Te Riu Kairangi Tenancy Bond Project – Independent Project Review

17 July 2024

Building a better working world

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Executive Summary

EY has performed an independent and high-level review of the Te Riu Kairangi Tenancy Bond Project. The project is critical for managing tenancy bonds in a modern, automated and cost-effective way and the planned November 2024 go-live is key to realise the benefits over the peak summer period. The project has faced issues, including relationship challenges, lack of transparency and schedule and budget impacts. This led to a February 2024 project reset, which introduced significant scope change. The project has since experienced further delays that required PSG to approve a mitigation plan to still go-live in November 2024, but with a reduced back-office solution scope and a Property Manager API. The project still faces risks to successful November delivery and is also looking to avoid repeating similar issues in the future.

Our findings

EY looked at the causes of the May 2024 delay, the high priority risks the project faces for go-live, plus additional risks and controls the project could focus on next.

Key factors that led to delay during March to May 2024

- Development delivery – Foundational components failed to deliver promised time savings.
- Measuring and reporting – Failure to report delivery delay risks and issues to governance.
- Planning - Datacom re-estimated late after committing to reset scope timeline.
- Requirements – Setbacks and complexity in requirements cascaded into delivery delay.

High priority project delivery risks remain – "there is a risk that…"

- Back-office solution has further technical delays.
- API cannot be accommodated within back-office architecture.
- API solution build not complete in time for November 2024 go-live.
- Solution does not meet business needs.

Additional risks and controls to focus on next – "there is a risk that…"

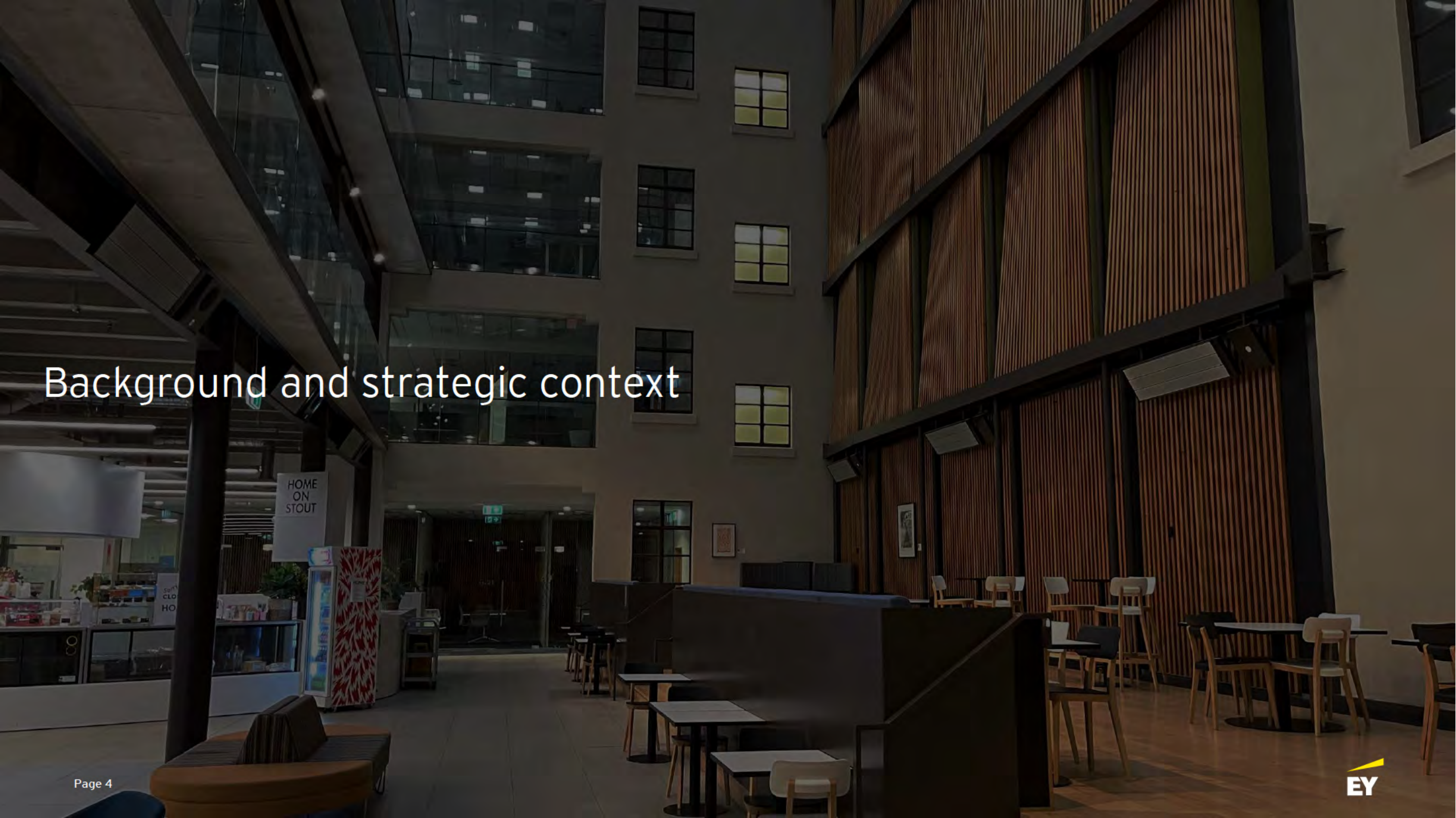
- Insufficient project controls in place for successful delivery.
- Testing delayed due to requirement complexity and iterations of test clarification.
- Test plans not suitable for current mitigation plan.
- SIT and UAT execution and defect resolution delayed.
- Insufficient focus and time for non-functional testing.
- Solution and build quality not to the standard required.
- Solution cannot perform under load during peak period.
- Business, TBOs, tenants, landlords and property managers not ready for solution and business changes.
- Requirements uncertainty further delays delivery for Release 2.
- Client and supplier relationship challenges cause further delays.

Our suggestions

Following the reset the project has made improvements to back-office solution planning, visibility and reporting. In addition to this back-office focus, we believe there are further improvements that the project can make to help successfully deliver the full solution for November 2024 go-live:

- Place appropriate priority, including clear end-to-end governance reporting, on API solution delivery and back-office integration.
- Expect rigorous planning and execution to apply the lessons learned from design and build issues to date, especially for the upcoming critical path testing phase.
- Require tracking of lead indicators, tight project tolerances, with proactive governance reporting and escalation, noting the project has no contingency for issues or slippage.
- Ensure governance receive early and clear awareness of all key project delivery risks, issues, and other key information, resetting expectations where required to achieve this.

In this report we provide a fuller set of suggested activities MBIE could do and suggested risk mitigations, which broadly fit with these above points.



Background and strategic context

EY has performed an independent and high-level review of the Te Riu Kairangi Tenancy Bond Project

The Te Riu Kairangi Tenancy Bond Transformation

MBIE's Building and Tenancy Branch are undertaking the Te Riu Kairangi Tenancy Bond Transformation project which aims to replace the existing legacy Bond2000 solution. The Ministry seeks to manage the tenancy bond process in a way that is more useable for tenants, landlords and property managers and more efficient, reliable and automated for MBIE. The intent is to have Release 1 operational by the end of November 2024 providing back-office functionality and a Property Manager Application Programming Interface (API).

EY's review and this report

EY has been asked to undertake an independent and objective review of the Te Riu Kairangi Tenancy Bond Project to:

- **Identify and advise on issues that led to the May 2024 announcement of a three-month delay –** including identifying activities underway and making suggestions for avoiding similar issues in the future.
- **Advise on the current mitigation plan to help successful go-live in November 2024 –** considering the revised back-office scope, API solution and API integration now planned for Release 1.

This report also includes other context and considerations we identified during the review.

For this work, EY reviewed project documentation and interviewed ten key stakeholders and project team members across both MBIE and Datacom.

We would like to thank MBIE and Datacom for their support with this work

MBIE and Datacom have been supportive of this work, providing proactive, prompt, and transparent access to documents and stakeholders. All interviews were positive and constructive.

Te Riu Kairangi Tenancy Bond Project is critical for managing tenancy bonds in a modern, automated and cost-effective way

From

Bond 2000 is no longer fit for purpose

- Outdated legacy solution.
- Manual forms for tenants, landlords and property managers.
- Intensive manual processes and data entry for Tenancy Bond Officers.
- Inaccuracies and data issues.
- Technical debt, fragile solution, risk of error, and risk of failure.

Manual tenancy bond processing

RENT

To

Te Riu Kairangi modernises tenancy bonds

Automated tenancy bond processing

- Modern cloud-based solution.
- Web-based tenant and landlord forms.
- Automated API for Property Manager software products.
- Full tenant, landlord, property manager portal planned for Release 2.
- Greater automation for Tenancy Bond Officers.
- Greater data accuracy.
- Modern, stable, low risk technical platform.

There are consequences if the Te Riu Kairangi Tenancy Bond back-office solution and API cannot go live in November 2024

- MBIE will rely on high-risk and manual legacy Bond2000 solution during the peak December, January and February period.
- Planned head-count cost reduction will not be achieved and highly manual bond processing will need to continue.
- Another annual cycle of tenancy bond data will need to be loaded into Bond 2000, needing to maintain and support system for another 12 months.
- Greater financial, fraud and reputational risks.
- Delivery might as well be delayed until late 2025 before the following year's peak period, delaying project by one year.

EY has followed a structured approach, delivered an initial API report, and noted broader project challenges

EY has followed a structured approach to this review and already provided an initial Property Manager API report to MBIE as part of this work. Our work has noted that the project has been through several scope changes and has encountered various broader project issues, which are referenced here, but not explored in detail in the report.

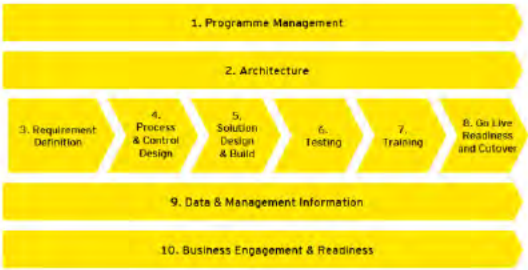
Our approach

This was a short and targeted project review. EY undertook discovery activities including ten MBIE and Datacom interviews and documentation reviews to understand the project, its status and challenges.

The documents reviewed and list of stakeholders interviewed is provided in *Appendix 1*.

