



MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Attachment 1

Te Pae Tawhiti Programme Business Case

Manaaki tangata, manaaki whānau.

We help New Zealanders to be safe,
strong and independent.

**Ko te pae tawhiti
whāia kia tata,
ko te pae tata
whakamaia kia tina.**

Seek out distant horizons,
while cherishing
those achievements
at hand.

IN CONFIDENCE

28 April 2022

Contents

| | |
|---|-----|
| Introduction | 3 |
| Executive summary | 6 |
| Strategic Case: establishing the case for change | 6 |
| Economic Case: establishing a preferred way forward | 9 |
| Commercial Case: procuring what is required | 12 |
| Financial Case: establishing costs and affordability | 14 |
| Management Case: ensuring successful delivery..... | 16 |
| Strategic Case – making the case for change..... | 22 |
| Introduction..... | 22 |
| An overview of the Ministry of Social Development | 24 |
| Government priorities and our strategies to deliver to these priorities | 26 |
| We face barriers to delivering against Government priorities and our strategies | 32 |
| Our strategic response – we will significantly improve service experience and outcomes for clients | 36 |
| We will deliver improved service experience and outcomes through a transformed Future Service Model | 39 |
| A major transformation programme will be required to deliver MSD-wide change | 50 |
| Significant investment is needed from the Crown | 53 |
| We expect significant benefits from the investment | 58 |
| The challenges faced – risks, constraints, dependencies..... | 60 |
| Addressing the challenges | 63 |
| Economic Case..... | 67 |
| Developing a long-list of options..... | 68 |
| Critical Success Factors that must be met for our preferred option..... | 69 |
| Investment objectives to be achieved by our preferred way forward | 69 |
| Evaluation of the dimension sub-options | 70 |
| Creation of a short-list of options | 73 |
| Short-list option assessment..... | 84 |
| Our preferred way forward is Option 3: Transform..... | 86 |
| Commercial Case | 99 |
| Procurement Strategy | 99 |
| Transformation partners with critical expertise will be sought..... | 103 |
| Sourcing will follow a best practice approach | 105 |
| We will use several sourcing channels..... | 107 |

| | |
|--|-----|
| Facing challenging market conditions | 109 |
| Contract provisions for deliverables and services | 111 |
| Financial Case..... | 113 |
| Some key assumptions were made in determining these costings..... | 115 |
| The costs fall into seven categories..... | 116 |
| How we determined the cost of the Programme | 119 |
| Overall affordability | 120 |
| Management Case – ensuring successful delivery | 121 |
| MSD’s approach to implementing this large programme of change..... | 121 |
| Governance and management of the Programme | 126 |
| We will use a phased delivery approach, set out in a Programme Horizon Roadmap | 134 |
| Organisational change management | 137 |
| Benefits management | 144 |
| Risk and issues management | 148 |
| Programme and business assurance arrangements | 150 |
| Annexes | 153 |

Introduction

The Senior Responsible Officer, on behalf of the Ministry of Social Development (MSD) Leadership Team, is very pleased to provide this Programme Business Case (PBC) for consideration. Over a million people rely on support from MSD every year, but our current service model constrains the organisation's ability to help. The preferred way forward identified in this PBC is to transform MSD's services and the underpinning systems and processes. This investment would significantly improve New Zealanders' outcomes and their experiences of the welfare system, and provide a solid platform for the delivery of welfare services for decades to come.

MSD previously submitted a Strategic Assessment to Cabinet

In November 2021, the Minister for Social Development and Employment submitted a Strategic Assessment to Cabinet to clearly define and communicate the need to invest in our future through Te Pae Tawhiti Transformation Programme (the Programme).

This Strategic Assessment noted that a PBC would be submitted to Cabinet in March 2022 to gain agreement to a preferred option for the way forward to enable a transformed welfare system. Cabinet accepted the Strategic Assessment and invited the Minister for Social Development and Employment to return with a PBC in April 2022.¹

This Programme Business Case builds on the Strategic Assessment and establishes a preferred way forward

The Programme aims to transform MSD's service model into one that will better understand, connect to, deliver for, and support clients, their whānau, and communities.

This PBC identifies a preferred way forward and a delivery approach for the Programme. It explores the Government's commitment to overhauling the welfare system, the issues MSD faces in carrying out this overhaul, the key options for investment to address these issues, and the preferred way forward. This Programme Business Case is in Better Business Case (BBC) format and contains a strategic, economic, commercial, financial, and management case.

We are seeking Cabinet's agreement to the preferred way forward

Our preferred way forward is to transform service delivery at MSD. This option – Option 3: Transform – involves redesigning MSD's operating model to support fully integrated services, with a tiered approach, supported by redesigned business processes and renewed technology platforms.

This Programme Business Case seeks Cabinet's agreement to our preferred way forward. The investment to support this will enable MSD to transform its service model, renew and modernise its technology, and divert staff effort from processing tasks to client-facing work. This will bring benefits of:

- improved equity for Māori and Pacific people

¹ See, GOV-21-MIN-0039

- improved wellbeing of people in need, reducing their time in the system, ensuring fewer end up in debt, and empowering people to meet their goals
- improved effectiveness and efficiency of services
- improved system agility and resilience
- improved trust and confidence in the welfare system.

Our preferred way forward will bring a major transformation to how MSD delivers services

We are seeking Cabinet's support for what will be a generational transformation of all aspects of our business. We estimate that it will take s 9(2)(f) to complete the transformation.

The estimated cost of implementation is s 9(2)(f)(iv)

The cost of just maintaining MSD existing service model and systems would be

s 9(2)(f)(iv)

MSD will use its well-established Agile ways of working to deliver value early and incrementally, enabling change adaptation and choices for the Government as delivery progresses.

MSD will have limited capacity to take on new work during the Programme, due to the significant impact of transformation on its current work programme.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

This Detailed Business Case will:

- s 9(2)(f)(iv)
- s 9(2)(f)(iv)
- demonstrate that MSD has the capability and capacity to deliver the projects in the Detailed Business Case and can manage co-existence and risks satisfactorily.

This Programme Business Case and future Detailed Business Cases will build on established investments and capabilities at MSD

MSD has already invested in developing capabilities that the Programme can build on. These include developing an enterprise-wide integrated work programme, Agile delivery and systems rollout, a data warehouse, cloud technologies, a transformed corporate platform, and an organisational change management capability. These investments and growing capabilities will accelerate our delivery and reduce our implementation risk.

We will ensure that the Government retains flexibility in how it invests

We are very aware of the changing priorities for Government. While we are seeking support for our preferred way forward, we will continue to provide choices to Ministers to invest in what will provide the best value.

The Detailed Business Case for Horizon 1 will provide clear advice about how off-ramps might work after this first horizon and the value that would still be delivered to Government.

Executive summary

Strategic Case: establishing the case for change

There is a clear need for an overhauled welfare system

In 2017, the Government identified the need to overhaul the welfare system. It established the Welfare Expert Advisory Group (WEAG), which in 2019 stated that our "current welfare system is no longer fit for purpose and needs fundamental change". WEAG reported that the welfare system is "badly in need of repair and no longer fit for the needs of New Zealand in the 21st century". Furthermore, "We cannot solve the existing problems, let alone create a system that will serve future needs, through further ad-hoc amendments or marginal changes".

Government is committed to the changes necessary

The Government has endorsed a future state for the welfare system that:

- is "underpinned by values relevant for New Zealand
- enables individuals, families and whānau to thrive
- adequately supports employment and training
- recognises the value of unpaid work, such as caring and volunteering
- takes a whole-of-community approach to working with partners"².

MSD has set out its future direction in its *Te Pae Tawhiti – Our Future* strategy

Te Pae Tawhiti – Our Future sets out the three shifts we need to make across our organisation in all our work to achieve our outcomes. The three shifts are:

- *Mana manaaki* – a positive experience every time.
- *Kotahitanga* – partnering for greater impact.
- *Kia takatū tātou* – supporting long-term social and economic development.

Te Pae Tata and *Pacific Prosperity* embrace the three shifts and describe how they will be realised for Māori and Pacific people.

Te Pae Tata: Te Rautaki Māori me te Mahere Mahi, aims to embed a Māori world view into our organisation that will honour our commitment as a Te Tiriti o Waitangi partner and prioritise the needs of whānau.

Pacific Prosperity: Our People, Our Solutions, Our Future, aims to rejuvenate MSD's delivery and engagement of services for Pacific people, families, and communities – so they are safe, thrive and flourish in New Zealand.

² See, SWC-19-MIN-0168 (11 November 2019), para 4

Te Pae Tawhiti is supported by subsidiary strategies...

Our People Strategy – *He Korowai Manaaki* – sets out the people-related actions we will carry out to achieve our key organisational strategies.

We have in place a refreshed technology strategy that is aligned with the All-of-Government Strategy for a Digital Public Service – *Rautaki mō tētahi Rāngai Kāwanatanga Matihiko* – and an Information, Data and Analytics strategy.

There are three key problems we must solve to enable us to deliver to Government expectations and implement *Te Pae Tawhiti* – *Our Future*

As established in our Strategic Assessment, these three problems are:

1. ***Client outcomes:*** Our fragmented, transactionally focused service approach will not meet the future needs and expectations of New Zealanders.
2. ***Client experience:*** Our current service model can make it difficult for clients to get help, which could result in harm and exacerbate hardship.
3. ***Risk of service failure:*** The high and increasing likelihood of service and payment failure risks serious harm to clients, partners, and New Zealand.

Our strategic response: we will significantly improve service experience and outcomes for clients

To improve *client outcomes* and *client experience* we must have a transformed service model that puts clients and whānau at the centre of everything we do.

To support a transformed service model, we must have transformed, modernised systems and processes. If we have transformed, modernised technology, we will also address the key problem of the *risk of service failure*.

The high level of change required will need MSD to undergo a significant transformation journey, [s 9\(2\)\(f\)\(iv\)](#)

A transformed service model ...

At the core of our response is a transformed Future Service Model that will enable us to better understand, connect to, deliver for, and help our clients, their whānau, and communities. This will deliver tiered services providing the range of support needed by our clients – using channels providing full self-service, which will work for large numbers of our clients, through to intensive case management.

... delivered through an Agile, MSD-wide, enterprise transformation programme

A major transformation programme will be required to deliver the MSD-wide change needed to deliver the Future Service Model. This programme will:

- transform, simplify, and where possible, automate our business processes to free up staff time
- deliver modern MSD-wide systems, data, and information
- transform the digital and face-to-face service experience for New Zealanders
- deliver the tools and support our people need for a transformed service model.

- Deliver value incrementally and iteratively over a **s 9(2)(iv)** timeframe.

Significant investment is needed from the Crown

The following diagram shows how we see investment from the Crown resolving the problems we face and delivering the benefits we anticipate to support our outcomes.

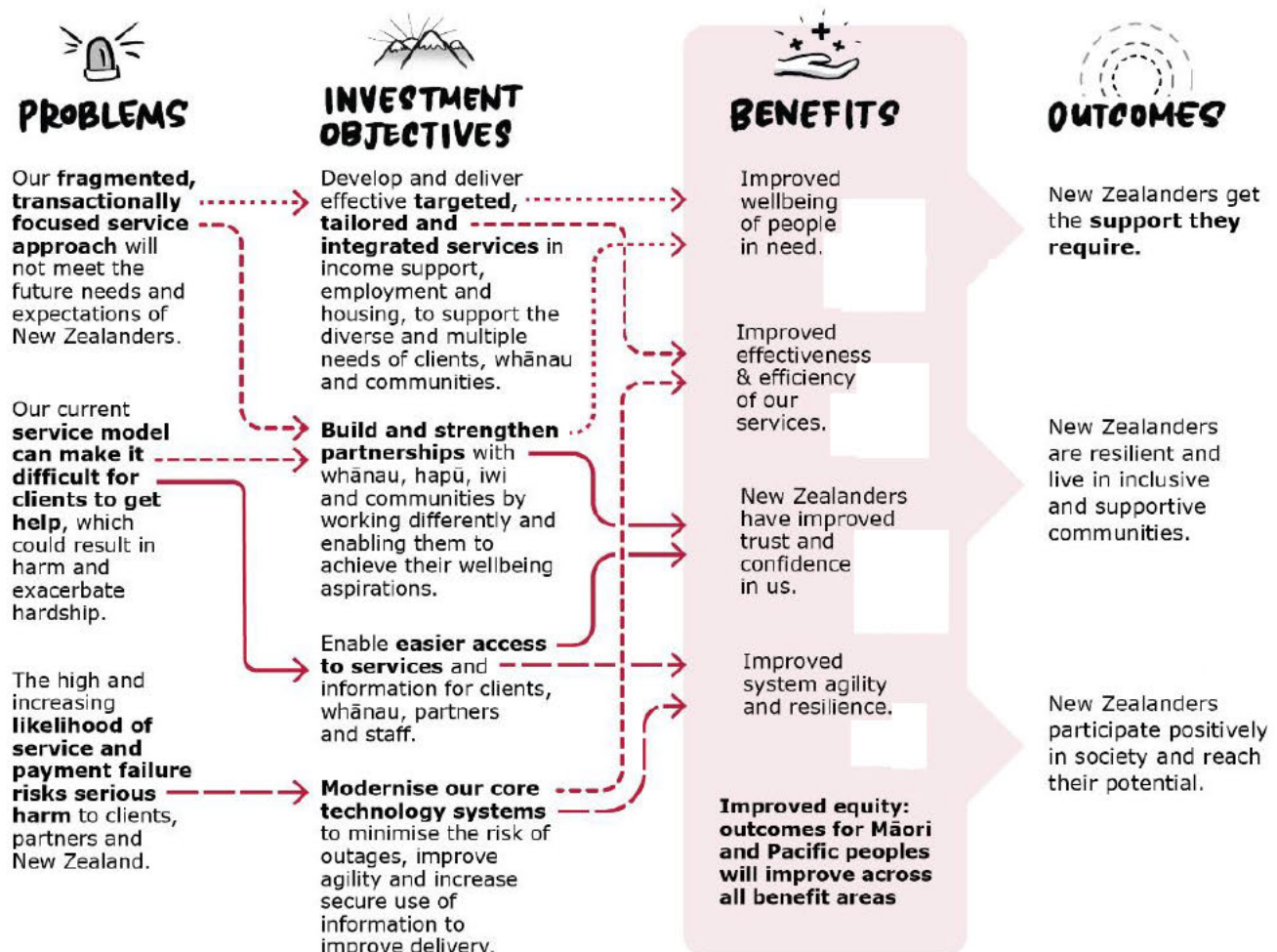


Figure 1: Summary of our investment logic

Achieving this transformation requires major investment. Our objectives for this investment are:

1. *Integrated services* – develop and deliver effective, targeted, tailored, and integrated services in income support, employment, and housing, to support the diverse and multiple needs of clients, whānau and communities.
2. *Partnerships* – build and strengthen partnerships with whānau, hapū, iwi, and communities by working differently and enabling them to achieve their wellbeing aspirations.
3. *Modernised technology* – modernise our core technology systems to address:
 - a. *Risk* – minimise the risk of sustained system outages and intermittent system failure.

- b. *Agility* – improve agility so policy and change can be implemented in an efficient and cost-effective manner.
- c. *Information* – increase the secure use of information and intelligence to improve the delivery of services to better meet client need.
- 4. *Easier access* – enable easier access to services and information for clients, whānau, partners, and staff.

We expect to achieve major monetary and non-monetary benefits from this investment

The key benefits we expect are:

- Improved equity for Māori and Pacific people.
- Improved wellbeing of people in need, reducing their time in the system, ensuring fewer end up in debt, and empowering people to meet their goals.
- Improved effectiveness and efficiency of services.
- Improved system agility and resilience.
- Improved trust and confidence in the welfare system.

