – external	Improved customer experience	Multiple:1) satisfaction, 2) % of straight through refunds, 3) less uncollected bonds, 4) fewer privacy breaches, 5) fewer low complexity calls	Multiple measures
2	Improved services – internal & external	Improved bond operations	% of transactions online; availability of better reporting on bonds	> 80% of transactions conducted online
3	Technology risk reduction	Reduced technology risk	Technical assessment of the new system and risk	Low risk

Key Risks			
Theme	Description	Treatment & Controls	Rating
Technical	Technology risk of Bond 2000	Continue to monitor the impact of changes in the wider MBIE environment and remediate as needed.	High
Regulatory/ Compliance	Legislation changes not made in time to allow transactions to be received without physical signature	Working with Tenancy Services, MBIE Legal and MHUD to ensure changes are made	High
Financial/Value for Money	Approved funding is not enough to complete project	Close management of project approach. Active management of scope to avoid scope creep and inefficiencies	Moderate
Stakeholder Engagement	New system and service design does not meet customer or business requirements	Involving representative customer groups in design and testing. Change management to include education and support needed to ensure easy adoption.	Moderate