We assessed our findings against the EY Programme Success Framework, which lays out the factors that should be executed for successful programme delivery.

The Programme Success Framework is expanded in *Appendix 2*.



Our API report and advice

As one part of this work, EY was asked to review the Property Manager API and provide input into MBIE's development partner decision. EY prepared an initial report. The report found that:

- The API is critical functionality for the Nov 2024 Release.
- Datacom is unable to provide an API build completion date without lengthy design work.
- A different vendor could be used to develop the API, but there is still a risk of integrating the API into the back office.

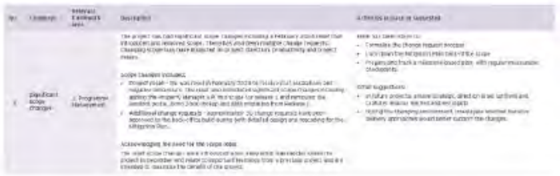
Our 'Initial review of Vendor Options for Property Manager API' report is included in *Appendix 3*.

Broader project challenges

The project has faced several challenges. Many of these came up in our interviews and the documents we reviewed, and have likely contributed to project delays, but were broader than the specific focus of this report. These included:

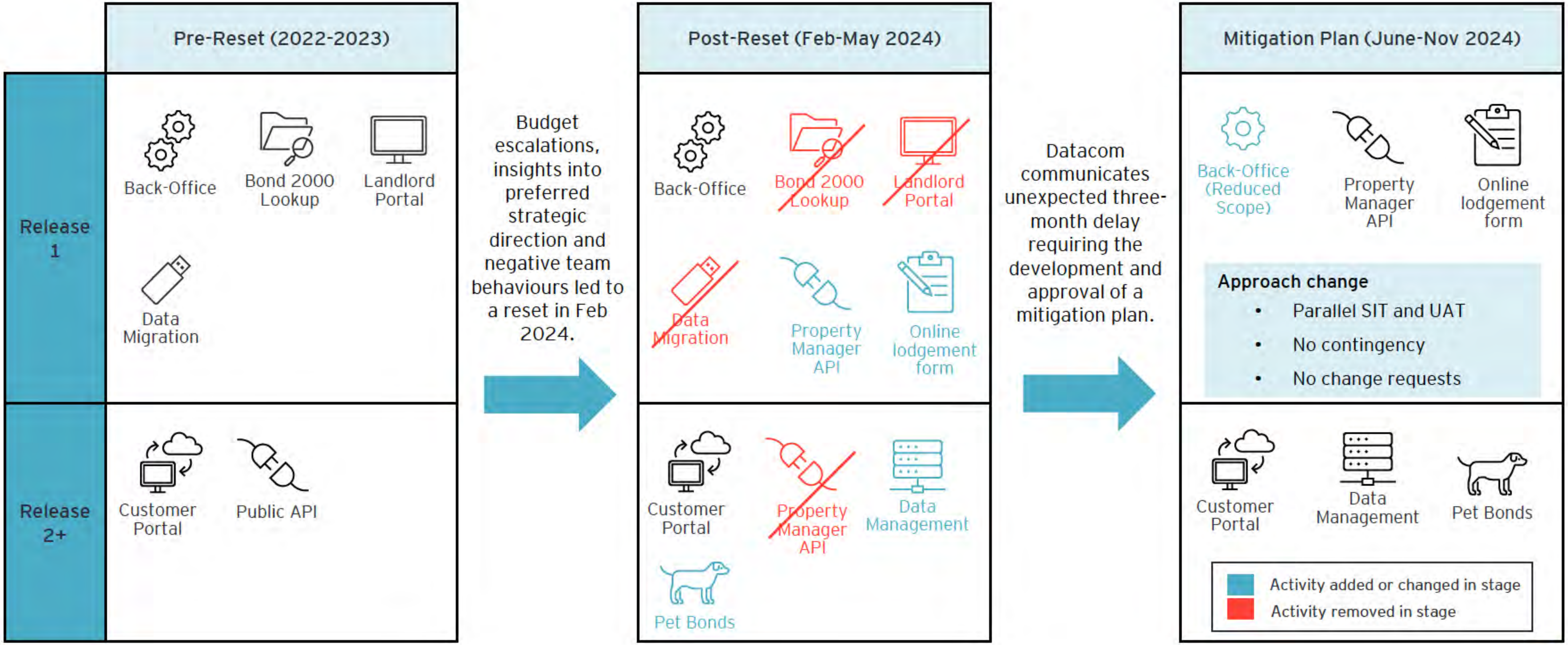
- Significant scope changes.
- Challenging supplier and client relationship.
- Lack of transparency.
- Waterfall approach that may have constrained delivery.

These broader challenges are not discussed further in the report body but are summarised in *Appendix 4*.



Project has been reset and is working on a mitigation plan to go-live with the back-office solution and Property Manager API in November 2024

The project has been through several changes, which have shaped delivery. It was reset in February 2024, with some team members replaced and key areas of scope removed and added. The scope changed again in May 2024 when delivery partner Datacom communicated an unexpected three-month delay. A mitigation plan has been prepared with the intent of going live in November 2024, but with a reduced back-office solution scope, plus a Property Manager API.



Key factors that led to delay during March to May 2024

A number of things happened during March to May 2024 that we believe contributed to the three-month project delay

The Te Riu Kairangi Tenancy Bond Project had an unexpected setback in May when Datacom notified MBIE of a three-month delay that put the November 2024 delivery at risk.

While a number of changes and challenges have happened on the project, we have targeted the March to May period to explore factors that led to the delay.

Key factors that led to delay during March to May 2024

- Development delivery - foundational components failed to deliver promised time savings.
- Measuring and reporting - failure to report delivery delay risks and issues to governance.
- Planning - Datacom re-estimated late after committing to reset scope timeline.
- Requirements - setbacks and complexity in requirements cascaded into delivery delay.

These factors are expanded on the following pages.

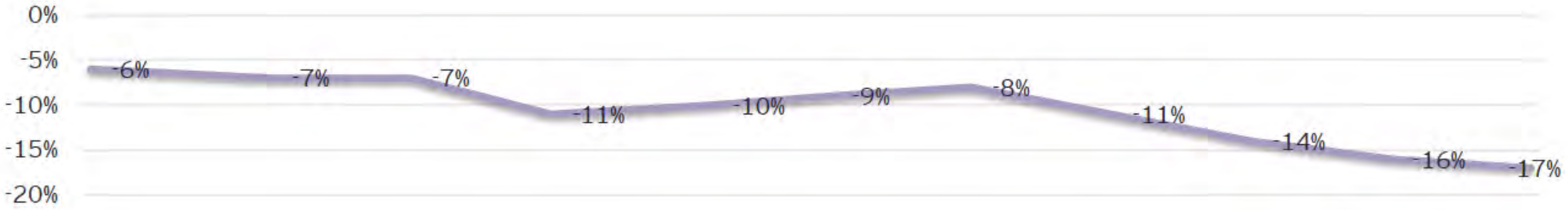
March to May 2024 timeline

- **22 Feb** - Reset approved at PSG.
- **24 Feb** - Back-office requirements signed off.
- **4 Mar** - Datacom start reporting using earned value in weekly reports.
- **11 Mar** - Datacom confirmation email - can meet mid-July UAT date for reset scope.
- **24 Mar** - MBIE PM leaves project.
- **8 Apr** - New MBIE PM joins project.
- **19 Apr** - Joint MBIE and Datacom planning session, Datacom reconfirmed mid-July UAT date.
- **2 May** - Datacom announce 3-4 week delay at Delivery Leads meeting.
- **9 May** - Datacom announce 4-10 week delay at Delivery Leads meeting.
- **14 May** - Datacom announce 12 week delay and discuss mitigation options at joint workshop.
- **28 May** - Delay and mitigation plan discussed at PSG.

March 2024 April 2024 May 2024

Earned value gap

The Datacom reported gap between planned and actual delivery progress, tracked against the timeline.



EY

Development delivery – foundational components failed to deliver promised time savings

Datacom developed foundational components, including notification functionality, with the intent that this be reused to accelerate delivery once in place. However, the notification foundational component needed additional technical work for lodgements and as such the accelerated delivery benefits were not realised. Datacom also encountered technical delays with plugins, Snowflake, Confluence access, and development environment access.

What happened - MBIE perspective

- Aware of Datacom's approach of completing foundational work alongside other milestones.
- Informed of technical issues present in delivery but as these were resolved, this was considered minor.

What happened - Datacom perspective

- From March, the technical team focused on building foundational items for re-use across back-office features, including notifications. However in May, Datacom announced there was more technical work required on notifications for the lodgement feature as the foundation component could not be used as is. After providing an initial expected delay they confirmed they would have a more accurate forecast once the refunds feature was complete.
- Informed MBIE of several technical and access issues that led to delay. These included plugin deployments failing due to meta-data corruption (which took 3-4 weeks), challenges implementing Snowflake, and delays in Datacom's staff's access to Confluence and additional development environment privileges.

What happened - EY perspective

- **Foundational components failed to deliver promised time savings** – the foundational work on notifications and other components were meant to provide time savings, accelerate delivery and close the actual versus planned delivery gap. When the components needed rework, the reuse savings were lost, leaving real project delays.
- **Project had technical delays** – Datacom encountered several technical issues which were raised as issues (but not risks) and reported to governance. However, greater clarity could have been provided on the impact to schedule at the time they were raised.

What MBIE is doing to resolve

- Contracted third party to design and build API. Datacom now able to focus all effort on back-office build and API integration.

What else MBIE could be doing

- **Manage areas of functional risk** – there was always a risk that foundational components would not work as planned when applied to functional areas such as lodgement and refunds. Given the heavy reliance on reuse, a maginified approach to reusable component reporting should be used with tighter thresholds for risk and issue management. Key assumptions and risks that may impact project delivery should be identified, tracked and reported to governance to ensure timely mitigation.
- **Manage areas of technical and access risk** – projects often encounter technical risks with use of tools, third-party plugins, and access. They should be actively identified, tracked, reported and mitigated.
- **Test and validate functional and technical risk early** – a key principle of solution architecture is to validate areas of highest risk early. Prototype, test and validate areas of high functional and technical risk early, such as whether reusable components will work as planned or whether a plugin operates as expected. This will allow the project to respond quickly if an issue is identified.
- **Track technical delivery progress against milestones** – technical delivery delays were not sufficiently acted on using the earned value metric. The potential for delay likely would have been identified earlier if technical delivery had been tracked against granular milestones, where one of the milestones had been the technical validation of reusable components,

Measuring and reporting – failure to report delivery delay risks and issues to governance

The project had unknown or uncommunicated risks and issues to its delivery, that the MBIE project team and importantly goverance had no awareness of until it was too late to mitigate in a way that retained the project's expected scope and benefits. A contributing factor was Datacom reporting delivery progress from March using earned value, which consistently indicated actual delivery was behind plan, but this was justified and accepted as due to foundational work that would later accelerate delivery and 'catch-up'.