Economic Case: establishing a preferred way forward

We established a short list of options for our way forward

The preferred way forward was developed through an extensive process of analysis and engagement. Workshops with MSD staff, Treasury and Government Chief Digital Officer (GCDO) representatives were used to develop investment objectives, assessment criteria, critical success factors, and undertake options analysis. Our short-listed options are summarised below.

Option 1: De-risk (Do Minimum)

In accordance with Treasury guidelines, MSD has included a “do minimum option”. It would deliver the existing services within the constraints of existing systems and business processes. Services and technology would continue to be patched-up, addressing only large-scale risk. It would keep ageing and at-risk systems functional and existing processes intact, with a best-effort approach to prevent system failure. It would not change the service model.

Option 2: Re-platform

This option would involve the progressive replacement of core technology systems. It would address and mitigate risks around core systems with some process improvement occurring over time. Selected key systems would be renewed, with minimal change to the business processes and service model. Technical debt would gradually be reduced and alignment with the Government Digital Strategy would increase. It would not change the service model.

Option 3: Transform

This option would transform MSD’s service model, business processes, and technology. It would raise people capability to operate the transformed service model. Current barriers to delivering to government requirements would be eliminated, improving the client

experience and outcomes. It would modernise technology infrastructure, systems, data, and information and align with government digital standards. MSD's service model and business processes would be transformed to support fully integrated services, with a tiered service delivery model.

Option 4: Extend services

This option would build on Option 3. It would not only transform service delivery but also take on additional services currently provided by other agencies as part of an All-of-Government approach. MSD's service model would change in the same ways as Option 3, but with further changes – including extending current services to more clients, providing a more intensive service to some clients, or a combination of both.

We evaluated these options against our investment objectives and a set of critical success factors

The evaluation we undertook is summarised in the table on the following page.

Table 1: Assessment of short-list options

KEY ○ = Low fit to requirement ◐ = Medium fit to requirement ● = High fit to requirement

| Evaluation criteria | | Option 1 De-Risk (Do Minimum) | Option 2 Re-platform | Option 3 Transform | Option 4 Extend Services |
|---------------------------------|--------------------------------|----------------------------------|-------------------------|-----------------------|-----------------------------|
| Investment objectives | Integrated services | ○ | ○ | ● | ● |
| | Partnerships | ○ | ○ | ● | ● |
| | Modernised technology | | | | |
| | Risk | ○ | ● | ● | ● |
| | Agility | ○ | ◐ | ● | ● |
| | Information | ○ | ◐ | ● | ● |
| | Easier access | ○ | ◐ | ● | ● |
| Critical success factors | Kaupapa Māori | ○ | ○ | ● | ◐ |
| | Strategic Fit | ○ | ○ | ● | ◐ |
| | Business Needs | ○ | ○ | ● | ○ |
| | Value for Money | ○ | ○ | ● | ◐ |
| | Supplier capacity & Capability | ● | ◐ | ◐ | ○ |
| | Affordability | ● | ● | ◐ | ○ |
| | Achievability | ● | ◐ | ◐ | ○ |
| Benefit realisation | | ○ | ◐ | ● | ● |
| Cost | | s 9(2)(f)(iv) | | | |
| Overall | Evaluation | ○ | ◐ | ● | ◐ |
| | Conclusions | Rejected | Possible | Preferred | Rejected |

Our preferred way forward – Option 3: Transform

Option 3: Transform will transform our service model and our operating model – including our technology, business processes, use of data and information, and people capability. It will:

- Enable complete renewal and modernisation of MSD’s technology, business processes, use of data and information, and people capability. Its systems will be resilient, flexible, joined-up and will align with the Government Digital Strategy.
- Enable modern digital self-service for clients who prefer it, right across income, employment, and housing support. With digital employment self-service, more people (not just existing clients) will be able to access MSD employment platforms – better supporting them to re-enter or remain in the workforce. Existing services – face-to-face, phone – will remain available for clients who may have difficulty accessing and using digital services.
- Enable joined-up services from MSD, partners, and other sector agencies. These services will be delivered through channels that work best for clients and address their whole-of-life circumstances and that of their whānau.
- Allow MSD to redesign, simplify, and (where possible) automate its business processes as technology is updated and integrated. This will enable simpler and more consistent support of full and correct entitlement and make it easier for clients to understand their obligations – reducing debt to government.
- Allow staff to spend more time on case management for clients in need, focusing particularly on employment outcomes. Improving digital self-service and process automation will give staff more time to work with higher-needs clients.
- Improve the experience of our community partners by supporting long-term positive relationships built on trust and confidence. Integrated systems will help MSD and partners build a complete view of clients’ circumstances – giving partners the information they need to help people and whānau. These integrated systems will also better join-up funding and procurement approaches across-government, so that agencies are contracting with partners in a consistent and transparent manner.
- Give MSD the ability to change, extend, and add new services more quickly to respond to government priorities, changing demands and needs of our society.

Commercial Case: procuring what is required

We have developed a procurement strategy...

The Programme will be a complex transformation that will require many scarce skills we do not currently have. **s 9(2)(f)(iv)** We are very aware that the Programme will have a high level of scrutiny to ensure fair and transparent sourcing activities.

Our procurement strategy has the following key components:

- MSD retaining accountability for programme integration and service aggregation through supply partners.
- Boosting MSD's sourcing expertise to support the Programme.
- Embedding a Māori worldview – this will require services that can bring this perspective.
- Embracing and being open to different ways of working.
- Learning from other agencies' change programmes.

Transformation partners with critical expertise will be sought

The Programme will be implementing complex change across the organisation. Many of its requirements are unique to us within New Zealand – for example, our specific welfare service models and welfare technology systems. Transformation partners with the appropriate expertise in these critical areas will be required. These will include strategic partners, as well as tactical suppliers for services and products not considered strategic for the Programme.

Sourcing will follow a best practice approach

Our procurement policy, Government Procurement Rules probity protocols, and partnering models will be adhered to with regards to procurement planning, approaching the market, contracting, and management. Decision-making will align with the principles of New Zealand government procurement, namely:

- Plan and manage for great results.
- Be fair to all suppliers.
- Get the right supplier.
- Get the best deal for everyone.
- Play by the rules.

We will use a hierarchy of sourcing channels to guide our decision-making. While we have many existing agreements with suppliers, we also recognise many of our requirements will be new or unique.

We are facing challenging market conditions and so will seek to be attractive

We expect the market to be tight and that our demand may outweigh supply, particularly in the first phases of the Programme due to the ongoing response to the COVID-19 pandemic. We will seek to be attractive to the market and explore opportunities to unlock mutual benefits for both parties, so we can attract and retain key supply partners. This approach also ensures opportunities for New Zealand supply partners.

We will use best practice, established contracting frameworks for services and deliverables

We will use a range of contract and payment mechanisms, including standard government contracts and government panels wherever possible.

Financial Case: establishing costs and affordability

Costs will be significant for all the identified options – but Option 3: Transform delivers enduring value

s 9(2)(f)(iv)

MSD, in consultation with Treasury and GCDO, has developed a model that includes capital expenditure, implementation costs, funding required for co-existence, and existing funding.

The estimated cost of Option 3: Transform over its intended lifespan is s 9(2)(b)(ii)

MSD will contribute about s 9(2)(f)(iv) from its balance sheet. The Chief Executive and the Senior Responsible Owner have endorsed the required level of funding.

For comparison, the cost of Option 1: De-risk – which keeps ageing and at-risk systems functional and existing processes intact – is estimated to cost s 9(2)(f) over the same timeframe. Option 2: Re-platform – which progressively replaces core systems but delivers minimal service improvements – is estimated to cost s 9(2)(f)(iv) over the same timeframe.

These options will fix some issues with our technology and systems but also present significant costs and will not realise the transformed service model delivered by Option 3: Transform.

MSD cannot fund the Programme out of baseline

The estimated cost of transformation takes account of existing funding received in both Budget 2020 and Budget 2021, that was provided to reduce risk of critical systems. The model also includes a portion of baseline capital to fund some of the capital investment required for the Programme.

As MSD further investigates the cost-of-service delivery post-transformation, we will be able to identify the impact of this investment on our cost base. s 9(2)(f)(iv)

The costs are summarised on the following page.

Table 2: Anticipated cash flows – not discounted

s 9(2)(b)(ii)

Management Case: ensuring successful delivery

MSD will use its well-established Agile ways of working to deliver value early and incrementally

MSD has a track record of delivering complex change while continuing to deliver services for New Zealanders. Our capability has been built up over many decades of social policy implementation, machinery of government changes, organisation structure changes, formal partnerships and working relationships, IT systems upgrades, incremental improvement initiatives, and large programmes.

We will use an Agile methodology to deliver the Programme. This enables us to deliver early and continuous value over a series of horizons for our clients, the government, staff, and partners. Adopting an Agile, iterative approach will ensure we are responsive and can adapt to a wide range of potential changes.

MSD continues to develop and embed its Agile ways of working. This approach is becoming more natural and normal. While it is not the only way that MSD delivers change, it is now established as the primary way.

MSD already operates an integrated programme of work across core portfolios, into which the Programme will be incorporated.

MSD has already updated its governance structure to best meet the needs of the Programme

The diagram below shows the governance framework for the Programme. It also shows the relationships and touchpoints of the various parts of the system.

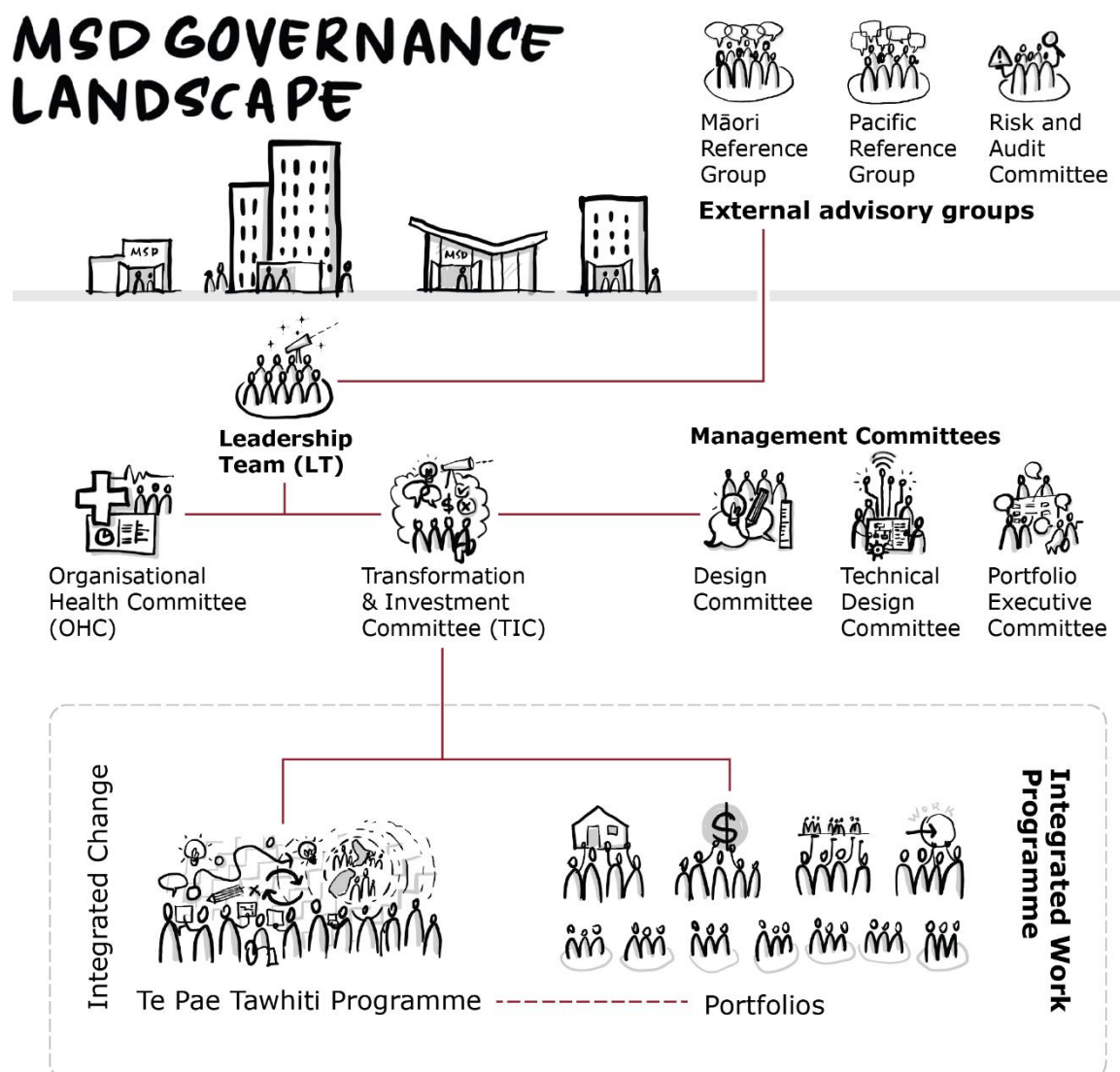


Figure 2: Governance structure

We will use a phased delivery approach, set out in a Programme Horizon Roadmap

Phased delivery will be set out in five 'horizons', within which are the big pieces of work (initiatives) that contribute to Programme outcomes. Importantly, horizons do not represent significant end points at which big delivery drops occur – the work being done within each horizon will be adaptive and flexible so MSD can learn, adjust, and respond to changes.

- **Horizon 1** – delivers value with a focus on the foundations for digital services and case management change.
- **Horizon 2** – delivers value to clients with a focus on service improvement and process redesign.

- **Horizon 3** – delivers value with a focus on further service and process redesign and embedding the service model.
- **Horizon 4** – delivers value with a focus on full modernisation of the underlying technology, business processes and service model optimisation.
- **Horizon 5** – delivers value with a focus on partner enablement and expansion of the service model.

A high-level view of our integrated roadmap is on the following page

Table 3: Our delivery roadmap

| s 9(2)(f)(iv) | | | | s 9(2)(f)(iv) |
|--|--|--|---|---|
| Horizon 1 | Horizon 2 | Horizon 3 | Horizon 4 | Horizon 5 |
| <p>Delivers value with a focus on the foundations for digital services and case management change.</p> <ul style="list-style-type: none"> ▪ A modern digital experience for clients is created. ▪ New Zealanders can access digital employment services. ▪ Development of new case management practices. ▪ More efficient and effective partnering through improvements in contract management. | <p>Delivers value to clients with a focus on service improvement and process redesign.</p> <ul style="list-style-type: none"> ▪ Enhanced early response service, including through partnering. ▪ Client experience improved through more effective service coordination and Service Support. ▪ Improved client experience as a result of redesigned and automated services (seniors and students). ▪ Clients can access an enhanced range of employment services. ▪ Client experience improved through implementation of new case management practices. ▪ Staff have access to a more integrated view of client information, services, and product knowledge. | <p>Delivers value with a focus on further service and process redesign and embedding the service model.</p> <ul style="list-style-type: none"> ▪ Digital self-service is fully available for all clients. ▪ Improved client experience as a result of redesigned (and automated, where possible) services and products (working age and income). ▪ Improved client service is fully enabled by an embedded Future Service Model. ▪ Client service and staff experience is supported by seamless access to service and product information and an integrated client record. ▪ Partner performance and experience is enhanced through implementation of social commissioning changes. ▪ Client experience improved through the use of enhanced insights and analytics. | <p>Delivers value with a focus on full modernisation of the underlying technology, business processes and service model optimisation.</p> <ul style="list-style-type: none"> ▪ MSD fully able to act as a platform for service extension. ▪ Client, staff, and partner experience optimised by fully modernised technology and data and analytics capability. ▪ Improved client experience as a result of completing the full redesign of business processes across all services and products. ▪ Service model optimised (for clients, staff and partners) through the use of insights and analytics to inform service allocation, design, and decision. | <p>Delivers value with a focus on partner enablement and expansion of the service model.</p> <ul style="list-style-type: none"> ▪ Clients can access an increasing range of services and products through preferred community and partner providers. ▪ AoG opportunities to utilise MSD's platform capability. ▪ MSD platforms, services, products, and insights are open and available to support decisions about partner and community provision. |

Change management will be consistently implemented using a change life cycle

Te Pae Tawhiti Business Change workstream will use an extended version of the current MSD Change Model of 'Plan Implement Sustain' to guide its work.

A standard and repeatable change 'rhythm' will be established, that enacts a set of change activities over the life of a specific change, from the initial design of the change/improvement, through to embedding the change in BAU. The change workstream of the Programme will support the organisation through the life cycle of the change.

Benefit realisation management will occur at the portfolio level

Reporting and monitoring of value delivered is an integral part of the Programme. We will measure and report the value expected and realised on a quarterly basis. Regular monitoring of value delivered will enable us to identify any issues and adjust quickly to ensure we remain on track for key value realisation points, as set out in the Horizon Roadmap and Benefit Realisation Plan.

Risks will be actively managed

A Risk Management Strategy and a Risk Register will be held by the Transformation Office and will be progressively managed and updated as more detailed analysis is undertaken.

Risk will be identified by the Risk and Issue Management Strategy for the Programme and by the Portfolios as they deliver. We will undertake regular reporting and governance touchpoints to ensure best practice management of risk and risk oversight for the SRO, Leadership Team, and Transformation and Investment Committee.

Assurance will be conducted through five lines of defence

The Programme has an Assurance Plan that provides a clear understanding on delivery risk, the outcomes being sought and how this will be managed. Our approach is aligned with the GCDO's principles of good assurance and guidance for Agile delivery. This is illustrated in the following diagram.

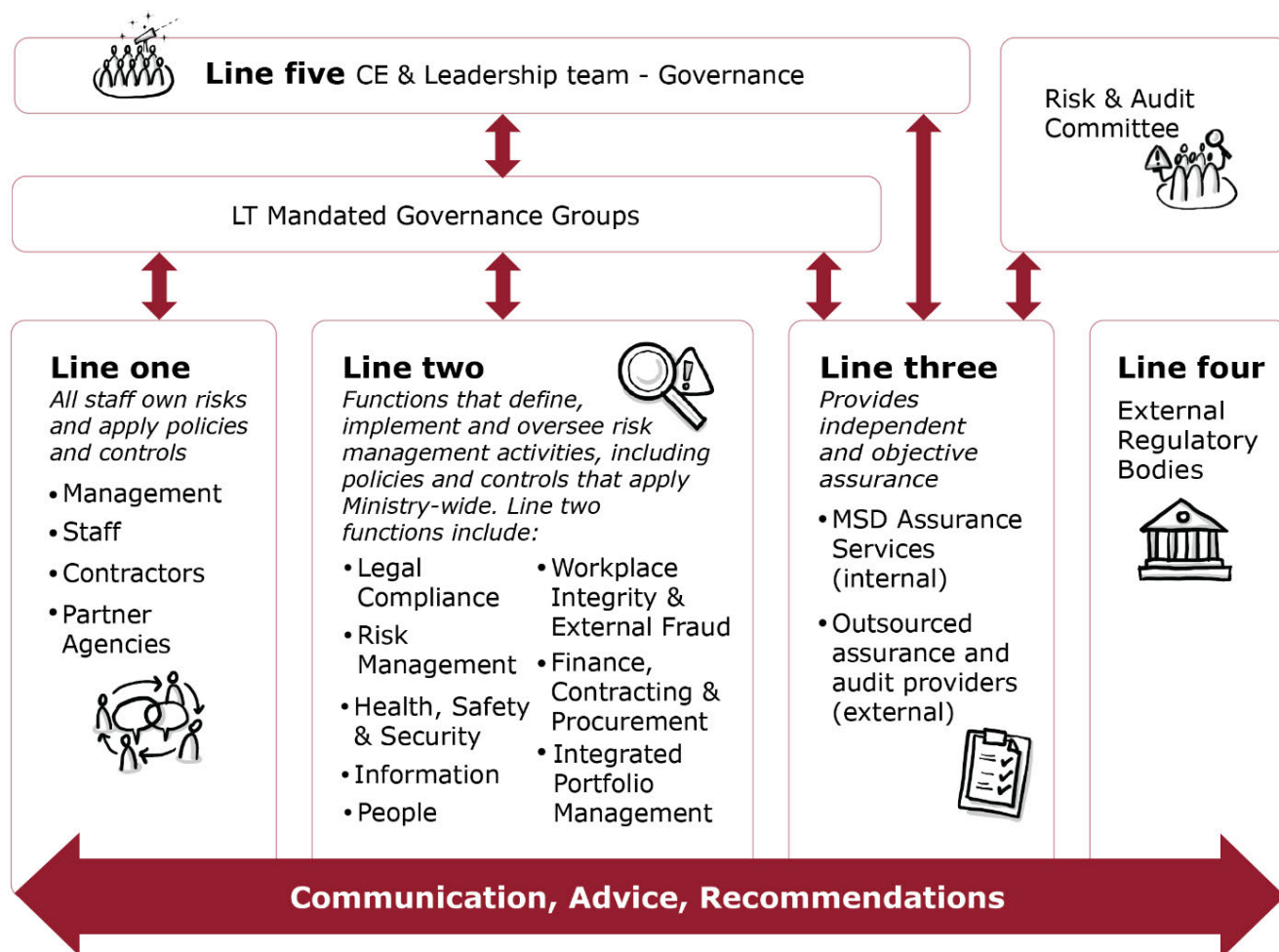


Figure 3: Assurance approach

Strategic Case – making the case for change

Introduction

MSD is the lead agency for managing and delivering New Zealand's welfare system. We support over 1.3 million people every week with income, employment, housing, and other social services, delivered by us and our partners in communities right across New Zealand. Our support helps people and whānau at all stages of life – from parents with young children, to students, to working-aged people and seniors.

In November 2021, Cabinet approved our Strategic Assessment that clearly defined and communicated the need to invest in MSD and our Te Pae Tawhiti Transformation Programme (the Programme). This Programme Business Case recommends our preferred way forward for Programme delivery, which will then inform the preparation of future Detailed Business Cases.

This Strategic Case:

- provides an overview of MSD
- presents Government priorities and MSD strategies
- describes the barriers faced in delivering to these priorities and strategies
- summarises our strategic response to these barriers – we will significantly improve service experience and outcomes for clients through a transformed service model and modernised technology
- describes how we will deliver improved service experience and outcomes through a transformed 'Future Service Model'
- explains why a major transformation programme is needed to deliver the MSD-wide change required to deliver the Future Service Model
- summarises the objectives and scope for the transformation programme
- presents the benefits we anticipate achieving
- describes how we will mitigate the challenges we will face in carrying out a programme of extensive organisation change.

A summary of the Strategic Case is shown on the next page.

In 2019 the Welfare Expert Advisory Group (WEAG) concluded:

The overall welfare system is "badly in need of repair and no longer fit for the needs of New Zealand in the 21st century". ... "We cannot solve the existing problems, let alone create a system that will serve future needs, through further ad-hoc amendments or marginal changes."

| | | |
|--------------------------------|--|---|
| Strategic requirements | <p>Government requires a welfare system that...</p> <ul style="list-style-type: none"> • is underpinned by values relevant for NZ • enables individuals, families, and whānau to thrive • adequately supports employment and training • recognises the value of unpaid work, such as caring and volunteering • takes a whole-of-community approach to working with partners | <p>MSD's future direction to support Government's requirements is set out in Te Pae Tawhiti...</p> <ul style="list-style-type: none"> • <i>Mana manaaki</i> – a positive experience every time • <i>Kotahitanga</i> – partnering for greater impact • <i>Kia takatū tātou</i> – supporting long-term social and economic development <p>...in our Māori and Pacific strategies...</p> <ul style="list-style-type: none"> • Te Pae Tata • Pacific Prosperity <p>...and in our subsidiary strategies...</p> <ul style="list-style-type: none"> • Technology strategy • People strategy |
| Barriers faced | <p>We face significant issues that drive increased demand for our services but also constrain our ability to respond...</p> <ol style="list-style-type: none"> 1. There is inequity in our client outcomes 2. We are not consistently meeting client needs 3. There is critical risk of technology failure 4. Currently not meeting many clients' expectations 5. Lack of agility in implementing policy change 6. Changing demographics 7. Changing labour market | <p>These issues present us with three key problems</p> <ol style="list-style-type: none"> 1. Client outcomes: Our fragmented, transactionally focused service approach will not meet the future needs and expectations of New Zealanders 2. Client experience: Our current service model can make it difficult for clients to get help, which could result in harm and exacerbate hardship 3. Risk of service failure: The high and increasing likelihood of service and payment failure risks serious harm to clients, partners, and New Zealand |
| Our response | <p>Our strategic response is that we will implement a transformed service model...</p> <ul style="list-style-type: none"> • Better understand our clients • Respond early to need • Connect clients to services that will make a difference • Partner effectively • Ensure sustained outcomes • Deliver in a tiered manner that takes account of specific needs | <p>...delivered through an agile, MSD-wide, enterprise transformation programme that...</p> <ul style="list-style-type: none"> • Transforms and automates our business processes to free up staff time • Delivers modern MSD-wide systems, data, & info • Transforms the digital and face-to-face service experience for New Zealanders • Delivers the tools and support our people need for a transformed service model • Delivers value incrementally and iteratively over a s 9(2)(f)(iv) timeframe |
| Investment needed | <p>To support this programme of change, we need immediate investment to...</p> <ol style="list-style-type: none"> 1. Develop and deliver effective targeted, tailored, and integrated services in income support, employment, and housing 2. Build and strengthen partnerships with whānau, hapū, iwi, and communities 3. Modernise our core technology systems 4. Enable easier access to services and information for clients, whanau, partners, staff | <p>...across a scope of...</p> <ul style="list-style-type: none"> • Technology • Business process • People capability • Modernised data and information architecture • Policy • Internal and cross-agency work programmes on improving how we partner with community providers |
| Benefits we can achieve | <p>We expect to achieve monetary and non-monetary benefits from this investment ...</p> <ol style="list-style-type: none"> 1. Improved equity for Māori and Pacific peoples 2. Improved wellbeing of people in need, reducing their time in the system, ensuring fewer end up in debt, and empowering people to meet their goals 3. Improved effectiveness and efficiency of services 4. Improved system agility and resilience 5. Improved trust and confidence in the welfare system | <p>... We know we will face many challenges...</p> <ul style="list-style-type: none"> • Finding the required capability and capacity in the market • Effectively engaging with stakeholders • Managing co-existence of new and legacy systems and processes • Responding to changes in government priorities <p>...but are already actively addressing these challenges...</p> <ul style="list-style-type: none"> • Agile, iterative, incremental delivery of value • Active engagement with stakeholders since 2018 • Learning from other NZ agencies (ACC, IR) • Applying insights from other jurisdictions |

Figure 4: Strategic Case summary

An overview of the Ministry of Social Development

Manaaki tangata, Manaaki whānau – we help New Zealanders to be safe, strong, and independent

Helping people, whānau, families and communities is at the centre of what we do. MSD works to contribute positively to the wellbeing of people today and in the future. We strive to keep improving the services we deliver and the policy advice we give – so we can help each generation of New Zealanders build the capabilities they need to contribute positively to society.

Whatever the situation, we try our best to understand and connect people with all the support we can. We seek to do this with integrity and compassion, driven by our purpose to help New Zealanders be safe, strong, and independent.

Many of the more than 1.3 million people we support every week are looking to access entitlements simply and seamlessly. Some require financial support to alleviate poverty and hardship, while others seek services to help re-enter the workforce. They may be a disabled person seeking temporary or ongoing assistance to lead an independent life with dignity; a family dealing with violence; a person needing a safe, warm, and dry home; a student seeking support; a parent needing help with the costs of childcare; or an older New Zealander applying for superannuation.

The figure below illustrates the work we do to provide financial support to clients across New Zealand.

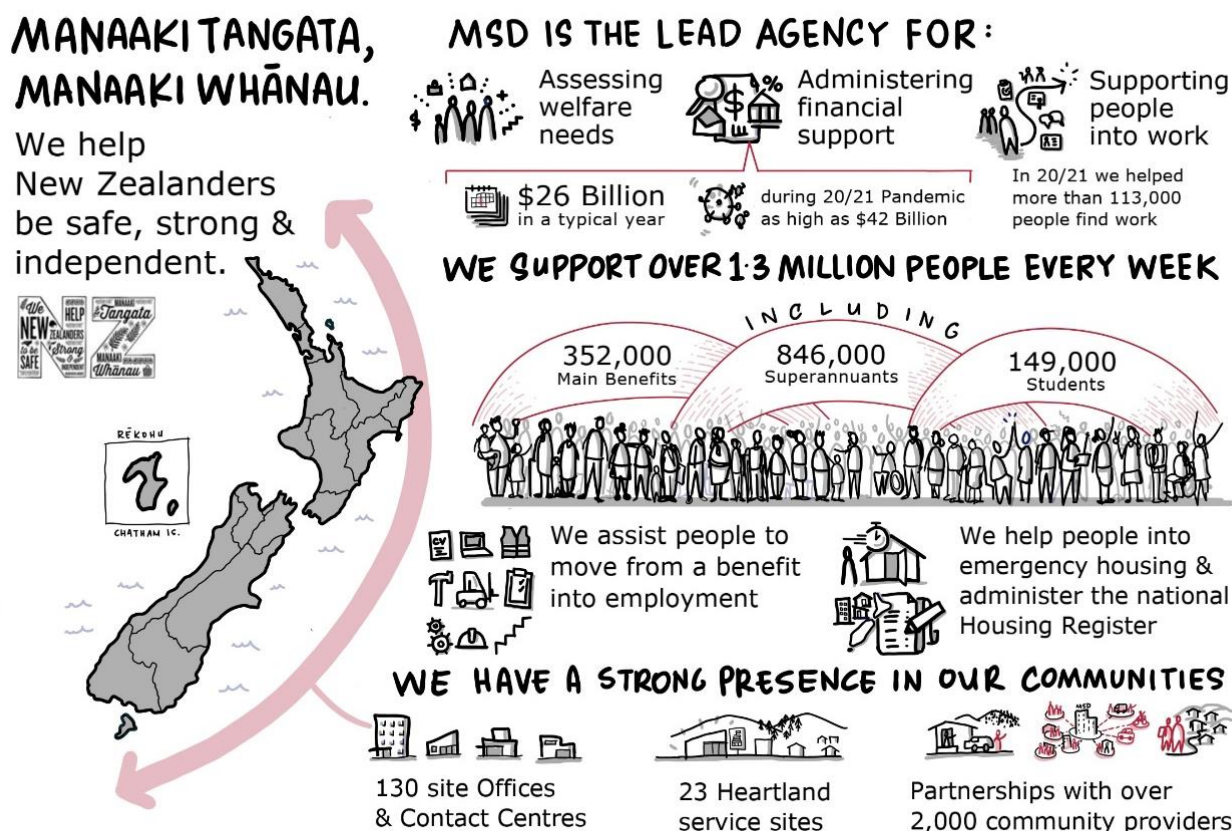


Figure 5: What MSD does to support people across New Zealand

Our work is not done alone. We partner with many different agencies, organisations and community groups who have the right connections and expertise to make a lasting difference in people's lives.

We are a committed Crown partner to Te Tiriti o Waitangi – we have an obligation to improve outcomes for Māori and work effectively in partnership with Māori.

Government priorities and our strategies to deliver to these priorities

We need to overhaul the welfare system

In 2017, the Government identified the need to overhaul the welfare system. It established the Welfare Expert Advisory Group (WEAG) and, in 2019, agreed on a work programme to implement the WEAG's recommendations.

WEAG reported that our "current welfare system is no longer fit for purpose and needs fundamental change"³. It reported that the welfare system is "badly in need of repair and no longer fit for the needs of New Zealand in the 21st century"⁴. Furthermore, "We cannot solve the existing problems, let alone create a system that will serve future needs, through further ad-hoc amendments or marginal changes".