What happened - MBIE perspective

- At no point did the PSG or Chair receive any message that the project might be delayed or at risk of being delayed ahead of the notification of a three-month delay, despite two Datacom members attending PSG.
- MBIE under the impression that earned value was baselined on March estimates.
- MBIE Programme Manager was walked though earned value calculations and deemed them adequate.
- MBIE acknowledged negative earned value gap and used commercial tension to try to reduce the gap.

What happened - Datacom perspective

- Datacom reported weekly on earned value, with the gap being -6% in March, but dropping to between -11% and -17% as the three-month delay was announced.
- Earned value was baselined on September 2023 build estimates and not regularly updated with project scope changes or specification sign-offs.
- Datacom provided the narrative that as foundational work was completed, the pace of development delivery would accelerate to close the earned value gap.
- Datacom believe they signalled project delay risks (however, no evidence of this at governance level).

What happened – EY perspective

- **Lack of transparency and failure in reporting delay risks and issues to governance** – MBIE governance should have been aware of such a significant risk and issue to delivery very early. Even if there was some partial reporting of the risk, two Datacom team members attended PSG meetings and it was their governance responsibility to ensure the risk and issue was raised early and given the required attention.
- **Optimism bias in earned value justification** – the earned value metrics were communicating valuable information that the project was behind schedule, but the justification for the gap (i.e. development of re-usable capability) was overly relied upon without a comprehensive understanding of it's relative quality and risks at either project or governance levels.

What MBIE is doing to resolve

- The MBIE mitigation plan has more granular (functional) milestones that can be tracked to provide assurance of delivery progress and be used as a lead indicator of schedule risk.
- More detailed weekly and governance reporting.
- Significant improvement in confidence and transparency following MBIE and Datacom replacing Programme Managers.

What else MBIE could be doing

- **Governance member expectation reset** – governance plays a critical role in supporting project success and ensuring key delivery risks and issues are managed. Conduct a governance expectation reset, to ensure that each member, including supplier representatives, are required to bring an open and transparent approach to mitigating key risks and issues. Members need to ensure key risks or issues are raised within the governance forum.
- **Greater project risk and issue discipline** – together with the above suggestion, higher governance expectations should be placed on the project's risk and issue framework. Governance should expect that they get early awareness of all key project delivery risks and issues, and this may require risk and issue framework and discipline changes.
- **Proactive reporting of critical enablers** - where critical enablers are relied upon (such as reusable notifications functionality), these should be 'magnified' for pro-active reporting and risk management to ensure successful delivery and early intervention if required.

Planning - Datacom re-estimated late after committing to reset scope timeline

On 11 March 2024 Datacom confirmed in writing that they had rescoped and revalidated to deliver Release 1 build, including change requests, to UAT by mid-July. This confirmation should have been underpinned by a Datacom delivery re-estimation based on the changed scope as part of the reset. We understand that this re-estimation didn't occur until May. Datacom communicated a three-month delay ahead of the May 2024 PSG meeting.

What happened - MBIE perspective

- In an 11 March email Datacom confirmed delivery as 'on track' for mid-July UAT release following the February Project Reset. While Datacom did not raise the activity of rescoping and revalidating to governance, the reports from 16 March onwards forecast the mid-July UAT release.
- Datacom reconfirmed mid-July UAT release at 19 April joint MBIE and Datacom planning session.
- Datacom announced a series of unexpected delivery delays during May, ultimately resulting in a three-month delay and mitigation plan raised at the May PSG meeting.
- Concern that Datacom may have wrapped up other delays and/or cost overruns within their re-estimation.

What happened - Datacom perspective

- Statement of work estimates were not baselined after September 2023 specification. Requirements and specifications went through ~202 iterations of change between September and February. This introduced greater complexity, changes to design and build, and increased time required to deliver against approved specifications.
- Datacom used earned value to track delivery progress, and when the earned value gap did not narrow as expected, the build team were asked to validate the estimations to complete the work. The new estimations account for all amendments and changes that took place between 30 September and 24 February 2024, when the specifications were approved, as well as approved changes. Datacom acknowledge that this re-evaluation of specifications and re-estimation should have been done when the specifications were signed off on 24 February.

What happened - EY perspective

- **Delivery confirmation given without the facts** - Datacom confirmed delivery as 'on track' for mid-July UAT without sufficiently re-evaluating all the facts following the reset scope.
- **Re-estimation occurred too late** – Datacom were late to re-estimate and late to let MBIE know, creating a surprise as status moved over the period of a couple of weeks from 'on-track' to 'three-month delay'.
- **Lack of proactive communication to governance on mounting changes** – changes were accumulating that could impact effort and project delivery, yet no indication of the cumulative change was communicated to governance.

What MBIE is doing to resolve

- Preparation of a Mitigation Plan for agreed scope and milestones.
- Tracking Mitigation Plan delivery against regular measurable functional milestones.

What else MBIE could be doing

- **Greater clarity on the impact of scope change** – the whole project needs to re-estimate and re-baseline when scope is changed, with a view that the project and governance clearly understand the full scope change impact on the project schedule and budget.
- **Transparent reporting to governance of cumulative changes** – where project activities or changes are happening and accumulating that could impact project effort, schedule or delivery, these need to be clearly communicated early to the project and reported to governance.

Requirements -setbacks and complexity in requirements cascaded into delivery delay

While back-office requirements were signed off as complete in late February, we believe that issues with requirements have continued to impact delivery during the March to May period. The requirements and design process has taken longer than expected, with changing requirements, greater complexity than anticipated, and iterations of clarification between analysts, designers and developers. The completion of requirements was delayed, and this has had a cascading impact into the March to May period.

What happened - MBIE perspective

- MBIE prepared back-office requirements that were of good quality and fit for purpose.
- Datacom expected a level of requirements detail deeper than MBIE have ever been asked before.

What happened - Datacom perspective

- Datacom decribe a constant 'churn' of reviews and '~202 iterations' of requirements. Datacom raised several risks relating to this between September and February.
- MBIE didn't provide sufficient detail in the requirements, requiring additional Datacom effort to resolve.
- Datacom had to deal with MBIE business analysts to elaborate requirements rather than understand directly from the business.
- Business processes were more complex and largely unmapped, and the interrelationship between processes meant that many areas needed requirements rework when a new area was understood.

What happened – EY perspective

- **Requirements complexity and delays cascaded into March to May delivery** – While the back-office requirements were signed off in February, Datacom and some MBIE interviewees indicated that back-office requirements were still being clarified during the March to May period. We understand that 68 new requirements were also introduced via four change requests in March. The changing, complex and delayed requirements likely contributed to ongoing delays during March to May.
- **Datacom and MBIE not aligned on level of requirements detail required** – MBIE and Datacom business analysts had different expectations on the requirements format and detail, which contributed to 'churn'.
- **Non-legislative processes impact system complexity** - interviews raised risks that some requirements go beyond what is in legislation. This has likely contributed to the complexity of the system build and may introduce operational complexity and risk. We acknowledge there is a cost and time impact to remove these in Release 1, but this may be a consideration for future releases.

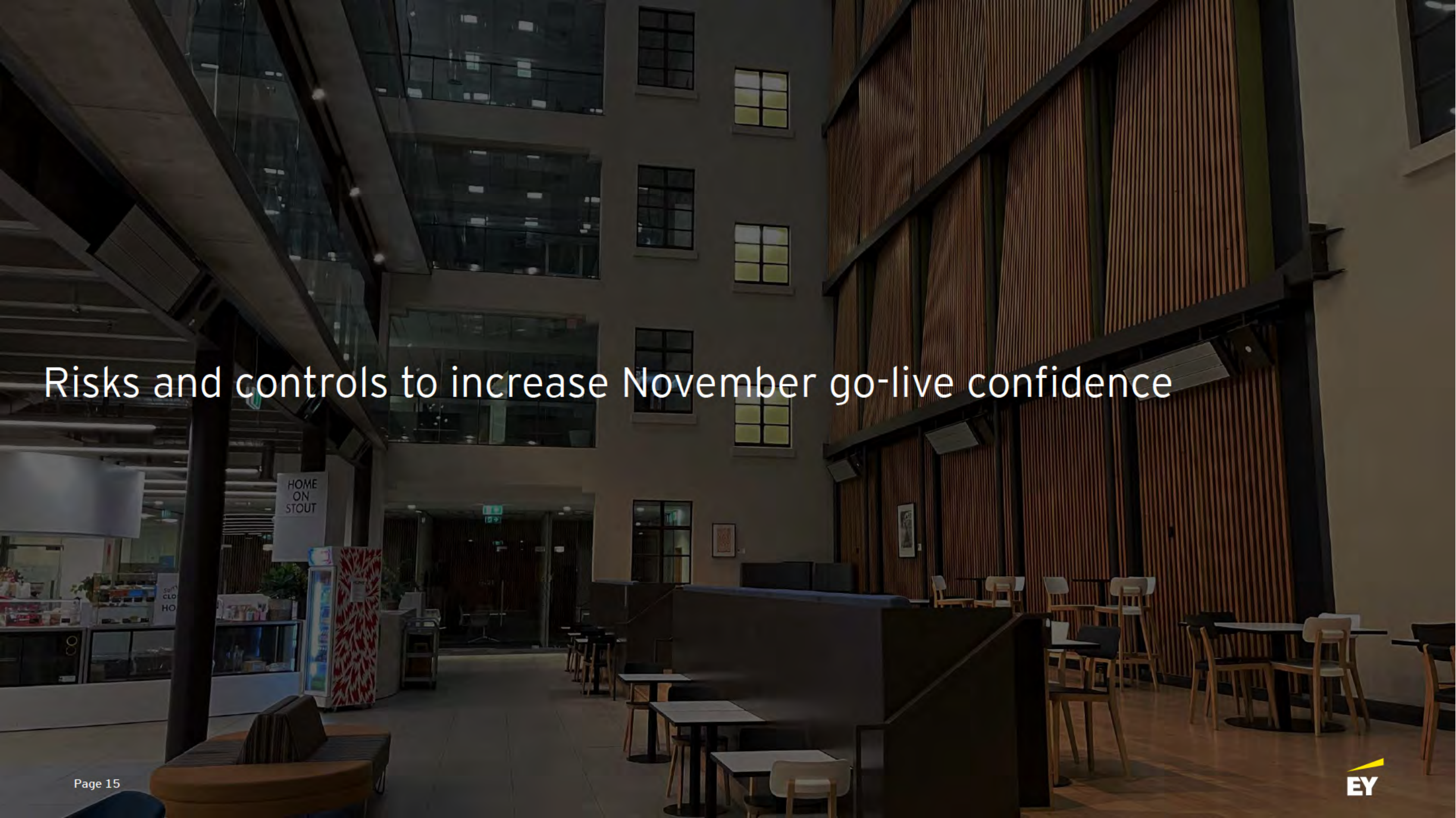
What MBIE is doing to resolve

- Introduced a co-design approach with Datacom for development of initial API requirements.
- Commissioned an independent review of API requirements to confirm suitability.
- Agreed requirement, design, build approach that includes details and formats for requirements and specifications.