Government is committed to an overhauled welfare system

The Government response to the WEAG report has been substantial, and significant progress has been made on improving income adequacy and removing punitive obligations and sanctions.

The Government has endorsed a future state for the welfare system that:

- is "underpinned by values relevant for New Zealand
- enables individuals, families and whānau to thrive
- adequately supports employment and training
- recognises the value of unpaid work, such as caring and volunteering
- takes a whole-of-community approach to working with partners"⁵.

The Government's vision for the welfare system is to ensure people have an adequate income and standard of living, are treated with, and can live in dignity, and participate meaningfully in their communities⁶. The Government has developed a comprehensive work programme to build a welfare system consistent with the vision of enabling *whakamana tāngata* – restoring people's dignity.

The Government's election manifesto committed to "modernising our welfare system, so all New Zealanders can live with dignity and contribute meaningfully to their communities"⁷. This involves:

- continuing the culture change at Work and Income to improve people's experiences and ensure that they are treated with kindness

³ See, Welfare Advisory Group, *Whakama Tāngata: Restoring dignity to social security in New Zealand* (WEAG, February 2019), 5. <http://www.weag.govt.nz/assets/documents/WEAG-report/aed960c3ce/WEAG-Report.pdf> [Accessed 18 February 2022]

⁴ See, Welfare Advisory Group, *Whakama Tāngata: Restoring dignity to social security in New Zealand* (WEAG, February 2019), 33. <http://www.weag.govt.nz/assets/documents/WEAG-report/aed960c3ce/WEAG-Report.pdf> [Accessed 18 February 2022]

⁵ See, SWC-19-MIN-0168 (11 November 2019), para 4

⁶ See CAB-19-MIN-0578 / SWC-19-MIN-0168 (11 November 2019), para 16.

⁷ Labour Party, *Labour Manifesto 2020* (October 2020). <https://www.labour.org.nz/news-labour-2020-manifesto> [Accessed 18 February 2020]

- focusing on expanding employment support and services for New Zealanders who are out of work to upskill, train and re-enter the labour market
- continuing the Welfare Overhaul work programme and work towards implementing the recommendations of the Welfare Expert Advisory Group.

The Government has acknowledged that its vision for the future welfare system cannot be fully realised with MSD's current service model, which is not sufficiently adaptive to deliver and continuously improve services to an increasingly diverse range of clients. To make the necessary changes to its service model, the Cabinet Government Administration and Expenditure Review Committee "agreed that MSD prepare a Programme Business Case based on the case for change outlined in the Strategic Assessment"⁸ on 11 November 2021.

MSD's strategy *Te Pae Tawhiti – Our Future* sets our strategic direction

MSD's strategic direction was introduced in the 2018-2021 Statement of Intent and reiterated in the 2021-2025 Statement of Intent. It sets out three outcomes that align with the Government's vision for the welfare system and that drive us to change the way we work:

- New Zealanders get the support they require.
- New Zealanders are resilient and live in inclusive and supportive communities.
- New Zealanders participate positively in society and reach their potential.

Te Pae Tawhiti – Our Future sets out the three shifts we need to make across our organisation in all our work to achieve these outcomes:

- ***Mana manaaki*** – *a positive experience every time* — working towards a service model that puts clients and whānau at the centre of everything we do.
- ***Kotahitanga*** – *partnering for greater impact* — designing a system that gives our partners the information and support they need to deliver better outcomes for whānau and communities.
- ***Kia takatū tātou*** – *supporting long-term social and economic development* — building a sustainable and resilient welfare system; working with people and whānau earlier so they can achieve and sustain their goals.

⁸ See, GOV-21-SUB-0039 (11 November 2021).

Te Pae Tawhiti – Our Future



Our aim is to become a trusted and proactive organisation, connecting clients to all the support and services that are right for them, to improve the social and economic wellbeing of New Zealanders. To achieve this aim we are focusing on three key shifts:



Figure 6: Te Pae Tawhiti – Our Future summary

Our strategic shifts all connect to the *harakeke* reflected in the *whakatauki*⁹.

| | |
|---|---|
| Unuhia te rito o te harakeke | <i>If you remove the central shoot of the flax bush</i> |
| Kei hea te kōmako e kō? | <i>Where will the bellbird find rest?</i> |
| Whakatairangitia, rere ki uta, rere ki tai; | <i>Will it fly out to sea, or fly aimlessly?</i> |
| Ui mai ki ahau, | <i>If you were to ask me,</i> |
| He aha te mea nui o te ao? | <i>What is the most important thing in the world?</i> |
| Māku e kī atu, | <i>I will tell you,</i> |
| He tangata, he tangata, he tangata | <i>It is people, it is people, it is people</i> |

Te Pae Tawhiti – Our Future is supported by *Te Pae Tata* and *Pacific Prosperity*, which embrace the three shifts set out in *Te Pae Tawhiti – Our Future* and describe how they will be realised for Māori and Pacific people.

Embedding a Māori world view – Te Pae Tata

Te Pae Tata: Te Rautaki Māori me te Mahere Mahi aims to embed a Māori world view into MSD that will honour our commitment as a Te Tiriti o Waitangi partner and prioritise the needs of whānau.

Te Pae Tata's vision is: Whānau are strong, safe, and prosperous – active within their community, living with a clear sense of identity and cultural integrity, and with control over their destiny – Te mana kaha o te whānau! *Te Pae Tata* enhances the kaupapa Māori woven into *Te Pae Tawhiti – Our Future*.

Te Pae Tata embodies a voyage of transformation. It seeks to empower Māori to be self-determining. This vision is also the vision for *E Tū Whānau*, a movement for positive change that was developed by Māori for Māori, in partnership with MSD¹⁰.

Rejuvenating engagement with Pacific people – Pacific Prosperity

Pacific Prosperity: Our People, Our Solutions, Our Future places Pacific people, families and communities at the heart of service development, thinking and decision making. It

⁹ Used with the permission of *Te Aupouri*.

¹⁰ See, Ministry of Social Development, *Te Pae Tata* (NZ Government, nd), 7.
<https://www.msd.govt.nz/documents/about-msd-and-our-work/about-msd/strategies/te-pae-tata/te-pae-tata-maori-strategy-and-action-plan-single.pdf> [Accessed 18 February 2022]

will rejuvenate the way we deliver services for Pacific people, families and communities, so they are safe, thrive and flourish in Aotearoa.

Pacific Prosperity aligns with *Te Pae Tawhiti – Our Future* and complements *Te Pae Tata*. It embraces the shifts described in *Te Pae Tawhiti – Our Future* and articulates how they will be realised for Pacific people.

Te Pae Tawhiti – Our Future, *Te Pae Tata*, and *Pacific Prosperity* will continue to shape and guide our work.

Engaging, equipping, and leading our people – *He Korowai Manaaki*

We cannot achieve the three shifts set out in *Te Pae Tawhiti – Our Future* without the active support and commitment of our people. Our People Strategy – *He Korowai Manaaki* – sets out the people-related actions we will carry out to achieve our key organisational strategies. The strategy provides a ‘whole-of-MSD’ view on what is needed to be successful in an ever-changing environment, how we might work in new and different ways, and what we want it to be like to work and lead people at MSD. *He Korowai Manaaki* is woven with four key threads. These threads are:

- *Client and whānau-centred* – we design our work, roles, and organisation to deliver for our clients and whānau.
- *Capability-building* – we have the capability to perform to our potential now and in the future.
- *Leading for performance* – our leaders develop and nurture people and teams to deliver high levels of performance.
- *Positive experience* – our people have an experience at work that enables them to reach their potential, be included, safe and well.

Interwoven through the four threads is a focus on building Māori cultural capability and supporting Pacific people to thrive. Many of our people are already knowledgeable in te ao Māori and are working with Māori in ways that are mana-enhancing. We will build more cultural capability so whānau, hapū, and iwi are confident they will receive the best possible services no matter where or how they connect with us.

Modernising and transforming our technology – our technology strategy

MSD recognises the critical role that technology plays in service delivery and meeting the needs of government and New Zealanders.

We have identified six strategic themes in our refreshed Technology Strategy which position us to deliver upon *Te Pae Tawhiti – Our Future*:

1. *Digital Experience*: People, whānau and partners are empowered to access information and services anytime.
2. *Service Enablement*: Enabling unified, prompt, high-quality and personalised experiences at every touchpoint and across all channels.
3. *Unified Ecosystem*: Actively enabling the unified partner ecosystem which will underpin the future of digital government and New Zealand public services.

4. *Enabling Better Insight:* Enabling personalised, proactive, and preventative services and an organisation that leverages insights to improve services, operations, and policy.
5. *Digital Workplace:* Empowering our people with modern tools to work productively and collaborate easily.
6. *Digital Workforce:* Digital adept, agile and collaborative, embodying a culture of learning and innovation.

To address these themes we must focus on our technology foundations – including cloud computing, security, and identity – as a priority to effectively prepare the technology environment to deliver on *Te Pae Tawhiti – Our Future*.

Data, Information and Analytics strategy

MSD has a Data, Information and Analytics strategy in place. We aim to use data, information, and analytics to support good decision-making and enable better client outcomes. Analytics will be a key enabler underpinning the provision of personalised, proactive, and preventative services as envisioned by *Te Pae Tawhiti – Our Future*. It will also enable MSD to become an insight-driven organisation that uses timely insights to inform service improvements and policy reform.

We want New Zealanders to trust that we use their information responsibly and store it securely to create better insights, better decisions, and better lives.

Aligning with All-of-Government Strategy for a Digital Public Service – *Rautaki mō tētahi Rāngai Kāwanatanga Matihiko*

We will provide digital services that align with the Government's strategy, are agile and adaptive to changing demands, and provide the best digital experience to New Zealanders.

The All-of-Government Strategy for a Digital Public Service aims to deliver four key outcomes for the benefit of all New Zealanders:

- Deliver better results for New Zealand.
- Improve New Zealanders' experience with government.
- Realise a modern, agile, and adaptive public service.
- Strengthen the Māori Crown relationship.

We seek to deliver on all four of the Strategy's outcomes, supporting the priority focus areas of *integrated services for people and business, foundations, and new ways of working*¹¹.

A major part of the Programme will be the modernising and transforming of our digital services to clients, making business processes, data, and rules open to the public. In line with the Strategy, we will be seeking to provide services that can evolve to meet people's needs as circumstances change, supporting the needs of people rather than the

¹¹ See New Zealand Government, Strategy for a Digital Public Service (NZ Government, 2019). <https://www.digital.govt.nz/digital-government/strategy/strategy-summary/strategy-for-a-digital-public-service/> [Accessed 18 February 2022]

needs of government. As we move into the design and implementation of initiatives, we will seek to take an All-of-Government approach.

MSD will continue to build leadership and workforce digital skills and capabilities as part of its capability building. We are already taking a modern approach to building a digital workforce, and with our Agile approaches we are building up our own digital expertise.

We will continue to socialise our plans and subsequent business cases with the GCDO and/or GCDS as they are developed, and incorporate their feedback to ensure alignment with the All-of-Government digital strategy. In subsequent Detailed Business Cases we will show clear alignment to the outcomes and behaviours in the Strategy for a Digital Public Service and Data Strategy and Roadmap.

.

We face barriers to delivering against Government priorities and our strategies

There are significant issues that drive increased demand for our services but also constrain our ability to respond

Since 2018, we have engaged with a wide range of key internal and external stakeholders in facilitated workshops to help identify the challenges, potential benefits, and vision for delivering to *Te Pae Tawhiti – Our Future*. This engagement identified several evidence-based drivers for change to our organisation and how we deliver services.

There is inequity in client outcomes

Māori and Pacific people are accessing welfare services at a disproportionate rate to the whole population. In addition, MSD's service approach needs to be more tailored to the cultural context of Māori and Pacific people.

Consultation feedback provided to MSD indicates that "... the welfare system is belittling of the mana and integrity of [Māori] people – kuia, kaumatua, tamariki, mokopuna"¹². A 2018 te ao Māori survey responded to by 2,200 MSD employees noted:

- 80% of employees agreed or strongly agreed that Māori culture and values are relevant to our work here at MSD.
- 40% of employees believe that MSD does not embrace or nurture Māori culture.
- Our effectiveness at engaging with Māori was consistently rated as low¹³.

We are not consistently meeting client needs

There is a persistent, increasing group of people with multiple needs including chronic health conditions (particularly mental health problems and addiction), disabilities, generational welfare dependency, and children growing up in poverty and housing instability, including homelessness. These needs are in addition to the need for financial support and employment.

At least 62% of all people on a main benefit have accessed a mental health service in the last three years. This is significantly higher than the rate for the total population.

Those people who have accessed a mental health service in the last three years are less likely to exit the benefit system and are less likely to remain off benefit after exit.

¹² Comments made at Provider Forum, Kaitiāia. Documented in Welfare Expert Advisory Group, 2019, *Whakamana Tāngata: Restoring dignity to social security in New Zealand* (Crown Copyright, February 2019), page 31. <http://www.weag.govt.nz/assets/documents/WEAG-report/aed960c3ce/WEAG-Report.pdf> [Accessed 18 February 2022]

¹³ Sourced from 2018 internal survey.

There is critical risk of technology failure

There is a growing technology failure risk due to MSD's ageing and end-of-life systems. These systems are difficult and expensive to maintain, and to protect from emerging threats to system and data security.

The MSD technology environment consists of over 75 core applications providing over 380 technology services – some are over 30 years old.

A survey of MSD's core IT assets was completed in April 2019. Of the 33 core applications surveyed, only 5 (15%) were identified as being healthy. The core benefits payment engine (SWIFTT) was rated as "unhealthy".

We are currently not consistently meeting client expectations

People have different expectations around how they interact with and receive services from the government. MSD does not have fit-for-purpose online services to allow people to choose how they interact, and specifically for those people who only want to interact online.

Lack of agility in implementing policy change

MSD will continue to be required to implement legislative and policy change. Our current technology and processes make this extremely complex and expensive.

Recent policy changes have required disproportionately large amounts of resource and time to implement.

The 2012-13 welfare reform initiative was delivered over three phases taking 24 months and costing \$50.9 million with approximately 615 to 715 FTEs involved.

The 2018-19 family incomes package initiative took 26 months to deliver and cost \$8.2 million with approximately 221-231 FTEs involved.

Changing New Zealand demographics

There will be a significant increase in ethnic diversity as well as an increase in the proportion of older people and disabled people in the population. Family structures will continue to change and become more diverse, and MSD's services will need to be tailored to increasingly varied circumstances for clients and whānau.

The total Māori population is expected to increase to 1.16 million in 2038, a 68% increase from 2013. By 2038, the proportion of Māori youth will have increased by 20% compared to today¹⁴.

¹⁴ Statistics New Zealand, *National Ethnic Population Projections: 2013(base)-2038(update)* (18 May 2017).

http://archive.stats.govt.nz/browse_for_stats/population/estimates_and_projections/NationalEthnicPopulationProjections_HOTP2013-2038.aspx [Accessed 20 April 2020]

The total population of Pacific people is estimated to increase to 480,000 by 2026 and to 650,000 by 2038¹⁵.

The total population of Indian and Chinese New Zealanders is expected to increase to 1.38 million in 2038 from 0.54 million in 2013¹⁶.

At the end of 2016, 711,200 people were aged 65 years or over. By 2036 it is projected that around 1.26 million people will be aged 65 years or over. This represents a 77% increase in the number of people aged 65 years or over between 2016 and 2036¹⁷.

Changing New Zealand labour market

Technological change, climate change, recessions and other large-scale changes will continue to shape the amount and type of work available. The pace and scale of change is uncertain. The impacts are likely to be uneven, impacting low and semi-skilled workers and some industries and communities more than others – which will likely result in a greater impact on Māori and Pacific people.

Treasury estimates that up to 21% of New Zealand's current jobs will be automated by 2030¹⁸. Unemployed New Zealanders will require more assistance from us to reskill and move into different jobs.

Māori and Pacific people are over-represented in this proportion of the workforce, with 57% of Māori and 65% of Pacific people in lower or semiskilled jobs¹⁹.

Certain New Zealand regions are also overrepresented, due to the lack of alternative employment in those areas.

These issues present us with three key problems: client outcomes, client experience, and risk of service failure

A series of facilitated workshops were held in June 2021 with the Senior Responsible Owner and other key stakeholders to define, based on the above demand drivers, the problems MSD is facing. The problem statements defined from these workshops are:

1. **Client outcomes:** Our fragmented, transactionally focused service approach will not meet the future needs and expectations of New Zealanders.
2. **Client experience:** Our current service model can make it difficult for clients to get help, which could result in harm and exacerbate hardship.

¹⁵ Statistics New Zealand, National Ethnic Population Projections: 2013(base)-2038(update) (18 May 2017).

¹⁶ Statistics New Zealand, National Ethnic Population Projections: 2013(base)-2038(update) (18 May 2017).

¹⁷ Super Seniors, *Our ageing population* (nd). <http://www.superseniors.msd.govt.nz/about-superseniors/media/key-statistics.html> [Accessed 20 April 2020]

¹⁸ Proactive release by Treasury in April 2019 of document: McKinsey & Company, *Future of work tripartite forum: evidence base of the future of work* (Auckland, 2019), page 3. <https://treasury.govt.nz/sites/default/files/2019-04/fowtf-evidence-base-4080406.PDF> [Accessed 18 February 2022]

¹⁹ Ministry of Business, Innovation and Employment, *Māori in the Labour Market* (New Zealand Government, September 2017), page 12. <https://www.mbie.govt.nz/assets/c71b557b32/2017-monitoring-report-maori-in-the-labour-market.pdf> [Accessed 18 February 2022]

3. ***Risk of service failure:*** The high and increasing likelihood of service and payment failure risks serious harm to clients, partners, and New Zealand.

These problems must be resolved if we are to meet the expectations of Government and the New Zealanders we serve.

Our strategic response – we will significantly improve service experience and outcomes for clients

We must respond to the challenge that the problem statements represent and undertake significant change. This change must also include operating in a way that is consistent with the Government's vision for welfare overhaul.

Change will be realised through a transformed service model and modernised technology and business processes. These will be delivered through an agile, MSD-wide, enterprise transformation programme.

A transformed service model...

To improve client outcomes and client experience we must have a transformed service model.

Our current service model and underpinning systems are a product of many years of incremental change. New Zealanders expect government services that are responsive, mana-enhancing, and tailored to their needs; but our current service model struggles to operate this way. Without significant change we cannot effectively deliver quality services that meet the diverse range of client needs – especially for Māori and Pacific people.

We must move our thinking from a transactional benefits payment mentality to a person-centric approach in all that we do, changing the experiences people have with us and the way we support them to meet their needs. We need to infuse this change through our interactions with clients, whānau, hapū, iwi, communities, and our partners.

...transformed business processes...

Our service model must be supported by transformed business processes.

Our current business processes have developed over time to meet changing services, products and legislation and the needs of clients and government priorities. We operate with a complex and extensive set of processes, business rules, and operational policies – with sometimes incomplete and inconsistent approaches.

Years of incremental changes have resulted in our business processes becoming extremely complicated, fragmented, and difficult to change. Processes have been developed in isolation without coordinated design and without considering the impact on other processes, systems, or channels. This has created the following results:

- Our clients face difficult, repetitive, and time-consuming processes to get the support they need – even seniors and students with relatively straightforward needs.

- Clients who want to self-manage face fragmented processes and digital services which are time-consuming and challenging to navigate. Clients often have to shift channels, repeating information many times.
- Clients can have difficulty understanding their entitlements, eligibility, and obligations. Some clients may not receive full and correct entitlement and lack confidence in entitlement and payment accuracy.
- Staff spend significant amounts of time navigating our processes and accessing multiple systems. This leads to substantial delays and rework, limiting their ability to recognise our clients and understand them and their needs. Clients are required to repeat information multiple times adding to frustrations and delay. Errors made result in inevitable rework.
- Our staff are not able to spend as much time supporting clients as their time is taken up processing applications for income support.
- Processes, business rules, and operational policy information are stored in different places with duplication and potential inconsistencies.
- We have an unknown number of process variations across offices and regions.

We must move to client-centred process design that is digitally enabled. Our processes must consider the full end-to-end view of each client and be fully documented in a single repository with clear business ownership. These processes must be consistent.

...underpinned with transformed, modernised systems...

Our technology systems significantly constrain how we can change our service model and undertake the level of transformation required. In addition, our technology is at critical risk of failure.

We have already invested significant amounts in keeping the systems operational, but this investment has only addressed the most at-risk system at each point in time. It has not achieved improved client outcomes.

To support a transformed service model, we must have transformed and modernised systems. If we have transformed and modernised systems, we will also address the key problem of the *risk of service failure*.

...delivered through an agile, MSD-wide, enterprise transformation programme...

MSD will need to undergo a significant transformation journey over an extended period, to realise these required changes.

This programme will need to:

- Transform, simplify and (where possible) automate our business processes to allow staff more time to work closely with clients who need it.
- Deliver modern MSD-wide systems, data, and information to our staff, clients, and stakeholders.
- Transform the digital and face-to-face service experience for New Zealanders interacting with us and receiving service.

- Deliver the tools and support our people need for a transformed service model.
- Deliver value incrementally and iteratively over a **s 9(2)(f)(iv)** timeframe, at an acceptable level of risk.

The Programme scope is to transform MSD's processes, systems, and capabilities to become a more flexible and responsive organisation that can implement the Government's welfare overhaul. To support this change, we have developed a Programme Business Case. We will continue to develop and refine our programme over time and provide updates through subsequent business cases. This test-and-learn approach will allow us to progressively understand what we need to do and be responsive to changing information and circumstances, while reducing investment risks.

...that will enable the outcomes Government and New Zealanders need from us

Our transformation will enable us to deliver a set of services that:

- are designed inclusively with, and responsive to, the changing needs of the community
- are accessible, consistent and have a compelling user experience across all access channels
- are tailored to the needs of clients and whānau
- are proactive instead of reactive
- are transparent and accountable
- respond early
- are targeted to those who are most in need
- set people up for their future by sustaining and enabling them to advance their outcomes
- allow partnering with those who are best placed to support people's needs
- are data and insights-driven, with user, performance, policy, and wellbeing measures
- are agile to future policy and legislative needs
- are efficient and free up time for our staff from administrative tasks to focus more on clients and whānau
- increase staff, client, and whānau satisfaction.

We will deliver improved service experience and outcomes through a transformed Future Service Model

Most people have told us that they want a simple, hassle-free service that they can trust to support them as they work to be safe, strong, and independent. We need to transform the experience people have by changing the way we support them to meet their needs (employment, income, and housing). Our Future Service Model is described further in this section.

Tō mātou tūāpapa – Our foundations

The Future Service Model *tūāpapa* (foundations) are built on key artefacts that contribute to the whakapapa (making) of MSD as an organisation. Our *tūāpapa* will guide our approach to ensure we align the way we deliver our services to our strategies and commitments.

By ensuring we base our Future Service Model on our *tūāpapa*, we will:

- ensure our people, staff, and partners can participate in how we design and deliver services
- provide our staff and partners with greater understanding of people and whānau, to make it easier for them to transition between channels and services
- make accessing support simple and hassle-free
- provide integrated technology to enable smarter delivery of services.

These foundations are described below.

Our future direction is guided by Te Pae Tawhiti – Our Future

We deliver on *mana manaaki* by putting people at the centre of what we do – providing trusted, proactive, personalised services and supporting them to be safe, strong, and independent. We acknowledge our expectation that services will be provided in a manner that enhances the mana of the people we support.

We deliver on *kotahitanga* by working in unity – taking collective action with our partners to drive greater outcomes for our people. We also recognise the interconnectedness of people, as well as the importance of building and maintaining relationships and strengthened connections to achieve mutually beneficial outcomes.

Our intentions are underpinned by our commitment to deliver on *kia takatū tātou*, ensuring we are proactive in preparing ourselves, our partners, and people for the future. In our approach, we work to fulfil the responsibilities that come with being entrusted with the care of people by ensuring we continue to affirm and elevate their potential.

We will deliver better outcomes for Māori

Our future service model will give effect to Te Tiriti o Waitangi by honouring our commitment and responsibilities as a Te Tiriti o Waitangi partner and supporting whānau, hapū and iwi. Our expression of *Te Pae Tawhiti – Our Future* will remain cognisant of the priorities set out in *Te Pae Tata*. We will work with Māori partners to establish, build, and strengthen structures, pathways, and mechanisms to improve the

social and economic wellbeing of whānau – supporting them to be strong, safe, and prosperous – *te mana kaha o te whānau!*

We will deliver better outcomes for diverse communities

To deliver better outcomes for people, we need to design and deliver our experiences in partnership with diverse people and rōpū (groups) within our communities. We will acknowledge, respect, and celebrate their diversity while ensuring that the service they receive is consistent and appropriate.

Our commitment to improved delivery for diverse communities is reinforced by *Pacific Prosperity*. We will work with communities to ensure Pacific people are at the heart of our Future Service Model design – supporting Pacific people, families, and communities to be safe, thrive, and flourish.

Our Future Service Model will also be strengthened by MSD's commitment under the New Zealand Disability Strategy and the Accessibility Charter to work progressively in ensuring that everyone can interact with our services in a way that meets their individual needs and promotes their independence and dignity.

We will support people through transition points in their lives

We support many people as they transition through different events in their lives – for example, entering work, having children, retiring. We will ensure we design and deliver our services to support and prepare people for these transition points.

The Future Service Model will enable us to better understand, respond, connect, deliver, and help

Our Future Service Model consists of five core components, which enables MSD to:

- better understand what people need from us or our partners
- respond early to people at risk of falling into hardship
- connect people to the right service through MSD and/or our partners
- deliver an effective service from MSD that provides the right level of service intensity
- help people to sustain their outcomes.

These are described further in the figure below.

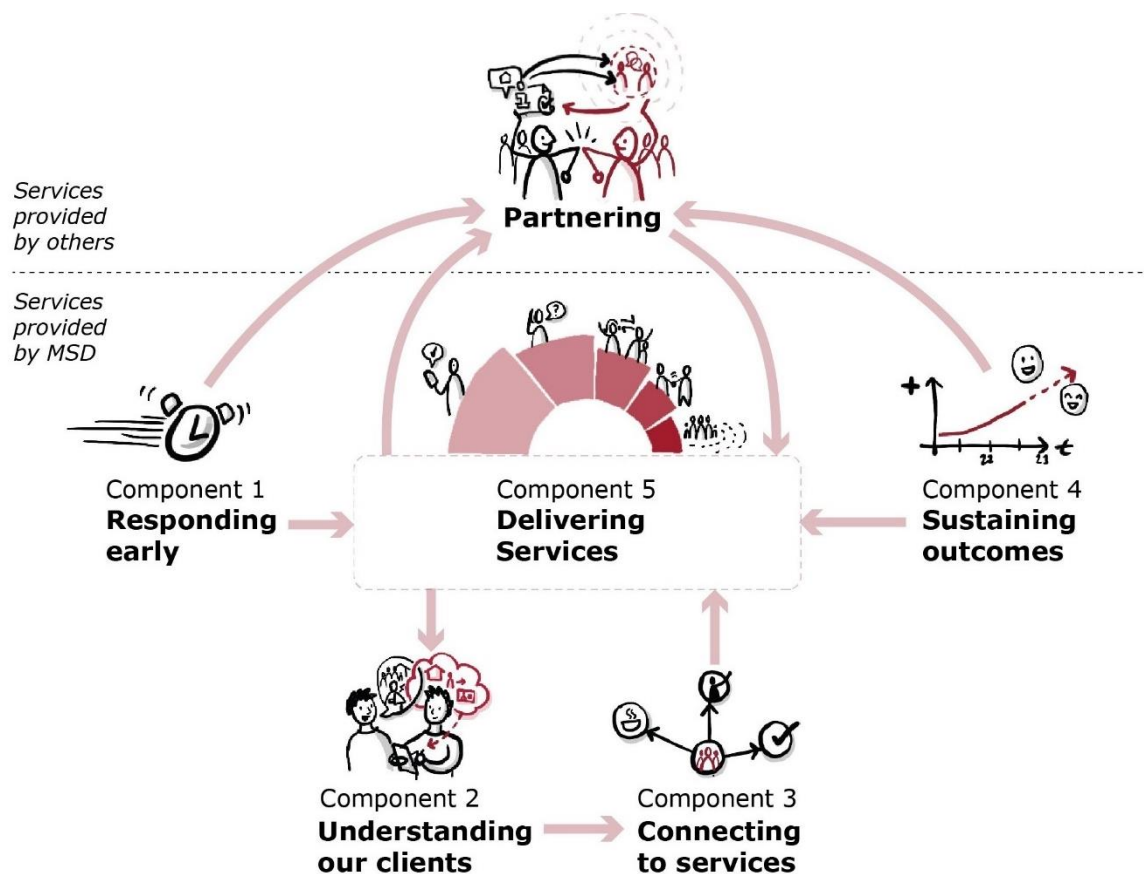


Figure 7: Future Service Model summary

Component 1 – Responding early

Responding early involves partners and/or MSD providing preventative support to people to maintain their independence without falling into hardship, entering the welfare system, or requiring its support long term.

We will work with government agencies, communities, employers, and other partners to identify opportunities to respond early and develop coordinated support for people at risk. Responding early includes:

- Making sure low-income working people are getting access to the financial support they are entitled to.
- Ensuring people and employers have greater awareness of our employment services and how we can support people through redundancy and job-loss.
- Working with partners to support at-risk people needing long-term sustainable housing.

MSD's contribution will be grounded in our core roles of employment, income support and housing. We will also use our staff, technology, and our relationships with providers and employers to connect people to other appropriate services/support.

EXAMPLE: Responding early to Talia, ensuring she has the skills and knowledge to find a job

Talia's current experience under our service model...

Talia, 19 years, finished studying for her one-year diploma in Tourism. She tried to find a job but acknowledged she did not really have the skills or support system to successfully direct her. She came to MSD with no money and with the hope we would help her find a job and build job search skills.

Talia felt she did not receive the support she needed to create a clear, targeted plan early in her journey. She was sent on courses that she did not believe helped her and felt she had no advocate encouraging her or directing her.

Quite quickly Talia became disheartened and despondent in searching for work, and was increasingly reliant on the benefit.

...Talia's potential future experience when the Future Service Model is implemented

As Talia approaches the end of her diploma, MSD connects with Talia through StudyLink or campaigns at Talia's tertiary institute to begin the job search preparation process and create a strong plan before her graduation.

Engaging with her pre-graduation means Talia spends less time between study and employment, preventing her needing financial assistance.

Component 2 – Understanding needs

MSD needs to better understand people so we can connect them to the right service to address their needs. We will also better understand them in the context of their whānau, where appropriate.

We will capture all information about a person's needs in a joined-up way – so, when they engage with us, they only tell their story or provide additional information once. This will enable us to deepen our shared understanding of their needs through every interaction, rather than asking again for information we already have.

This requires us to enable:

- greater capability for staff to have meaningful outcome-based kōrero and collect information about a person's needs – and then use that information to assess if they are placed in the best-fit service to achieve successful outcomes
- our partners to understand when it is appropriate to share or request information about people's needs
- our technology to responsibly collect and store client information that our staff and systems can use to assess any changes in support.

Component 3 – Connecting to services

People should have their immediate needs identified and resolved at first point of contact. If this isn't possible, we will seamlessly connect them to appropriate support from MSD and/or partners.