What else MBIE could be doing

- **Requirements approach retrospective** - while project has an agreed approach for requirements, at the right time between Release 1 and Release 2 run a retrospective or team review of the requirements approach to identify what worked and what did not with the intent of continuous improvement.
- **Co-location wherever feasible** - co-locate analysts, designers and developers, even if just partial or briefly, so that clarification can be provided without delay as specifications are revised.
- **Avoid similar requirements clarity challenges during testing and defect resolution** – ensure there is strong collaboration between MBIE testers and technical build teams and provide clarity of test results, defect descriptions and expected defect resolution. There is no contingency available to allow for iterations of testing, defect and defect resolution clarification.
- **Deliberate business decision on non-legislated requirements** - <u>noting this is not for Release 1</u>, the business may wish to review non-legislated business requirements / functionality and make deliberate decisions as to whether to retain or remove these.

Risks and controls to increase November go-live confidence



EY

High priority project delivery risks remain and need leadership attention to increase November 2024 go-live confidence (1 of 2)

We have taken a risk-based approach to structure our advice on the current mitigation plan and what MBIE need to do to increase the likelihood of a successful November go-live. This section outlines the high and medium severity risks that need leadership attention now to increase the likelihood of a successful go-live in November.

No.	Risk	Relevant framework area	Severity	Description – "there is a risk that..."	Active mitigation in place or suggested
1	**Back-office solution has further technical delays**	Solution Design & Build	High	• Datacom communicate further delays to the development and delivery of the back-office solution. • With no contingency in the November go-live schedule, this would likely result in further scope reduction or missing the go-live date.	• **In place: Adhoc governance meetings** – MBIE are scheduling adhoc governance meetings to fit around timing of critical milestones, which enables timely response and decisions. • **In place: Regular test environment releases** – regular cadence of back-office releases into test environment enabling iterative quality assurance and increased delivery cycles. • **Suggested: Identify, track and report back-office lead indicators** - that will give early indication if delivery is on track to meet scheduled milestones. Examples might include requirements built versus planned, function points built versus planned, delivery milestone tracking. Raise to governance any issues, potential blockers and risks to get required support to manage and mitigate.
2	**API cannot be accommodated within back-office architecture**	Architecture	High	• The back-office architecture and solution is not able to integrate the Property Manager API within a timeframe that enables the full solution to be ready for November 2024 go-live. Inability to integrate the API into the back-office solution would have a significant impact. • A lack of clarity and collaboration between the back-office and API suppliers might contribute to this and could lead to the API not being built and integrated as expected and within the required timeframe.	• **Suggested: Build back-office and API integration with urgency** - Datacom to design and build back-office solution changes to accommodate Property Manager API with urgency. • **Suggested: Joint end-to-end API build reporting with lead indicators** - covering both API delivery AND back-office integration. This would be regular 'joined-up' reporting to provide assurance and ensure early action on risks. The suppliers should be clear on the delivery rate required to hit key milestones and should specify, track and report the lead indicators that will provide early warning into whether the delivery rate is being achieved. Reporting should clearly set out delivery status, progress, lead indicator measures and any other key metrics. • **Suggested: document API build responsibilities and RASCI** - for the delivery of the API and integration into the back-office solution.

High priority project delivery risks remain and need leadership attention to increase November 2024 go-live confidence (2 of 2)

We have taken a risk-based approach to structure our advice on the current mitigation plan and what MBIE need to do to increase the likelihood of a successful November go-live. This section outlines the high and medium severity risks that need leadership attention now to increase the likelihood of a successful go-live in November.

No.	Risk	Relevant framework area	Severity	Description – "there is a risk that…"	Active mitigation in place or suggested
3	API solution build not complete in time for Nov 2024 go-live	Solution Design & Build	High	• The API build takes longer than planned or estimated. • Delivery of the Property Manager API is critical for MBIE to achieve its planned benefits from the November 2024 go-live. Delay would result in scope reduction or missing the November go-live date for the API.	• **In place: Using another API development supplier** - so Datacom can focus on delivering back-office solution. • **Suggested: Identify critical milestones for API build and integration -** provide frequent governance progress and status reports against milestones. Where required, encourage governance to deep dive to gain a comprehensive understanding of the challenges that need proactive management. An option to consider for project level tracking against milestones is regular or iterative releases of the API solution, which appears to be working for the delivery of the back-office solution for the Mitigation Plan. This could provide transparency to MBIE and could support earlier validation of API and back-office integration. • **Suggested: Identify, track and report API delivery lead indicators** - that will give early indication if delivery is on track to meet scheduled milestones. Examples might include requirements built versus planned, function points built versus planned, delivery milestone tracking. Ensure there is clear understanding of what is needed and what potential blockers might exist. Raise to governance any issues, potential blockers and risks to get required support to manage and mitigate.
4	Solution does not meet business needs	Solution Design & Build	Medium	• MBIE Business Owner and Business Analysts have a lack of transparency into the end-to-end back-office solution and whether it will meet the expectations and needs of the business. • Meeting business need will not be known until UAT, and could be too late to make required changes in time for November 2024 Release.	• **In place: Regular test environment releases** – regular cadence of back-office releases into test environment to get regular insight into solution. • **In place: Solution walkthroughs -** that allow the business to see and confirm suitability of solution. • **Suggested: Governance back-office and API solution deep dives** – the governance team should consider undertaking deep dive walk throughs of the back-office and API solutions to ensure they meet business need. MBIE governance and business owners should have a good understanding of the back-office solution that Datacom will be delivering.

Risks and controls to focus on next to increase November 2024 go-live and business readiness confidence (1 of 4)

We have taken a risk-based approach to structure our advice on the current mitigation plan, successful November go-live, and longer term. This section sets out the low severity risks and controls that the project could focus on next to increase November 2024 go-live and business readiness confidence. **Note: These are documented as risks that may happen – EY has not identified them as existing issues and we have not reviewed these areas in the same level of detail.**

No.	Risks and controls to focus on next	Relevant framework area	Severity	Description – "there is a risk that…"	Active mitigation in place or suggested
1	**Insufficient project controls in place for successful delivery**	Programme Management	Low / Medium	• Project has insufficient activities to track and report progress as well as monitor and mitigate risks. Examples might include extent of project status reporting, change control process, test execution and defect tracking, schedule tracking. Insufficient project controls could result in the project not undertaking the necessary actions and mitigations in a timely manner to keep the project heading towards successful go-live in November 2024.	• **In place: Changes to way project is managed** - MBIE have made several project management changes with reporting, regular releases of back-office solution and change request process. • **In place: Deliberate activity and milestone tracking** – MBIE now have a deliberate plan of activities and milestones, that is being tracked and managed tightly. • **Suggested: Ensure tight project tolerances** – while many improvements have been made to project controls, with no contingency on this project, it is important to ensure very tight tolerances are in place around schedule, budget, quality, risks and issues so that project management and governance attention is applied where required.
2	**Testing delayed due to requirement complexity and iterations of test clarification**	Testing	Low / keep an eye on during upcoming project activities	• SIT testing of requirements, that are more complex than originally anticipated, takes longer than planned. • Related to this, there is also the risk that testing and defect resolution go through a similar lengthy process as faced during requirements, where iterations of clarification are required between testers, business analysts, designers and developers across MBIE and delivery suppliers. • There is no contingency available for test execution and defect resolution delays.	• **In place: Rigorous test reporting** - on test execution, defect and defect resolution rate, so that changes can be made if rate will not meet required dates. • **Suggested: Co-location wherever feasible** - co-locate testers, analysts, designers and developers, even if just partial or briefly, so that clarification can be provided without delay as specifications are revised. Note: this is a duplicate suggestion from earlier in the report.
3	**Test plans not suitable for current mitigation plan**	Testing	Low / keep an eye on during upcoming project activities	• SIT and UAT test plans are no longer suitable for the timing, scope, coverage and quality required for the new mitigation plan, given they were prepared in 2023, reference dates that have now passed, have an outdated solution scope and point to requirements from 2022. • Our expectation is that SIT and UAT testing is about to move onto the critical path for this project.	• **Suggested: Update SIT and UAT test plans for Mitigation Plan** - to align with the scope, requirements, timeframes, of the approved mitigation plan.