As people's situation changes, different levels of service may be required. Our staff or our technology will connect them to the right support as they need it.

To do this, insights from understanding needs will be combined with evidence (available from partner services, labour market intelligence, etcetera) to provide tailored service recommendations for each person. Where appropriate, people will be given the means to choose the service that's right for them based on these recommendations (considering mutual expectations, eligibility and entitlement, obligations, and service capacity).

EXAMPLE: Enabling employers to find and connect with potential graduate employees through digital channels

Employers' current experience under our service model...

Currently, employers are unable to engage early with prospective graduate employees through MSD's employment platform. Employers face bottle necks and clunky systems, where MSD acts as a middle person. This makes it harder for them to connect with and make hiring decisions about job seekers on benefits, resulting in employers disengaging and missing opportunities to hire diverse and passionate people.

...Employers' potential future experience when the FSM is implemented

Employers will be able to engage with potential graduate employees earlier and through easy and efficient digital channels enabling them to find the employees that will bring both the right skills and passion to their workplace.

Employers will also be able to trust that people they hire through MSD will receive support from MSD's employment tools to aid them to excel in the workplace.

Component 4 – Sustaining outcomes

If we want people to be safe, strong, and independent, the services we provide need to build on their mana. This will equip them, when they are no longer clients of ours, to make their own plans, set their own goals, and be more resilient to the barriers faced as they advance to greater independence.

This requires us to enable:

- our staff with the capability to have more meaningful outcome-based kōrero and provide people with the knowledge about budgeting, employment opportunities and career paths, etcetera that better prepares them to meet potential barriers in their future
- better partnering with those who can deliver pastoral care, mentoring and coaching for people who are at most risk of not being able to navigate through barriers to being safer, stronger, and more independent

- our technology and systems to allow people to come back and refresh themselves on the things they learnt when working with us, the advice we shared, and the connections to partners we suggested for them.

By supporting people to sustain and advance their outcomes, we expect to reduce the number needing to re-enter the welfare system.

Component 5 – Delivering services

We will deliver different levels of support based on a person's needs and entitlements, their preferences, the ability of different services to impact outcomes, and mutual expectations. The new service model will be accessible to and inclusive of all people who seek support from MSD, no matter their lived experience, disabilities, or culture.

Recognising that everybody is different, our service approach will support a blended service delivery model to ensure that people are seamlessly transferred to a different intensity of service (as service capacity allows) when we or they determine another service level is best fit to achieve a successful outcome.

We will tailor our services to achieve the best outcomes for people as they complete their education, transition through events in their lives, or focus on their health. This tailored approach includes collecting information about people and providing insights and information to people and staff to support more meaningful kōrero.

Our services will be supported by a knowledge base where our staff and technology can easily access the information, insights, practice, processes, and rules needed to deliver consistent services through whichever channel people choose.

A new tiered model will deliver services seamlessly, connecting people to the services they need

Our tiered service model is the way we deliver services to people by connecting them to one of the five service tiers, depending on the level of support they need from our staff (as capacity allows). Each level increases the intensity of service. People are directed to seamlessly transition to different service levels as required – when a different service level would better enable them to achieve successful outcomes or have greater input towards their version of independence, for example.

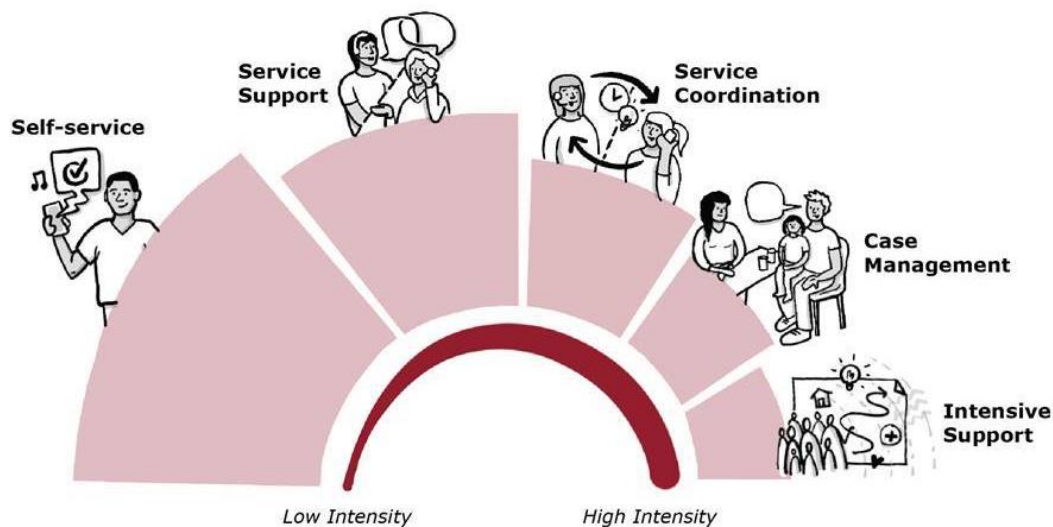


Figure 8: The tiered service model

Most of the people we deal with, particularly students and those applying for New Zealand Superannuation, want quick, efficient, easy to access, reliable transactional support and will not normally require more than this.

Many people will be able to access most of the support they need through our lower intensity services (self-service and service support). However, when people's needs require an increased level of support, we will be able to transition them seamlessly to a higher intensity of support when they are ready. This will be particularly true of many working-age beneficiaries but will include some students and superannuants.

Ensuring people get their full and correct entitlement quickly and seamlessly is a fundamental component of all levels. All staff will have the access they need to address low-effort transactional support including change in circumstances, record maintenance, job and service referrals, and key income support – so people are not passed around MSD unnecessarily.

We will make it easier for people to get their immediate needs identified and resolved at first point of contact. We will proactively check that people are receiving their full and correct entitlement and help them to access any support they are entitled to. This will address the needs of many people who engage with MSD.

We will connect ourselves to external information where possible and combine it with what we already know. This will make it easier for people to gain an understanding of their eligibility and meet evidence requirements. Strengthened integrity through design will stop people receiving overpayments and subsequent debt to MSD, or underpayments that can create unnecessary hardship.

To achieve our desired service changes, we will need to modernise our channels

Our channels are the ways through which people interact with us and our partners. We need to modernise our channel offering to better support people through face-to-face,

phone, or digital channels (online, messaging, and partnering). We will enable a multi-channel experience so people can interact with us in a way that is appropriate for, and supportive of, the service intensity they are receiving.

Our channels need to change so we can better meet people's needs through the channel they choose. We will modernise our channels by ensuring there is no wrong door and that people have a consistent experience however they choose to engage with us. We will make it simple for people to get the support they need, providing proactive and personalised experiences.

We know that our current channels don't reflect the diversity of people or provide them with accessible and inclusive experiences. We recognise and value the diversity of people and we want to acknowledge and celebrate that diversity by offering multilingual, accessible, and inclusive experiences through all our channels.

EXAMPLE: Connecting John to his Super entitlements with straight-through processing

John's current experience under our service model...

John turned 65 and came to us to access his superannuation. He had previously accessed MSD services sporadically throughout his working life so was familiar with MSD's application processes. Despite this, he still found it slow and was required to make multiple trips and wait in line at service centres.

He began to access additional support from MSD – including money to help pay for groceries, firewood, and dental work. He found getting this help from MSD to be a pain-free and straightforward experience but found that there was not much transparency around what services he was eligible for, with most of his information coming from friends and family.

...John's potential future experience when the FSM is implemented

When John applies for superannuation, he is given clear and timely information on the additional support he can receive from MSD. This proactive approach puts John at ease and helps him to feel like he is simply receiving what he is entitled to. He also receives this information via the post, but well in advance and using language that he can easily understand so that he feels prepared and in control.

This enables him to plan and ensures he can keep his head above water as he begins receiving his superannuation. He finds applying for his support through MSD easy as the information he needs to provide is clear and the application process is quick and painless.

Self-service

Self-service will enable people to manage their interactions with us through a tailored, end-to-end experience based on what we understand about their needs. Through self-service, people will be able to access most types of support and will also be able to let us know when they need other products and services. Self-service is predominately online; however, it also includes voice-based self-service.

We will provide an outcome-driven, end-to-end service which is personalised, accessible, inclusive, responsive, and easy-to-use. People will be able to securely access self-service

from any device they choose including our kiosks, a public computer, mobile devices, laptops, and desktop computers. We will ensure people can use the accessibility tools they need for self-service (for example, screen-readers for low-vision, or live chat for the hearing impaired).

Information will be collected in a responsible way and made visible to our staff to enable better-informed kōrero when needed. This will also ensure we can identify and seamlessly transition people when they need to progress to a higher intensity service, without needing to repeat their story.

EXAMPLE: Enabling Sefina to use digital self-service and return to work quickly

Sefina's current experience under our service model...

Sefina was able to apply for jobs online and use MyMSD to apply for hardship payments.

Due to her perceptions of MSD, she chose not to use our current self-service platform to access MSD's other digital employment tools to help her return to work. She did not believe the standard of job listing would align with her job expectations.

While she was satisfied with her experience with MSD, after six months of job hunting Sefina found herself becoming more discouraged and desperate to find a job and receive more income.

...Sefina's potential future experience when the FSM is implemented

When Sefina accesses MSD's digital tools and channels it is easy for her to complete her journey into employment independently and online. She is surprised by the easy and warm experience that she receives digitally and feels it easily matches her expectations of other application processes.

The support she receives digitally is proactive and timely to her situation. It connects her to tools that help accelerate her journey, such as a CV builder at the start and interview tips as she progresses and begins to get interviews.

Along this journey Sefina is supported financially by MSD and provided with clear communications to put her at ease and enable her to focus on finding a job.

Service support

Service support is for those people who cannot self-serve through digital channels. Through service support, people will be able to access most things they need and let us know when they need other products and services. Service support is predominately over the phone; however, it could also be accessed through a service centre's front-of-house.

Service support will provide better mechanisms to support people over the phone. Our design and inclusion of language options and accessibility options will meet the needs of a wide range of people.

As with self-service, information will be collected in a responsible way and made visible to our staff to enable better-informed kōrero when needed. This will also ensure we can identify and seamlessly transition people when they need to progress to a higher intensity service, without needing to repeat their story.

Service coordination

Through service coordination, people with a specific short-term need (or needs) can receive coordinated support until their need is addressed. People will have a single point of contact who takes responsibility for proactively addressing their need – meaning they do not need to re-tell their story and can trust that someone is there to support them, reducing the risk of their need escalating.

This service can be provided through any channel, although predominately over the phone, to ensure we provide the right service for people where we can best understand their need, develop a plan with our partners if required, and deliver a wrap-around service to achieve a successful outcome.

This service will be available for a range of people without a dedicated contact (for example, case manager/youth coach/employment service representative) whose needs cannot be resolved at first point of contact, meaning short-term additional support is required.

EXAMPLE: Providing Viviana with appropriate support to enable her to find employment.

Viviana's current experience under our service model...

Viviana, a young woman with autism, approached MSD with her mum to get support to find a job. She was concerned that her autism, as well as her academic record, would restrict the types of jobs she could go for and the process would not be simple.

Due to not receiving the right services from the right people and in a timely manner she lost confidence and her mental health drastically declined, especially as her time unemployed lengthened.

Her confidence in herself and MSD became further diminished when she was sent off to look at websites on how to become work ready without any support. Viviana's Mum had to care for her as she did not receive the support she needed from MSD, putting a great deal of pressure on her too.

...Viviana's potential future experience when the FSM is implemented

Viviana and her Mum approach MSD to get employment support. As soon as Viviana enters our system, an assessment of her specific support needs is carried out. This includes connecting Viviana to an MSD partner that specialises in providing support relevant to her.

Through MSD Viviana receives the support she needs to find work, ensuring she does not lose momentum and hope, and does not become dependent on the benefit long term. She has a one-on-one relationship with her case manager, who understands her story and ensures she accesses services, tools, and funding that enable her to find work.

As Viviana receives the support she needs, her mum, who has been her primary caregiver, feels supported and can trust that Viviana is receiving the support she needs.

Case management

A dedicated case manager/youth coach/employment service representative will provide consistent, one-on-one, strength-based support for people with multiple and/or long-term needs. This service will have a focus on supporting people into employment.

Through frequent and proactive engagement, people will be supported to manage, navigate, and coordinate income support as they progress towards sustainable outcomes for their needs. We will also support people to connect with the right partners to support

any additional needs. Partners who could support in case management include community and iwi partners, employment and training partners, providers, organisations, and other government agencies.

Our staff and people will have the information, insights and capability they need to plan a way forward for people that covers their needs and sets them on a path to greater independence. Through frequent and proactive interactions, by phone, in person or online, people and staff will develop and iterate an integrated plan to address immediate issues and progress towards a version of independence.

We will develop a new case management practice model to ensure our staff have the capability and technical knowledge required to support people to become safe, strong, and independent. This includes when and how to take a whānau-based approach, acknowledging that many clients will be adequately served by an individual-based approach.

We will increase staff capability and use technology to identify when a person receiving case management has the right support in place to move to a lower intensity service or where they need to progress to more intensive support.

Intensive support

A dedicated case manager will support the complex, long-term needs of people in the context of their whānau through service plans.

Intensive support provides a strength-based approach which focusses on working with partners to improve the wellbeing of a person and addressing their needs within the context of their whānau. Through intensive support, we will either lead or support a tailored wrap-around service which helps people overcome the complex barriers they face to achieving sustainable employment or housing. These partnerships could be for mental health, legal support or law enforcement, rehabilitation, or child welfare.

We will build on the new case management practice model to enable our staff to improve engagement with our partners. These partners are other agencies and organisations that people are already working with, or who are best placed to support some of or all of people's needs. By investing in our people and building their skills, staff will be able to identify when a person receiving intensive support has the right mechanisms in place to move to case management.

A major transformation programme will be required to deliver MSD-wide change

An MSD-wide, enterprise transformation programme will be needed to carry out the complete renewal of the way we deliver our services.

Fundamentally changing major parts of our service model

We cannot implement our Future Service Model by tweaking our current service model. Our business processes, technology, data, and information architecture, and people capability need to fundamentally change to enable us to achieve better outcomes for people and whānau. The gap between our current service model and the Future Service Model is too wide.

Transforming, simplifying, and (where possible) automating our business processes

Automating many of our business processes is central to implementing the tiered service model. Our current business processes have developed over time in reaction to changing services, products, legislation, needs of clients, and government priorities. We operate with a complex and extensive set of processes, business rules, and operational policies – sometimes with incomplete and inconsistent approaches. Years of incremental changes have resulted in our business processes becoming extremely complicated, fragmented, and difficult to change.

Our renewed business processes will be designed with an end-to-end view. This will show how different parts of the business affect each other, and the client experience, as people and whānau engage with our tiered service model. A reliable end-to-end view will ensure we can provide consistent services to our clients.

The redesign and automation of our business processes would also involve making these process transparent, so clients know what to expect when interacting with us. This would make it easier for clients to get their full and correct entitlement and to understand their obligations.

Modernising our systems and creating a new digital experience for New Zealanders

MSD's core systems do not currently enable our staff and partners to adequately support client needs. To automate some of our business processes and free up staff time for more focused support, we need to update our systems.

Our digital services need to catch up with client expectations about how and when people want to interact with us. We will ensure they enjoy a consistent experience, no matter how they choose to engage with us.

We must address our technology foundations – including cloud computing, security, and identity – as a priority to effectively prepare the technology environment so we are positioned to commence timely delivery of the Programme.

Better use of data, information, and analytics to support clients

Using data and analytics to support good decision-making and enable better client outcomes is a core part of our Future Service Model. Analytics will be a key enabler underpinning the provision of personalised, proactive, and preventative services. It will also enable MSD to become an insight-driven organisation that uses timely insights to inform service improvements and policy reform.

We want New Zealanders to trust that we use their information responsibly and store it securely to create better insights, better decisions, and better lives. We will continue to meet our obligations under the Privacy Act 2020 by protecting individual privacy.