Risks and controls to focus on next to increase November 2024 go-live and business readiness confidence (2 of 4)

We have taken a risk-based approach to structure our advice on the current mitigation plan, successful November go-live, and longer term. This section sets out the low severity risks and controls that the project could focus on next to increase November 2024 go-live and business readiness confidence. **Note: These are documented as risks that may happen – EY has not identified them as existing issues and we have not reviewed these areas in the same level of detail.**

No.	Risks and controls to focus on next	Relevant framework area	Severity	Description – "there is a risk that…"	Active mitigation in place or suggested
4	SIT and UAT execution and defect resolution delayed	Testing	Low / keep an eye on during upcoming project activities	• SIT and/or UAT start later and take longer to execute than planned. • One potential cause of test delay could be the inefficiencies and duplication of running both SIT and UAT in parallel. For example, if a SIT defect is raised and resolved it may invalidate a prior run UAT test, or false positives / negatives may occur as a result of parallel testing. • There is also a risk that defects identified cannot be fixed, released and retested quick enough to meet expected timeframes. • With no project contingency, test delays would have a significant impact.	• **In place: SIT and UAT testing will run in parallel.** • **In place: Seeking additional testers** - additional testers being sought to help with testing delivery, given testing will be on the critical path for delivery. • **In place: Rigorous test reporting** - on test execution, defect and defect resolution rate, so that changes can be made if rate will not meet required dates. • **Suggested: High visibility between SIT and UAT test teams** – create a high degree of transparency and collaboration between the SIT and UAT teams so that they are aligned on test execution plans, progress, defects raised, defects resolved. • **Suggested: Continually review test criteria and operational acceptance** – especially near the end of the test cycle, to enable business owners to make informed decisions on the solution that goes into operation, the risks the business is taking, and any workarounds the business may need to put in place.
5	Insufficient focus and time for non-functional testing	Testing	Low / keep an eye on during upcoming project activities	• Non-functional testing, including penetration testing, security certification & accreditation, and performance / load testing start later and take longer than planned. • With no project contingency, security approval delay or performance resolution delay would have a significant impact. • Security needs to be an important consideration for this project given the amount of tenancy bond money the solution processes.	• **In place: Non-functional testing scheduled** - penetration testing, security C&A, performance testing and accessibility testing are all included in the mitigation plan schedule, although there is no room for slippage with these tasks. • **Suggested: Start non-functional testing earlier** - there is no slack in plan, where possible start non-functional testing and security compliance earlier than currently scheduled to allow time to investigate and resolve issues, where these are identified.

Risks and controls to focus on next to increase November 2024 go-live and business readiness confidence (3 of 4)

We have taken a risk-based approach to structure our advice on the current mitigation plan, successful November go-live, and longer term. This section sets out the low severity risks and controls that the project could focus on next to increase November 2024 go-live and business readiness confidence. **Note: These are documented as risks that may happen – EY has not identified them as existing issues and we have not reviewed these areas in the same level of detail.**

No.	Risks and controls to focus on next	Relevant framework area	Severity	Description – "there is a risk that..."	Active mitigation in place or suggested
6	**Solution and build quality not to the standard required**	Solution Design & Build	Low / keep an eye on during upcoming project activities	▸ The solution is not fit for purpose because of the build quality (seen through multiple defects), solution complexity, technical debt, non-functional shortcomings and more. ▸ With no contingency in the November go-live schedule, rectifying solution and build quality would likely result in further scope reduction or missing the go-live date.	▸ **In place: Regular test environment releases** – regular cadence of back-office releases into test environment to get transparency of build quality. ▸ **Suggested: Validate SIT test results** – consider options to validate SIT test results and the 'marking their own test' bias of solution partners undertaking SIT. One option may be MBIE or third-party undertaking some SIT testing, to provide an independent view of build quality from the build supplier.
7	**Solution cannot perform under load during peak period**	Solution Design & Build	Low / keep an eye on during upcoming project activities	▸ The back-office solution and/or API do not perform as expected when rolled out and immediately used during peak load period for tenancy bond processing. ▸ MBIE has encountered load and performance issues with the Immigration New Zealand ADEPT platform that has been developed using Microsoft Power Apps (noting this solution likely has a higher transaction load).	▸ **In place: Performance testing scheduled** - for October and November 2024. ▸ **Suggested: Start performance testing earlier** - there is no slack in plan, where possible start performance testing earlier than currently scheduled to allow time to investigate and resolve performance issues, where these are identified. ▸ **Suggested: Check in with ADEPT team on performance lessons learned** – to determine if technical performance issues encountered may also be a risk for this solution.
8	**Business, TBOs, tenants, landlords and property managers not ready for solution and business changes**	Business Engagement & Readiness	Low / keep an eye on during upcoming project activities	▸ Insufficient planning and work is undertaken to ensure the business, tenancy bond officers, tenants, landlords and property managers are ready for the changes and new solution, including insufficient focus on communication, operating procedures, change management, operational resource planning, training, hypercare etc.	▸ **In place: Change management and training included in mitigation plan schedule.** ▸ **In place: Business readiness planning underway.** ▸ **Suggested: Ensure customer lens included in readiness framework** – the solution also brings about change for tenants, landlords and property managers, and it is important that the readiness framework includes key readiness activities for customers, such as communication and support.

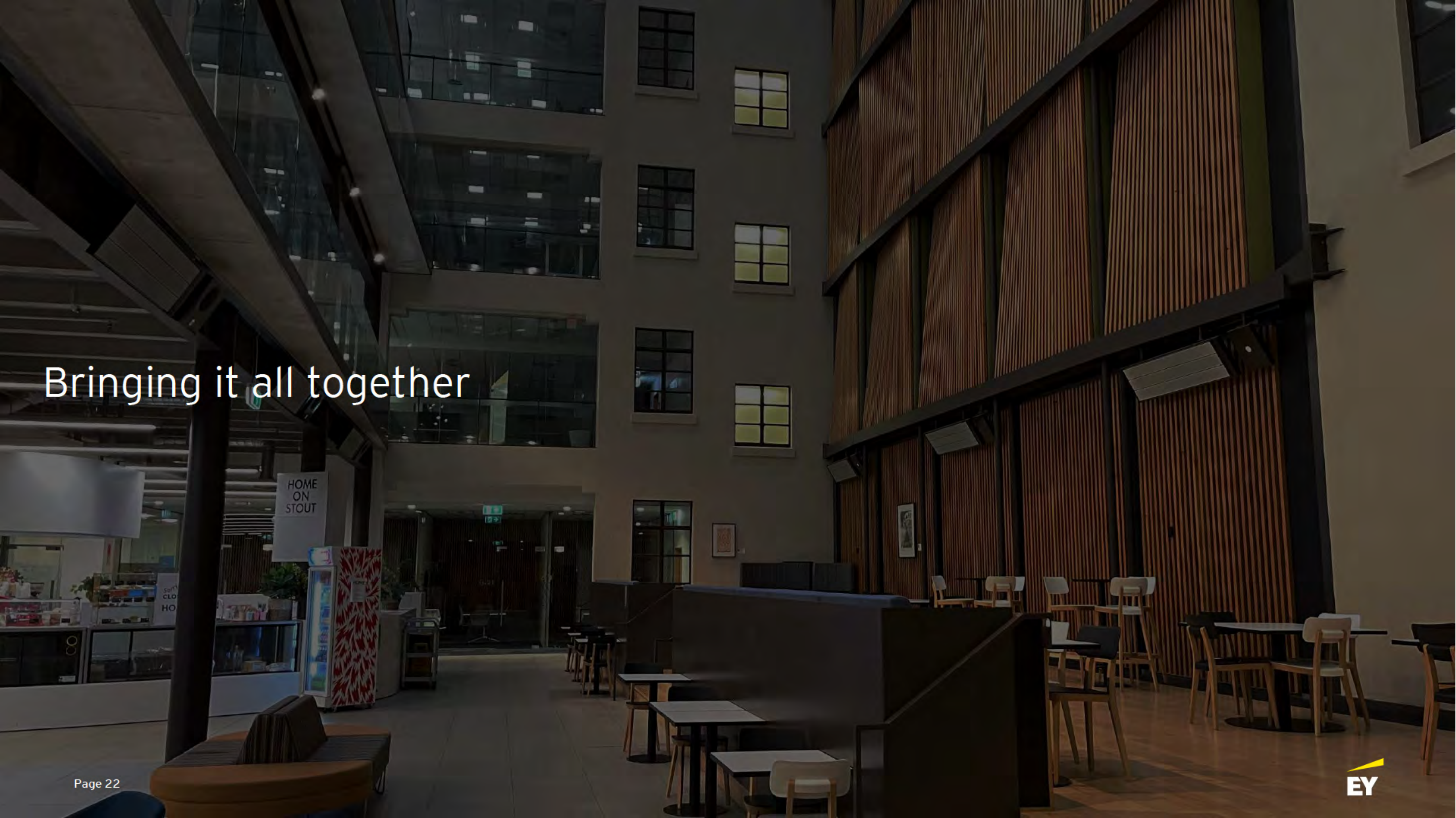
Risks and controls to focus on next to increase November 2024 go-live and business readiness confidence (4 of 4)

We have taken a risk-based approach to structure our advice on the current mitigation plan, successful November go-live, and longer term. This section sets out the low severity risks and controls that the project could focus on next to increase November 2024 go-live and business readiness confidence. **Note: These are documented as risks that may happen – EY has not identified them as existing issues and we have not reviewed these areas in the same level of detail.**

No.	Risks and controls to focus on next	Relevant framework area	Severity	Description – "there is a risk that…"	Active mitigation in place or suggested
9	**Requirements uncertainty delays delivery for Release 2**	Requirement definition	Low / keep an eye on during upcoming project activities	▸ Risk that requirements uncertainty, clarification and refinement causes delays in Release 2. ▸ Back-office requirements went through significant clarification and refinement during Release 1.	▸ **In place: third party review of API requirements** - quality assurance of API requirements to confirm these are fit for purpose. ▸ **Suggested: Requirements approach retrospective** - while project has an agreed approach for requirements, at the right time between Release 1 and Release 2 run a retrospective or team review of the requirements approach to identify what worked and what did not with the intent of continuous improvement. Note: this is a duplicate suggestion from earlier in the report. ▸ **Suggested: Co-location wherever feasible** - co-locate analysts, designers and developers, even if just partial or briefly, so that clarification can be provided without delay as specifications are revised. Note: this is a duplicate suggestion from earlier in the report.
10	**Client and supplier relationship challenges cause further delays**	Programme Management	Low / keep an eye on during upcoming project activities	▸ Further or new relationship challenges, protective behaviours and transparency issues contribute to ongoing project delays	▸ **In place: Project reset replaced both MBIE and Datacom Programme Managers** - this has resulted in a significant improvement in confidence and transparency. ▸ **Suggested: Escalate relationship issues to governance where required.**

EY

Bringing it all together



Factors that led to delay during March to May 2024, along with management actions

EY have presented four factors in this report that we believe contributed to the three-month project delay. The below table brings these together so that MBIE can agree and assign management actions.

No.	EY project challenge theme	What else MBIE could be doing	MBIE management action	Owner	Due
1	Development delivery – **Foundational components failed to deliver promised time savings**	▸ Manage areas of functional risk. ▸ Manager areas of technical and access risk. ▸ Test and validate functional and technical risk early. ▸ Track technical delivery progress against milestones.			
2	Measuring and reporting – **Failure to report delivery delay risks and issues to governance**	▸ Governance member expectation reset. ▸ Greater project risk and issue discipline. ▸ Proactive reporting of critical enablers.			
3	Planning - **Datacom re-estimated late after committing to reset scope timeline**	▸ Greater clarity on the impact of scope change. ▸ Transparent reporting to governance of cumulative changes.			
4	Requirements - **Setbacks and complexity in requirements cascaded into delivery delay**	▸ Requirements approach retrospective. ▸ Co-location wherever feasible. ▸ Avoid similar requirements clarity challenges during testing and defect resolution. ▸ Deliberate business decision on non-legislated requirements (post Release 1).			

High priority delivery risks for November 2024 go-live, along with management actions

EY have raised key risks that need attention to increase November 2024 go-live confidence. The below table brings these together so that MBIE can agree and assign management actions.

No.	EY identified risk	Suggested additional mitigations	MBIE management action	Owner	Due
1	Back-office solution has further technical delays	▸ Identify, track and report back-office lead indicators.			
2	API cannot be accommodated within back-office architecture	▸ Build back-office and API integration with urgency. ▸ Joint end-to-end API build reporting with lead indicators. ▸ Document API build responsibilities and RASCI.			
3	API solution build not complete in time for Nov 2024 go-live	▸ Identify critical milestones for API build and integration. ▸ Identify, track and report API delivery lead indicators.			
4	Solution does not meet business needs	▸ Governance back-office and API solution deep dives.			

Risks and controls to focus on next for November 2024 go-live, along with management actions (1 of 2)

EY have identified additional risks and controls that MBIE should consider and may choose to focus on next to increase November 2024 go-live confidence. The below table brings these together so that MBIE can agree and assign management actions.

No.	EY identified risk	Suggested additional mitigations	MBIE management action	Owner	Due
1	Insufficient project controls in place for successful delivery	‣ Ensure tight project tolerances.			
2	Testing delayed due to requirement complexity and iterations of test clarification	‣ Co-location wherever possible.			
3	Test plans not suitable for current mitigation plan	‣ Update SIT and UAT test plans for Mitigation Plan.			
4	SIT and UAT execution and defect resolution delayed	‣ High visibility between SIT and UAT test teams. ‣ Continually review test criteria and operational acceptance.			
5	Insufficient focus and time for non-functional testing	‣ Start non-functional testing earlier.			
6	Solution and build quality not to the standard required	‣ Validate SIT test results.			
7	Solution cannot perform under load during peak period	‣ Start performance testing earlier. ‣ Check in with ADEPT team on performance lessons learned.			

Risks and controls to focus on next for November 2024 go-live, along with management actions (2 of 2)

EY have identified additional risks and controls that MBIE should consider and may choose to focus on next to increase November 2024 go-live confidence. The below table brings these together so that MBIE can agree and assign management actions.

No.	EY identified risk	Suggested additional mitigations	MBIE management action	Owner	Due
8	Business, TBOs, tenants, landlords and property managers not ready for solution and business changes	▸ Ensure customer lens included in readiness framework.			
9	Requirements uncertainty further delays delivery for Release 2	▸ Requirements approach retrospective. ▸ Co-location wherever possible.			
10	Client and supplier relationship challenges cause further delays	▸ Escalate relationship issues to governance where required.			

High-level 'lessons learned' for MBIE to avoid similar project challenges in the future

MBIE's intent when they reset the Te Riu Kairangi Tenancy Bond Project in February 2024 was to go-live with a fully scoped back-office solution and Property Manager API in November 2024, and then realise the many benefits of this solution over their peak summer tenancy bond processing period. However, due to project challenges and delays, MBIE and Datacom are now working towards a mitigation plan with a reduced back-office scope plus the Property Manager API. This reduced scope still has a risk of not meeting the November go-live date and if it does will deliver less benefits than originally planned.

MBIE needs to then deliver Release 2 of the Te Riu Kairangi Tenancy Bond Project and also undertake many other technology and business change projects. A small set of high-level strategic lessons learned are included below to help MBIE avoid similar project challenges in future releases and on future projects.

Strategic Lessons Learned

1. Set a clear strategic direction for each project	2. Establish 'One Team' with a culture of transparency	3. Set expectations, then measure, report and respond	5. Continuously improve project delivery	5. Rapidly replan when project circumstances change
This includes setting a direction for projects that incorporate lessons learned from previous projects or earlier attempts at the current project as well as valuable knowledge from key stakeholders across the business and technology teams. Agreeing the strategic approach for delivery sets a path that is best for both the customer and MBIE, that delivers early value and de-risks the program. In other words, avoid substantial changes of approach and scope.	Establish or reset projects to work as 'one team'. Project team members, regardless of parent organisation, are required to leave 'patches' at the door and buy into what is right for the project. This means project activities are done together - one shared risk register, shared status reporting, shared replanning, and teams co-located wherever possible. Bad news should not be punished, instead early transparency and ability to mitigate should be encouraged.	Have a clear plan and set expectations of what is required for the whole project team, including vendors. Identify key metrics and lead indicators, such as function points delivered, test scripts executed etc. and track and report these against the expected run rate to deliver on budget and schedule. Timely and accurate communication is vital, and key metrics, status, progress, risks and issues, should be reported early to governance and action taken to stay on track.	While Government projects are funded using a waterfall approach, delivery can and should be more flexible to maximise value and benefits delivered from the project. Retrospectives and team reviews including MBIE and suppliers should be held to identify what has and has not worked and what should be done to continuously improve delivery. Iterative approaches with quicker feedback cycles, greater transparency of progress, and ability to adjust could be one consideration.	Projects often need to change to accommodate new information or 'things that happen'. When a project significantly changes it is important to immediately replan across all aspects and all suppliers to set a new baseline for what needs to be delivered by when to meet the expected milestones. Having an up-to-date plan, with clear activities and milestones allows the project to manage the schedule tightly, identify any slippage early, escalate concerns to governance and take action to mitigate and resolve delays.

Appendices

EY

Appendix 1: The documents we reviewed and the key MBIE and Datacom stakeholders we interviewed

Documents reviewed

No.	Document
1	MBIE Tenancy Bond Transformation Indicative Business Case (March 2023)
2	MBIE Tenancy Bond Transformation - Implementation Business Case (6 October 2023)
3	MBIE Te Riu Kairangi Project Reset (27 February 2024)
4	Datacom Bond Governance Weekly Reports (September 2023 to May 2024)
5	Datacom Bond Governance PSG Status Reports (August to November 2023, February to June 2024)
6	Weekly Delivery Lead minutes (February 2024 to May 2024)
7	PSG Status Reports (December 2023, February to June 2024)
8	PSG Agenda and Meeting Minutes (November 2023, February to May 2024)
9	MBIE - Te Riu Kairangi TBS Review update (21 December 2023)
10	MBIE - Te Riu Kairangi - Tenancy Bond Transformation Programme - Alternative Delivery Options (25 May 2024)
11	MBIE Te Riu Kairangi - Delivery Approach (June 2023)
12	Datacom - MBIE Tenancy Bond Transformation Datacom Internal Briefing Document (June 2024)
13	Datacom - PSG Briefing on Release 1 Schedule (Updates and Mitigations on Schedule - May 2024)
14	Datacom - Bond Project Governance Report - MBIE Te Riu Kairangi (21 June 2024)
15	MBIE Risk Register (Date N/A)
16	MBIE Issue Register (Date N/A)
17	MBIE - Te Riu Kairangi - Tenancy Bond Transformation Programme - Architectural Stocktake (10 June 2024)
18	MBIE - Te Riu Kairangi Tenancy Bond Transformation Programme - API Options Analysis (21 June 2024)
19	Deloitte - MBIE API Requirements Review (21 May 2024)
20	Deloitte - API Requirements review MBIE - Tenancy Bond Transformation (21 May 2024)
21	MBIE - Te Riu Kairangi Tenancy Bond Transformation Programme - Detailed Test Plan (September 2023)
22	Datacom - Te Riu Kairangi - Tenancy Bond Transformation Test Strategy (30 June 2023)

Stakeholders interviewed

No.	Name	Title	Date
1	Ingrid Bayliss	General Manager Building and Tenancy, MBIE	10 June 2024
2	Privacy of natural persons	Programme Manager, MBIE	13 June 2024
3		Programme Director, MBIE	14 June 2024
4		Associate Director - Dynamics 365 & Power Platform, Datacom	17 June 2024
5		Practice Manager, Business Platforms, Datacom	17 June 2024
6		Solution Architect, MBIE	17 June 2024
7		Customer Partnership Lead, Datacom	18 June 2024
8		Practice Lead, Dynamics 365 + Power Platforms, Datacom	20 June 2024
9	Suzanne Stew	Deputy Secretary, Service Delivery, MBIE	21 June 2024
10	Privacy of natural persons	Principal Business Analyst, MBIE	24 June 2024

Appendix 2: EY has reviewed the Te Riu Kairangi Tenancy Bond Project using its programme success framework

Using the framework for reviewing programmes

EY uses a comprehensive programme success framework for managing risk and quality on programmes by focusing on the factors that should be successfully executed to deliver value.

The framework sets out the 10 building blocks of a successful programme and provides a valuable basis for reviewing and evaluating the status, challenges and bright spots of a project or programme.