Supporting our people to deliver the Future Service Model and shift to new ways of working

Enabling our people to adopt new ways of working, resulting from the technology and business process changes, will be fundamental to the successful implementation of the Future Service Model.

There will be major changes to our workforce capability as we transition staff effort from back-office processing to client-facing roles such as service coordination and case management. We will need to lift staff capability and increase pay to reward this increased capability.

As we shift to rely more on technology to provide personalised and proactive support to New Zealanders, we will also invest in our workforce to become increasingly digitally adept.

The Programme will enable MSD to effectively deliver to a wide range of Government priorities, strategies, and action plans...

MSD plays a lead role in delivering to a wide range of Government priorities and strategies, including employment, lifting children out of poverty, reducing debt to government, and continuing the COVID-19 Protection Framework Welfare Response. In addition, MSD is delivering on over 20 strategies and action plans across seniors, youth, disability, carers, and family violence; as well as establishing a new Ministry for Disabled People; leading work on social sector commissioning and strengthening social cohesion; and supporting a more joined-up Public Service in the regions. A transformation programme will enable MSD to deliver more effectively on these priorities and strategies.

...is an opportunity to reduce welfare debt to government...

Each year approximately \$200m of welfare overpayment debt is established, predominantly due to the late declaration of people's changes in circumstances (such as their relationship, address, income etc), of which income is a large proportion. A significant portion of this debt can be avoided through better systems and processes.

The Programme represents a key opportunity to mitigate the role that MSD systems and processes can play in contributing to debt through overpayment of benefits, supporting the debt to government work programme underway.

...and will enable MSD to realise the vision of public service delivery set out in the Public Service Act (2020)

The new Public Service Act 2020 (the Act) supports a constitutional and democratic government and enables government to develop and implement high-quality and efficient public services. The Act recognises the need for establishing better ways of working that suit a modern, collaborative and outcomes-focused public service.

By transforming the way clients can interact with MSD and how staff interact with clients at all service levels, the Programme will enable MSD to realise the vision of modernised, high-quality, and efficient public services set out in the Act.

The Act stresses the need for developing and maintaining the capability of the public service to engage with Māori and understand Māori perspectives. The Programme will enable this through its realisation of the Future Service Model – which will deliver tailored, collaborative, transparent, and accountable services.

Significant investment is needed from the Crown

The level of change required to deliver a transformed MSD requires significant investment. The investment logic for this case is summarised in the following diagram.

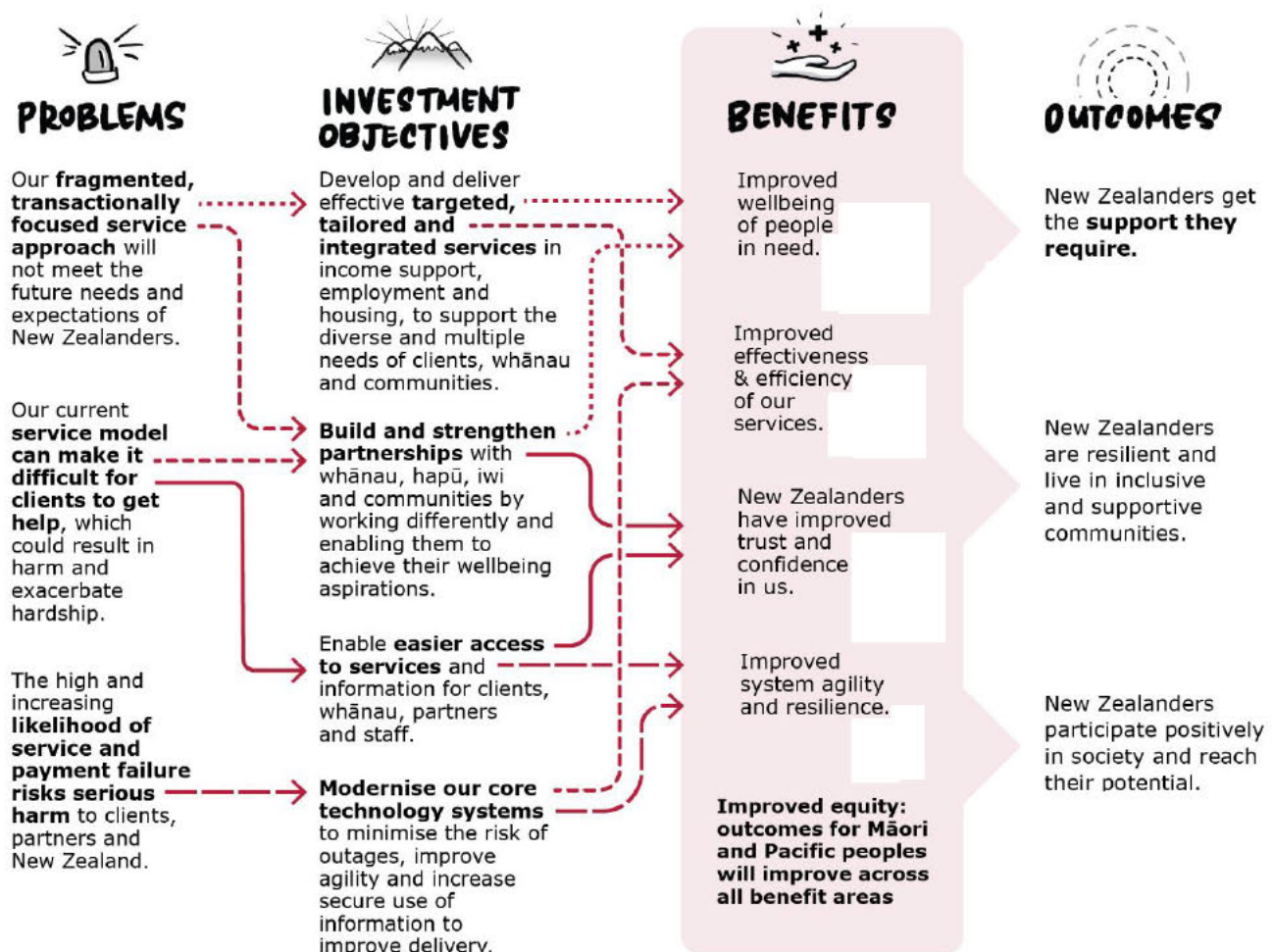


Figure 9: Te Pae Tawhiti investment logic

Our objectives for the investment we are seeking

Our drivers and problem statements have informed the development of investment objectives for this programme of transformation. These investment objectives were developed in collaboration with key staff and senior leaders and endorsed by the MSD Leadership Team.

1. *Integrated services* – develop and deliver effective, targeted, tailored, and integrated services in income support, employment, and housing, to support the diverse and multiple needs of clients, whānau and communities.
2. *Partnerships* – build and strengthen partnerships with whānau, hapū, iwi, and communities by working differently and enabling them to achieve their wellbeing aspirations.

3. *Modernised technology* – modernise our core technology systems to address:
 - a. *Risk* – minimise the risk of sustained system outages and intermittent system failure.
 - b. *Agility* – improve agility so policy and change can be implemented in an efficient and cost-effective manner.
 - c. *Information* – increase the secure use of information and intelligence to improve the delivery of services to better meet client need.
4. *Easier access* – enable easier access to services and information for clients, whānau, partners, and staff.

The scope of the investment we are seeking

The scope of investment is based on MSD's core role as the lead agency for managing and delivering New Zealand's welfare system – assessing welfare needs and providing employment, income support, student, and superannuation services.

The proposed scope has been informed by the demand drivers, problem statements, investment objectives, the Future Service Model and required changes to core capabilities.

Developing and implementing the Future Service Model's five core components – responding early, partnering, sustaining outcomes, connecting to services, and understanding our clients – is within the scope of the Programme. In-scope activities are detailed in the following table.

Table 4: Scope of the investment

| Areas of scope | | Scope includes ... | Scope excludes ... |
|---|---|--|--|
| Technology transformation | Across all key MSD technology platforms. | Systems and technology included in scope: <ul style="list-style-type: none"> • All client assessment and client management systems (including SWIFFT, Curam (CMS), SAL, DREW). • All payment systems (including SWIFFT, TRACE, SAL, Oracle). • All partner management systems (Oracle contract management, Salesforce). • Corporate platform systems (including Oracle FMIS, HRMIS, staff payroll). • Integration platforms. • Infrastructure platforms. | Systems and technology excluded from scope: <ul style="list-style-type: none"> • Routine and cyclical updates to client payments systems. • New or expanded initiatives. • Non-corporate platform enabling systems (property, risk and assurance, legal). |
| Modernised architecture for data and information | Across all MSD information systems. | | |
| Business process transformation | Across all client-facing and back-office support processes, comprising most of MSD's processes. | Business processes included in scope: <ul style="list-style-type: none"> • Client service processes (including income support, employment, housing, student, health and disability, seniors, youth). • Partner management processes. • Corporate (including finance, HR, payroll, contract management). | Business processes excluded from scope: <ul style="list-style-type: none"> • Routine and cyclical updates to client payments systems. • Processes for new or expanded initiatives. • Non-corporate platform-enabling processes (property, risk and assurance, legal). |

| Areas of scope | | Scope includes ... | Scope excludes ... |
|---|---|--|--|
| People capability transformation | Transformed people capability across all client-facing, processing, and corporate platform processes. | People capability transformation included in scope: <ul style="list-style-type: none"> • All staff delivering client services (including income support, employment, housing, student, health and disability, seniors, youth). • All partner management staff. • Core support capabilities (including service design and performance). • All staff delivering and supporting corporate platform processes (including finance, HR, payroll, contract management). | People capability transformation excluded from scope: <ul style="list-style-type: none"> • Policy design and implementation. • Information technology. • Information, data, and analytics • Non corporate platform-enabling function capability (property, risks and assurance, legal, other support functions). |
| Policy change | As required to enable and support the transformation work programme. | Policy change included in scope: <ul style="list-style-type: none"> • Policy changes to support client service transformation (including income support, employment, housing, student, health and disability, seniors, youth). • Policy changes to support partnership transformation. • Policy changes to support corporate process transformation. • Policy changes to support MSD people capability transformation. | Policy change excluded from scope: <ul style="list-style-type: none"> • Ongoing policy initiatives not related to transformation. • Ministerial policy initiatives. |

| Areas of scope | Scope includes ... | Scope excludes ... |
|---------------------------------------|---|--|
| Partnership changes | <p>As required to improve how we partner with community providers and other agencies.</p> <p>Transformed partnership arrangements included in scope:</p> <ul style="list-style-type: none"> • NGOs, providers, employers, industry partnerships. • Iwi, Māori partners. • Pacific partners. • Other government agencies (including Housing, Health, Justice). | <p>Partnership activities excluded from scope:</p> <ul style="list-style-type: none"> • Ongoing partner relationship management. • Existing initiatives with partners. • New initiatives with partners. • Existing cross-agency work programmes. |
| Organisational change activity | <p>As required to enable the implementation of the Future Service Model within MSD during the lifetime of the Programme.</p> <p>Organisational change activity included in scope:</p> <ul style="list-style-type: none"> • Organisational requirements for the Future Service Model across intensive support, case management, service coordination, income support, processing. • National office corporate platform support requirements. | <p>Organisational change activity excluded from scope is National Office functions not directly client facing including:</p> <ul style="list-style-type: none"> • Policy design and implementation. • Information technology. • Information, data, and analytics. • Non corporate platform enabling function capability (property, risks and assurance, legal, other support functions). |

We expect significant benefits from the investment

We expect to realise significant monetary and non-monetary benefits through the Programme. Delivering these benefits will contribute to the Government's welfare overhaul and to achieving our strategies *Te Pae Tawhiti – Our Future*, *Te Pae Tata*, and *Pacific Prosperity* – as well as to achieving other Government and MSD priorities, strategies, and action plans. We do not believe the Programme will realise any negative impacts on stakeholders.

We have identified the key benefits

Through a series of facilitated workshops with staff from throughout MSD, including the Senior Responsible Owner, we have identified the following key benefits to New Zealanders. These benefits have been endorsed by the MSD Leadership Team and are as follows:

- Increased equity.
- Increased wellbeing of people in need.
- Improved effectiveness and efficiency of services.
- Improved system agility and resilience.
- New Zealanders have improved trust and confidence in us.

The level 1 benefits are summarised in the following table.

Table 5: Anticipated benefits

| ID | Benefit |
|-----------|--|
| BB-01 | Improved equity – Outcomes for Māori and Pacific people will improve across all benefit areas. |
| BB-02 | Improved wellbeing of people in need – If we respond early, understand people's needs, and provide the right services at the right time, we reduce the amount of time people are in the system, ensure less people end up in debt, and empower people to achieve their goals. |
| BB-03 | Improved effectiveness and efficiency of services – By improving the systems, processes, and capabilities we will create efficiencies and improve the effectiveness of services provided. This will include enhanced digital services. The improvements in delivery will ensure we meet client needs quicker and enable us to provide the enhanced and tailored service levels. |
| BB-04 | Improved system agility and resilience – Modern and improved systems will ensure we can implement government policy quickly and effectively, and we will significantly reduce the overall risk of system failures. |
| BB-05 | New Zealanders have improved trust and confidence in us – By providing mana-enhancing services that deliver full and correct entitlements, with a responsive and flexible foundation, we will improve people's trust and confidence in us. |

The benefits are driven by our investment objectives

How these benefits are driven by the investment objectives is summarised in the following table.

Table 6: Driving the benefits from the investment objectives

| <i>Achieving the investment objectives (1-4) will result in achieving the benefits (A to E)</i> | A. Increased equity | B. Improved wellbeing of people in need | C. Improved effectiveness and efficiency of services | D. Improved system agility and resilience | E. New Zealanders have improved trust and confidence in us |
|---|----------------------------|--|---|--|---|
| 1. <i>Integrated services</i> – develop and deliver effective targeted, tailored, and integrated services in income support, employment, and housing, to support the diverse and multiple needs of clients, whānau and communities. | ✓ | ✓ | | | |
| 2. <i>Partnerships</i> – build and strengthen partnerships with whānau, hapū, iwi, and communities by working differently and enabling them to achieve their wellbeing aspirations | ✓ | | | | ✓ |
| 3. <i>Modernised technology</i> – modernise our core technology systems to address risk, improve agility, and increase the secure use of information | | | ✓ | ✓ | |
| 4. <i>Easier access</i> – enable easier access to services and information for clients, whanau, partners, and staff. | ✓ | | ✓ | | ✓ |

We are developing the necessary KPIs to measure these benefits

To support the delivery of these benefits we have identified the level two benefits that make up each of the level one benefits and the current KPIs we have in place to measure these. We are developing the future KPIs we will need to ensure that we understand how well we are achieving the benefits.

The challenges faced – risks, constraints, dependencies, assumptions

Key risks

Using the MSD risk strategy, the following risks were identified at a series of workshops with MSD staff and senior leaders. The risks explore factors that might have a negative impact on achieving the investment objectives or benefits. These risks have been endorsed by the MSD Leadership Team.

The table below describes the key risks.

Table 7: Key risks identified

| ID | Main risks | Comments and mitigations |
|----|--|---|
| R1 | Change in government priorities: If the government reduces its support for the Programme, then the investment objectives will not be achieved, and benefits will not be realised. | We will communicate with Ministers to explain the benefits of continuing to support the Programme and that investment in the entire Programme is required to deliver the envisaged changes. |
| R2 | Resourcing and expertise: If there is insufficient capacity and capability to deliver the Programme, the investment objectives will not be achieved, and benefits will not be realised within stakeholders expected timeframes. | We will develop a prioritised work programme cognisant of resource capacity and capability both within New Zealand and internationally. |
| R3 | Stakeholder engagement: If we do not effectively engage with stakeholders, then we will not achieve the benefits of improving wellbeing of people in need or reduce inequality of outcomes for Māori and Pacific people. | We will develop and implement an Engagement and Communications Plan to engage with stakeholders to build and maintain relationships to achieve the investment objectives. |

Key constraints, dependencies, and assumptions

The Programme is subject to constraints, dependencies, and assumptions. As with the Programme benefits and risks, the following were identified in a series of facilitated workshops with experts throughout MSD.