The ten building blocks of a successful programme

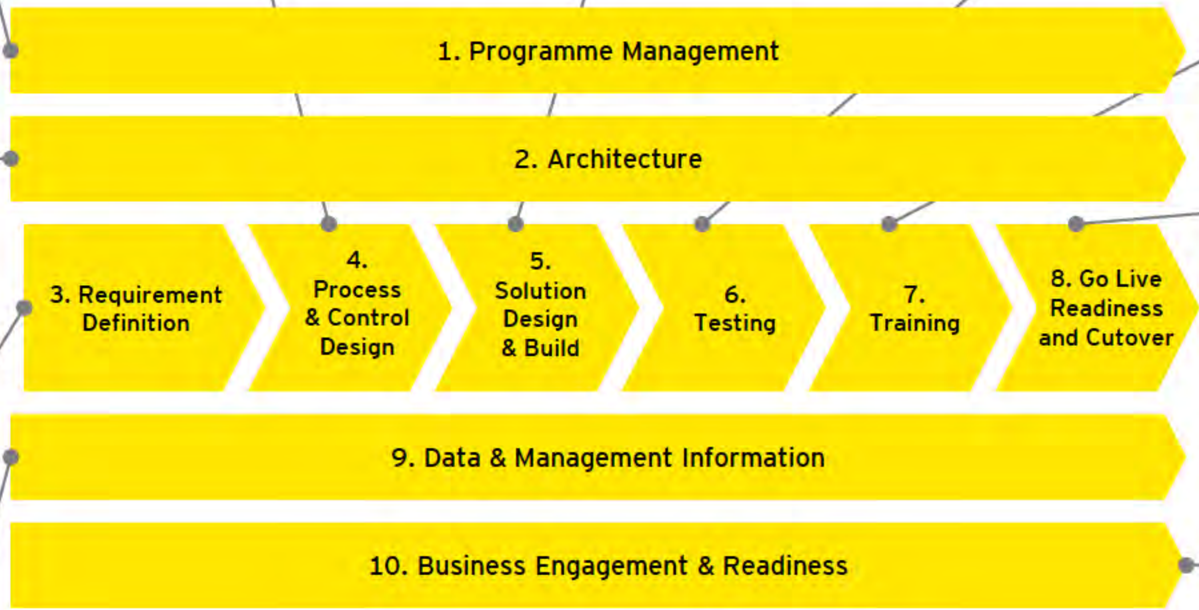
- Planning & estimation.
- Schedule & dependencies.
- Scope & change requests.
- Budget and costs.
- Risk & issue management.
- Team structure & vendors.
- Governance & Decision making.
- Project & status reporting.

- Process efficiency & effectiveness.
- Control integration.
- Fitness for purpose.
- End to end completeness.
- Alignment to value.

- Build quality.
- Configuration.
- Design effectiveness.
- Specification completeness.

- Test strategy & plan.
- Test environments.
- SIT & UAT test execution.
- Non-functional test execution.
- Defect resolution.
- Test effectiveness.
- Test governance.
- Test results validation.

- Business alignment.
- Training needs analysis.
- Training material quality.
- Non system training content.
- Training delivery.



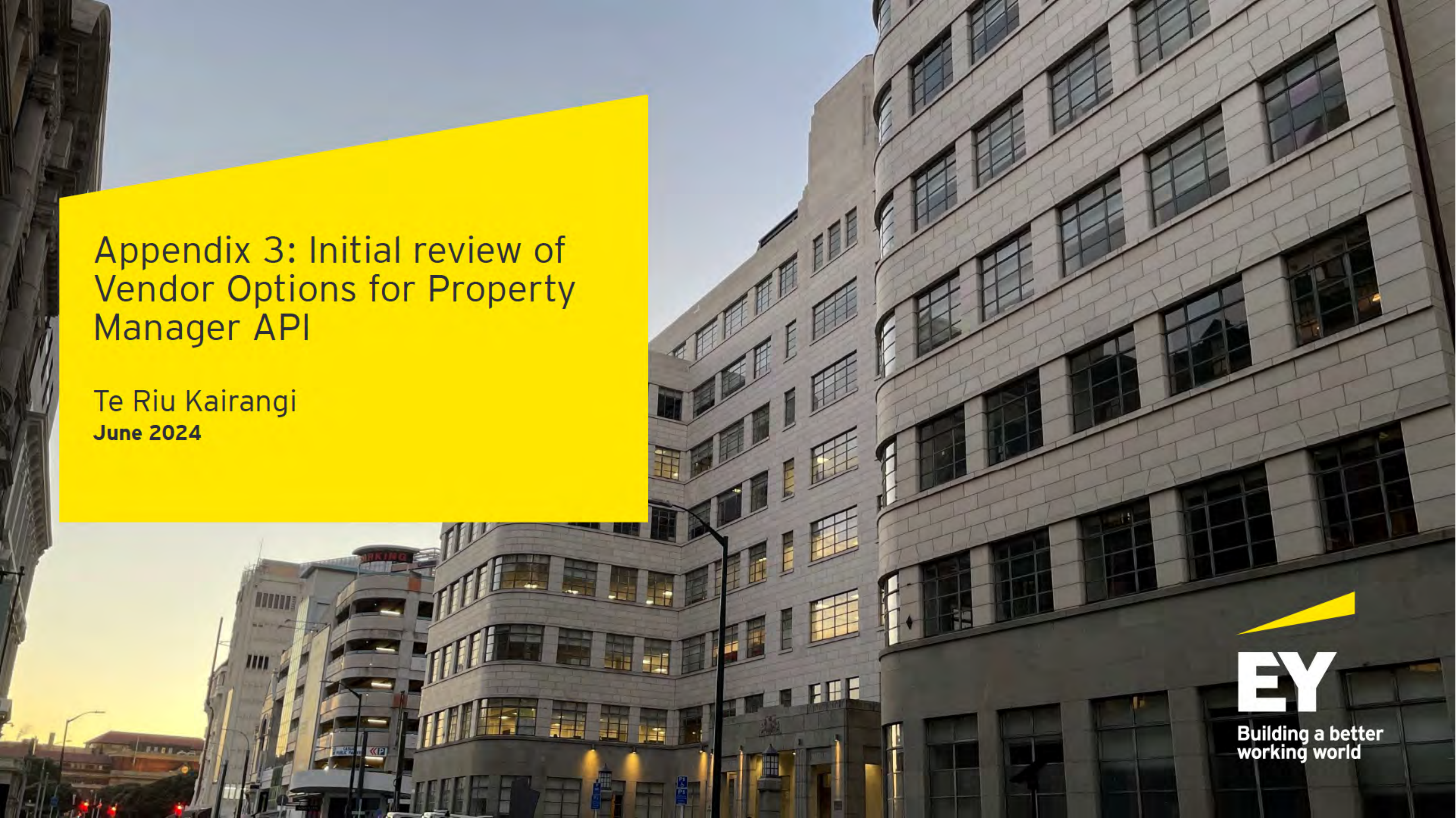
- Standards & governance.
- Architecture & design.
- Non-functional design.
- Requirement traceability.
- Fitness for purpose.
- Solution quality.
- Architecture risk.

- Business orientation.
- Alignment to value.
- High-level requirements.
- Detailed requirements.
- Non-functional requirements.
- Requirement completeness.
- Requirement quality.

- Data strategy.
- Data architecture.
- Cleansing / migration strategy and approach.
- Management information strategy.
- Integration strategy.

- Business governance.
- Pre-go-live checks.
- Go-live readiness.
- Customer readiness.
- Support readiness.
- Plan completeness.
- Go/no-go decision.
- System cutover.
- Roll-back / contingency.
- IT service management.
- Hypercare & help desk.

- Change impact analysis.
- Stakeholder management plans.
- Communications strategy.
- Communications quality.
- Operating procedures.
- Business resource availability.
- Business engagement level monitoring.



Appendix 3: Initial review of Vendor Options for Property Manager API

Te Riu Kairangi

June 2024

Building a better working world

EY's initial review of the Te Riu Kairangi Tenancy Bond Project Property Manager API

The Te Riu Kairangi Tenancy Bond Project

MBIE's Building and Tenancy Branch are undertaking the Te Riu Kairangi Tenancy Bond Project, which aims to replace the existing legacy Bond 2000 solution with the goal of managing the tenancy bond process with greater reliability and automation. The intent is to have Release 1 operational by the end of November 2024 providing back-office functionality and a Property Manager Application Programming Interface (API).

An initial report on Property Manager API

This is an initial report to provide specific and early advice the **Property Manager API**, for which the Ministry is considering two delivery options.

EY will also deliver a subsequent report to explore the Te Riu Kairangi Tenancy Bond Project more broadly, including reasons for current issues, action underway and suggested to resolve issues, and advice for avoiding similar issues in the future.

Across both reports, EY has reviewed key documents and interviewed several key stakeholders and project team members across both MBIE and Datacom as the primary delivery partner.

MBIE and Datacom support with this work

MBIE and Datacom have been supportive of this work, providing proactive, prompt, and transparent access to documents and interview stakeholders. All interviews have been positive and constructive.

EY has provided a risk-based evaluation of the two API vendor options to inform MBIE's decision

MBIE is currently choosing between two vendor options to deliver the Property Management API by November. To support this decision, EY is providing input following a risk-based approach, to be viewed alongside MBIE's other technical and commercial analysis.

Options

1. **Datacom delivers API** - incumbent vendor Datacom develop API via separate workstream to existing back-office build. Expected 10-week design period.
2. **Alternate vendor delivers API** - alternate vendor or insourced team develop API. One vendor has estimated a 12 to 16-week design and build period.

Current Findings

EY has so far reviewed key documentation and interviewed relevant stakeholders of the Te Riu Kairangi project. Within this process the team identified the following findings for API vendor options.

- **The API itself is not expected to be particularly complicated** – development of the web interface to allow another system to *GET/POST/PUT/DELETE* data is not a large or technically difficult task.
- **The unknown lies with accommodating the API in the back-office solution** – how to input and output data, and what, if any, data transforms may be required to ensure integrity of end-to-end logic is maintained. This is true for either vendor option; ensuring that the scope of this work is included in both option scenarios is *critical* for success.
- **Using another vendor to deliver the API may add cost and delivery certainty, but increases relationship complexity** – this adds another contact point where the new vendor would need to work collaboratively with Datacom if any further changes surface.
- **The API needs to be used by Property Management Software suppliers to create value** - this risk could be mitigated by bringing software suppliers on early by exposing them to pre-production / test environments to enable them to develop their interfaces in parallel.

We followed a risk-based approach

EY has used a relative risk-based approach to further understand both API vendor options.

1. Information gathering conducted at the same time as the wider project review.
2. Risk-based analysis of API vendor options.
3. Responses to MBIE's key Project Steering Committee questions.

There is no risk-free pathway to API delivery by November, therefore a decision needs to be based on risk trade-offs based on MBIEs risk appetite

Outlined below is a relative assessment of the risk profiles of Datacom or an alternative vendor in delivering the API for MBIE. Note that this content is not a definitive assessement of risks nor a deep technical review but is intended to be used as a framework to inform MBIE's wider decision.

#	Risk	Description	Option 1: Datacom	Option 2: Alternative Vendor
1.	Schedule Risk	If vendor does not complete design, build and testing by the due date, the API cannot go-live and automation value cannot be realised.	The relatively long design window suggested could significantly increase the delivery risk.	Whilst API can be completed, must consider time to integrate into back-office and onboard team.
2.	Scope Risk	If key project levers like scope and deadline are fixed, then API may end up going live with limited functionality or open defects.	Datacom have had the most exposure to the back-office application, so should be best placed to mitigate the impact in this scenario.	The vendor has less detailed knowledge of existing processes. Using another vendor frees up Datacom to focus their time and resources on back-office delivery.
3.	Integration Risk	If API is delivered by either vendor but back-office is not sufficiently integrated, MBIE would end up with an API with functionality deficiencies.	Datacom have had the most exposure to the back-office application, so should be best placed to identify and make changes when problems are surfaced.	Any discovered problems that require back-office remediation would need to be raised back to Datacom. Added complexity of two providers.
4.	Cost Risk	MBIE may pay more for the API if the work is not fixed priced and there are delays or issues.	Datacom have not provided a price, and likely to be a T&M contract.	Fixed price and so cost risk can be managed.
5.	Property Manager Software & Customer Risk	If API is delivered by the either vendor, but Property Management Software is not adequately integrated with the API, the benefits wouldn't be realised.	Plan is that the API requirements and design intended to be shared with the market with adequate time to develop and deploy.	Plan is that the API requirements and design intended to be shared with the market with adequate time to develop and deploy.
6.	Resource Risk	If vendor has limited resources, API delivery may be impacted.	We cannot confirm the "depth of the vendor's bench".	We cannot confirm the "depth of the vendor's bench", however the vendor has committed up front.

There is a high risk that Datacom cannot deliver both the back office and API for a November go live, but using an alternative vendor also has risks

MBIE is looking for input to answer four questions for the 25 June 2024 Project Steering Group meeting:

1. Is the Release 1 scope / approach to include the API as critical functionality valid (noting it will likely be critical path)?	**2.** If the API is critical path and critical to success – what is the confidence in Datacom in delivering both back office and API to achieve the 2024 timeframe for Release 1?	**3.** If Datacom are awarded the API development, is there sufficient mitigations and commercial tension to ensure we have high confidence in Datacom providing delivery assurance?	**4.** If Datacom are not awarded the API development is the alternative approach of using a different vendor viable given the technical environment?
The Property Manager API is critical functionality for the November Release if MBIE is to meet its cost saving business benefits A key business benefit of the Te Riu Kairangi project is to reduce MBIE cost by automating key bond processes. The Property Manager API will enable the automation of 50% or more of bond transactions. If the API is not delivered for a November go-live (including development and release of functionality by the Property Manager Software suppliers to use the API) the business will lose a year of benefit which will not be realised until the next peak season over summer 2025/2026.	**There is a high risk that Datacom will not be able to deliver both the back-office solution and API in time for a November 2024 go-live** From the interviews, documentation and risk analysis, it is not possible to confirm that Datacom will deliver the API capability in time to meet the November go-live date. Datacom has requested 10 weeks to design the API. Even if design started on Monday 1 July 2024 the build could not start until the week of 9 September 2024, leaving only a couple of months to build, test, publish the API specification, and have Property Manager Software vendors develop their functionality to use the API.	**There is insufficient mitigations and commercial tension available to ensure Datacom can deliver the API in time for a November 2024 go-live** The project is already putting in place controls to increase transparency, track progress and make early decisions. There is a 10-week design period required by Datacom and this makes it very difficult to provide certainty of delivery, regardless of mitigation and commercial tension. The only mitigation here might be to ask Datacom to design the work in a different, shorter or iterative way, potentially for a fixed price build, to get earlier confidence of dates for build and test completion. There is little competitive tension in a T&M contract combined with a waterfall delivery approach. Offering the API build contract to another provider may help create additional competitive tension.	**A different vendor could be used to develop the API, but there is a high risk of whether the API can be integrated with the back office** There is a consistent view from the interviews that the development of the API is not complex. The larger concern is what changes are required to the back-office solution to work with the API and this work sits with Datacom. Thus, even if a different vendor develops the API, the project may still have a critical path dependency on Datacom to make the back-office changes for that API. The extent of those changes will be uncovered during the Datacom 10-week design work.

Appendix 4: The project has faced broader challenges relating to scope, relationship, transparency and delivery approach (1 of 3)

The project has faced several challenges. Many of these came up in our interviews and the documents we reviewed, and have likely contributed to project delays, but were broader than the specific focus of the report. These broader challenges are elaborated in this appendix.

No.	Challenge	Relevant framework area	Description	Activities in place or suggested
1	Significant scope changes	1. Programme Management	**The project has had significant scope changes including a February 2024 reset that introduced and removed scope. There has also been multiple change requests. Changing scope may have impacted on project direction, productivity and project delays.** **Scope changes included:** ▸ **Project reset** – the was reset in February 2024 to resolve cost escalations and negative behaviours. The reset also introduced significant scope changes including adding the Property Manager API into scope for Release 1 and removing the landlord portal, Bond 2000 lookup and data migration from Release 1. ▸ **Additional change requests** – approximately 30 change requests have been approved to the back-office build during both detailed design and rescoping for the Mitigation Plan. **Noting** that the Mitigation Plan required a reduction in scope and was required to mitigate delays that Datacom announced. **Acknowledging the need for the scope reset** The reset scope changes were introduced when a key MBIE stakeholder joined the project in December and relate to important learnings from a previous project and are intended to maximise the benefit of the project.	MBIE has taken steps to: ▸ Formalise the change request process. ▸ Lock down the Mitigation Plan back-office scope. ▸ Prepare and track a milestone-based plan, with regular measurable checkpoints. Other suggestions: ▸ In future projects, ensure strategic direction is set up-front and captures lessons learned and key inputs. ▸ Noting the changing environment, investigate whether iterative or other delivery approaches would better support the changes.

Appendix 4: The project has faced broader challenges relating to scope, relationship, transparency and delivery approach (2 of 3)

The project has faced several challenges. Many of these came up in our interviews and the documents we reviewed, and have likely contributed to project delays, but were broader than the specific focus of the report. These broader challenges are elaborated in this appendix.

No.	Challenge	Relevant framework area	Description	Activities in place or suggested
2	**Challenging client and supplier relationship**	1. Programme Management	**It is difficult to run a project and manage to schedule, budget and scope when there are relationship challenges and a breakdown in trust. The client and supplier relationship has contributed to project issues.** During interviews it was evident that there has been a challenging relationship between both parties on this project. Some of these behaviours referenced included a lack of transparency (covered in next point), insufficient communication, passionate opinions and disagreements, misaligned expectations, and then naturally expectations not being met. The relationship challenges have led to a break down in trust between the MBIE and Datacom. **Note:** EY has only reviewed the Te Riu Kairangi Tenancy Bond Project and the relationship comments here only relate to this project.	MBIE has taken steps to: ▸ Reset the project in February and replace MBIE and Datacom programme managers. ▸ Escalate relationship challenges to executives. Other suggestions: ▸ Consider an executive reset to operate as 'one team' working together to collaboratively deliver the project, rather than sides working in silos.
3	**Overall lack of transparency**	1. Programme Management	**Lack of open communication, sharing of information and overall transparency is slowing the project down. Extra time is invested to get required information and decisions are being made without the best information. When information is available it is late, limiting the ability to act on the information.** The challenging client and supplier relationship outlined above is no doubt contributing to the lack of transparency. We heard that MBIE largely undertook the reset without Datacom involvement, which likely reinforces a two-team mindset rather than one team working together. We also heard examples of Datacom delaying information sharing due to Delegated Financial Authority constraints or not providing solution walkthroughs due to time constraints.	MBIE has taken steps to: ▸ Require Datacom to provide more detailed weekly reports ▸ Improve PSG reporting ▸ Run ad-hoc PSG meetings to fit with key project milestones ▸ Use third party reviews to validate information provided Other suggestions: ▸ Get clear on transparency and information sharing behaviours expected and gain leadership support for these. ▸ Foster a culture of transparency to enable an early line of sight of challenges so governance can support success.

Appendix 4: The project has faced broader challenges relating to scope, relationship, transparency and delivery approach (3 of 3)

The project has faced several challenges. Many of these came up in our interviews and the documents we reviewed, and have likely contributed to project delays, but were broader than the specific focus of the report. These broader challenges are elaborated in this appendix.

No.	Challenge	Relevant framework area	Description	Activities in place or suggested
4	**Waterfall approach may have constrained delivery**	1. Programme Management	**The waterfall approach may have created a cascade of delay through the project following a longer than expected and more complicated preparation of back-office requirements and design.** Following a waterfall approach, requirements and functional specifications for the back-office were required to be signed off ahead of the build phase. However, the requirements and design were complicated and changed and resulted in approval delays. This likely slowed the start of back-office build. We understand that the back-office build did ultimately start while the requirements and design were still being finalised. This led to a mix of design and build activities occurring in parallel, with issues and interdependencies arising and the need for further iterations and reviews of requirements.	MBIE has taken steps to: ▸ Introduce more iterative delivery of back-office solution into test environment, providing shorter cycle loops of delivery and feedback. ▸ Prepare and track a milestone-based plan, with regular measurable checkpoints, for the delivery of the Mitigation Plan. Other suggestions: ▸ The project team should come together and run a retrospective or team review of their delivery approach. Focus could be on identifying what worked and what did not with the intent of continuous improvement and doing more of what works.
5	**API requirements and change request process may have distracted focus**	3. Requirements Definition	**API requirements also encountered delays and Datacom's involvement potentially distracted focus from back-office build. Change requests were also slow, requiring impact assessments and two weekly review cycles which may have contributed to delays.** April reporting outlined the risk of not completing API detailed requirements due to minimal progress made and delays in detailed user stories from MBIE. A two-week delay in completing API requirements was estimated. Datacom effort on API requirements may have distracted some team members from back-office build work. Eight change requests raised in reporting between March and May, with an estimated 90.25 hours spent on assessing changes and undertaking impact assessments. Datacom has also raised concerns at the lack of expediency in MBIE's two-week review cycle for change requests. The change request process could be a consideration when looking to speed up delivery progress.	MBIE has taken steps to: ▸ Commission an independent review of API requirements to confirm these are fit for purpose. ▸ Use a third party to design and build the API, enabling Datacom to focus on the timely delivery of the back-office build and API integration. ▸ Streamline its change request process through reinstating the forum, defining criteria and introducing t-shirt sizing, to reduce time spent assessing requests.