They will be carefully monitored and managed during the Programme. Strategies and registers have been developed to record their management.

A constraint is a known limitation that will impact on Programme delivery. The table below describes the Programme's constraints.

Table 8: Key constraints identified

| ID | Constraints | Notes |
|-----------|--|---|
| C1 | Complexity of co-existence | Co-existence is where existing IT systems and business processes need to be maintained concurrently with a newly installed IT system and business process. This mitigates IT system risks or maintain interdependences of the existing IT systems and business processes. MSD's current IT systems and business processes are complicated. |
| C2 | Funding the Programme from baseline | The Programme cannot be funded through our baseline due to the Programme's estimated cost. |
| C3 | New Zealand IT market does not have the capacity and capability to deliver the Programme | We will need to engage with international technology suppliers to deliver on our technology needs. |

A dependency is an external influence on the success of the Programme. The table below describes the Programme's dependencies.

Table 9: Key dependencies identified

| ID | Dependencies | Notes |
|-----------|---------------------|--|
| D1 | Stakeholder support | The Programme is dependent on ongoing support by Ministers, Central Agencies, the MSD Leadership Team, MSD staff, clients, partners, and communities. |
| D2 | s 9(2)(f)(iv) | s 9(2)(f)(iv) |
| D3 | Programme resources | The Programme is dependent on finding a significant amount of resource from the New Zealand and wider marketplace. This will constrain how fast the Programme can deliver value. |

The table below describes the key Programme assumptions.

Table 10: Key assumptions identified

| ID | Assumptions | Notes |
|-----------|--------------------|---|
| A1 | Ambition | The Programme will be one of the largest transformation programmes in New Zealand's history. It will impact on all elements of our service model and require significant external investment of time and resources. |
| A2 | Timeframe | The Programme will take s 9(2)(f)(iv) although value will be delivered iteratively. The benefits profile will be set across a 15-year horizon. |
| A3 | Prioritisation | We will need to prioritise Programme work to ensure we have sufficient capacity and capability to deliver. MSD will be constrained in its capacity to take on additional work while the Programme is being delivered. |
| A4 | Co-existence | Significant co-existence costs will be incurred during the Programme as we concurrently develop new and support old IT systems and business processes. |
| A5 | Delivery | MSD will deliver the programme through portfolios. This will require a significant increase in Programme staff resources (internal and external) of between s 9(2)(b)(ii) |
| A6 | Workforce | There will be no reduction in frontline (non-COVID-19 funded) workforce. However, there will be changes in roles to enable the Future Service Model to be realised. |

Addressing the challenges

We are already starting to address the challenges we have identified. A summary of this is provided in the following sections.

Using an Agile approach to deliver iterative value

Delivering a transformation programme of this size requires careful change management. Using an iterative implementation approach allows for adjustment and reprioritisation as factors change.

MSD is setting itself up for successful delivery by using an Agile implementation model to implement the Programme. This enables value to be delivered early while acknowledging there is still much that is uncertain, but that certainty will grow over time. It allows us to prioritise as necessary and respond to adverse events and government priorities.

Agile approaches are already embedded into everyday work at MSD and will be used to deliver the Programme.

Early and sustained engagement with stakeholders

Since 2018, we have engaged with a wide range of key stakeholders to help develop the vision and identify the challenges and potential benefits of the Programme. This engagement has informed the case for change.

Constructive engagement with our stakeholders is critical in undertaking successful change, building trust, and supporting people to work or interact with us differently. We are well-placed to achieve effective stakeholder engagement – with strong existing relationships with stakeholders²⁰, including clients and whānau, and a range of well-established channels to connect with them.

We need to help every stakeholder understand the reasons underpinning the Programme, what needs to be undertaken and completed successfully for the change to be effective and enduring, and how the change will be practically implemented. Our stakeholders can be grouped as follows:

- *Ministers and government agencies* – engagement with these groups is high while we move through the strategic assessment and business case/s 9(2)(f)(iv) [REDACTED]. The current messaging is focused on the case for change and the need to invest in our future. The messaging will then move to how this will be implemented and delivered, and the funding required.
- *Our clients* – we have incorporated client input into the early stages of design and will continue to do so. As we move into delivery and implementation, engagement with our clients will be extensive and targeted. We recognise that we have a diverse client group with a variety of needs. We will ensure our engagement is led with manaaki and purpose.

²⁰ See, *Tauāki Whakamaunga Atu: Statement of Intent 2021–2025* (NZ Government, September 2021), 32. <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/corporate/statement-of-intent/2021/statement-of-intent-2021-print-version.pdf> [Accessed 18 February 2022]

- *Our staff* – we have engaged with staff throughout the development of the Programme. This approach is about inviting people to be part of the change journey, it is not about telling people where they should go or how they should get there. We will involve staff in the design process, and they will become a core component of partner and client engagement.
- *Our partners and communities* – our partners and communities are key stakeholder groups. A major focus will be engaging with our Māori and Pacific reference groups, as well as the iwi groups that we work alongside.

A two-way dialogue with each of these groups is critical to ensure the Programme progresses in the right direction.

Our engagement activities will be guided by a commitment to engaging early and proactively with stakeholders. This will enable us to build genuine and meaningful partnerships.

- *Te Kupenga Ora* – at the heart of all our change is our people. We have established an internal network of change reps (400+) across the motu who provide us with grounded feedback and insights essential to the delivery and embedding of successful change. *Te Kupenga Ora* is supported by well-established forums that are used to engage both internal and external stakeholders.

In taking a client- and whānau-centred approach we will also engage with groups such as the disabled and refugee and migrant communities as we design our work, roles, and organisation to deliver for our clients.

We will continue to engage with stakeholders as we develop a Detailed Business Case and during the design phase of the transformation.

Learning from other New Zealand agencies

We have strong work relationships with Inland Revenue and the Accident Compensation Corporation (ACC) to gain insights and understand the lessons learnt from their transformation programmes. To support meaningful engagement, we have established information sharing sessions with senior leaders from both organisations. We have also included senior leaders from both organisations on our Programme governance committee to proactively share lessons learnt and guide our approach.

We are using the key insights and learnings from this engagement to build our Programme. These include:

- How to setup governance and decision-making processes to support a transformation.
- The need to retain and recruit key roles and capability – particularly in relation to service design, large scale transformation expertise, technology and business process modernisation, change management, and the running of a transformation management office.
- The need for consistent, open, and proactive stakeholder engagement – including with key community and advocacy groups, the media, and Ministers.
- Well-developed approaches to benefit ownership, realisation, and reporting.

- The need for effective sourcing of, engagement with, and collaborative working with key design and delivery partners.
- The need to agree a prioritised work programme to create the necessary time and space for transformation. This includes agreeing a forward policy programme with Ministers as early as possible.
- Setting the Programme up to recognise that there will be economic and political change over its lifetime.

Applying insights from other jurisdictions

New Zealand is not alone in the need to transform its welfare and employment systems. Similar drivers to ours can be seen in other countries.

While New Zealand's circumstances are unique, including our obligations to Te Tiriti, insights from other countries are important.

Services Australia (previously the Department of Human Services) has multiple transformation and modernisation projects underway which started in 2015/16. The projects cover:

- Service delivery modernisation aimed at improving customer experience and tailoring services to meet customer preferences for accessing services.
- Improving technology and systems through transformation projects and investment in core technology enablers. The focus is on making government services simple, secure, and accessible to customers, as well as providing common reusable capability across government.

In 2019 a small team of MSD leaders visited both Canberra and Brisbane to gain insight into the scope of the transformation projects and the progress being made. The exchange focused on:

- The success of Agile approaches and teams as the core delivery method.
- Approaches to change management undertaken to support the design and roll-out of service and product changes.
- Planned technology platform changes.

We expect the engagement and information-sharing with Services Australia to continue over the life of the Programme.

We have also established a relationship with Service Canada, which is undertaking a Benefits Delivery Modernization programme. Its programme has similar objectives to Te Pae Tawhiti Transformation Programme, including:

- A world-class, integrated, and responsive service delivery experience accessible to all.
- An organisation that rapidly adapts to the changing needs of Canadians and evolving government priorities.

- A workforce that has the authority, skills, tools, and training to deliver service excellence.

The Programme includes significant technology modernisation to replace 40-year-old core systems. The Programme is also using an Agile delivery approach to ensure it can deliver early, sustain value, and reduce risk.

In 2021, Service Canada began a nine-year programme implementation with Tranche 1 (the first three years) focused on foundational enablers and setting up the new client experience. We will build on the already established working relationship with Service Canada and continue the regular exchanges of information and programme design artifacts.

We are also establishing relationships with Norway and Singapore, who both have welfare modernisation programmes underway.

Economic Case

This section of the Programme Business Case identifies the preferred way forward. The Economic Case:

- develops a long-list of options
- outlines the critical success factors that – alongside the investment objectives, benefits, and costs – have been used to evaluate the options
- evaluates the long-list of options to develop a short-list of options
- describes the short-list options in more detail
- evaluates the short-list options to identify the preferred way forward
- describes the key changes that the preferred way forward will make to our clients, partners, technology, business processes, and to government.

Our preferred way forward was developed through an extensive process of analysis and engagement. We followed Treasury's Better Business Case guidance and used workshops with MSD staff, Treasury and Government Chief Digital Officer (GCDO) representatives to develop assessment criteria and critical success factors, and undertake options analysis.

Developing a long-list of options

Based on our problem statements and investment objectives, we assessed the key dimensions of choice for the programme. These dimensions focused on the potential scope of the Programme and the possible solutions to our problem statements.

The dimensions, and the sub-options for each element of the dimensions, were developed through workshops with internal and external stakeholders. The full option dimensions and their sub-options are set out in the table below. This creates a long-list, when all possible combinations are considered.

Table 11: Option dimensions and sub-options

| Dimension | Sub-Options | |
|-----------------------------------|-----------------------------|--|
| Scale, scope, and location | Services | <ul style="list-style-type: none"> • Only some services • All current services • Existing and additional |
| | Business Functions | <ul style="list-style-type: none"> • All functions • Client-facing functions only |
| | Cohort | <ul style="list-style-type: none"> • All clients • Targeted clients |
| | Geography | <ul style="list-style-type: none"> • All locations • Regional |
| Service solution | System | <ul style="list-style-type: none"> • All in One (monolithic) • Best of breed (distributed) • Emerging technology solutions |
| | Process | <ul style="list-style-type: none"> • Standardised (out of the box) • Standardised plus tailoring • Bespoke |
| Service delivery | Partnership Approach | <ul style="list-style-type: none"> • MSD only (no partners) • Multiple agencies • Agencies and partners |
| | Client Experience | <ul style="list-style-type: none"> • All-of-Government • Whānau-centric assessment of needs • Combined service (existing) • Multiple hand offs • Siloed |
| Implementation | Service Rollout | <ul style="list-style-type: none"> • Incremental • Big bang |

| Dimension | Sub-Options | |
|----------------|-----------------------|---|
| Funding | Funding Source | <ul style="list-style-type: none"> Ministry baseline only Ministry baseline plus Crown funding Crown funding |
| | Funding Model | <ul style="list-style-type: none"> Fixed funding model Incremental-based funding model |

Critical Success Factors that must be met for our preferred option

Critical success factors are the attributes essential to successful delivery of the Programme. They are used to evaluate options. The critical success factors were developed alongside the dimensions and their sub-options to specifically support the achievement of the investment objectives. The critical success factors identified for the Programme are as follows:

1. *Kaupapa Māori* – to ensure that a Māori world view is embedded in the option.
2. *Strategic Fit* – to ensure the alignment with *Te Pae Tawhiti – Our Future, Te Pae Tata*, and *Pacific Prosperity*.
3. *Business Needs* – to ensure the option will enable MSD to deliver the Future Service Model.
4. *Value for Money* – to ensure the option is likely to represent value for money.
5. *Supplier Capacity and Capability* – to ensure the market for goods and services can deliver on the option.
6. *Affordability* – to ensure the option is likely to be funded and continue to be affordable to MSD.
7. *Achievability* – to ensure the option can be delivered within an acceptable time to stakeholders' satisfaction.

Investment objectives to be achieved by our preferred way forward

The critical success factors were used in conjunction with the investment objectives to develop a short-list and choose a preferred way forward. The investment objectives developed in the Strategic Case are repeated below:

1. *Integrated services* – develop and deliver effective targeted, tailored, and integrated services in income support, employment, and housing, to support the diverse and multiple needs of clients, whānau and communities.
2. *Partnerships* – build and strengthen partnerships with whānau, hapū, iwi, and communities by working differently and enabling them to achieve their wellbeing aspirations.

3. *Modernised technology* – modernise our core technology systems to address:
 - a. *Risk* – minimise the risk of sustained system outages and intermittent system failure.
 - b. *Agility* – improve agility so policy and change can be implemented in an efficient and cost-effective manner.
 - c. *Information* – increase the secure use of information and intelligence to improve the delivery of services to better meet client need.
4. *Easier access* – enable easier access to services and information for clients, whanau, partners, and staff.

Evaluation of the dimension sub-options

The dimensions and sub-options create a potential list of thousands of options when all combinations are considered. However, not all combinations are practical, and many sub-options can be discounted on a qualitative basis.

As a first step to develop a short-list we undertook a qualitative assessment of the sub-options to remove those that clearly did not meet the critical success factors and the investment objectives. The rationale for refinement of the sub-options is discussed below.

Scale, scope, and location

- *Services* – the investment objectives encompass all current MSD services and so cannot be achieved if only some services are in scope. The sub-option 'Only some services' is therefore removed from further consideration.
- *Business Functions* – the client-facing functions and back-office functions are intricately connected. The investment objectives require change across both client-facing and back-office functions. The sub-option 'Client-facing functions only' is therefore removed from further consideration.
- *Cohort* – the investment objectives require change across services and systems serving all client cohorts. The sub-option 'Targeted clients' is therefore removed.
- *Geography* – the investment objectives require change for clients across the whole country. The sub-option 'Regional' is therefore removed from further consideration.

Service solution

- *System* – our initial analysis indicates that a single monolithic system will not meet our investment objectives and will not be achievable. The sub-option 'All in one (monolithic)' is therefore removed for further consideration.
- *Process* – MSD has a set of largely standard processes, as well as processes that require tailoring because of MSD's specific business and our local New Zealand requirements. This means that standardised process solutions will not be available. However, it also means that standardised processes can be used as a foundation for tailoring. The sub-options 'Standardised (out of the box)' and 'Bespoke' are therefore removed from further consideration.

Service delivery

- *Partnership Approach* – partnership is a critical part of MSD’s strategy for delivery of services. We already partner with agencies and many other partners (for example, iwi, NGOs, employers). We cannot achieve our investment objectives by reducing our current scope of partnerships. The sub-options ‘MSD only (no partners)’ and ‘Multiple agencies’ are therefore removed from further consideration.
- *Client Experience* – MSD does not have the mandate from Government to deliver All-of-Government services. MSD currently delivers services through a combined model that enables limited integration across services. Therefore, the sub-option ‘Combined service (existing)’ is retained to enable a current state position to be evaluated. The sub-options ‘Multiple hand-offs’ or ‘Siloed’ delivery do not meet the requirements of the Future Service Model or the investment objectives. They have therefore been removed from further consideration.

Implementation

- *Service Rollout* – a ‘Big bang’ approach to rollout would delay the enhancement of services to clients and create major go-live risk. Therefore the ‘Big bang’ sub-option is removed. Only an ‘Incremental’ approach will be considered.

Funding

- **s 9(2)(f)(iv)** [Redacted text block]
- **s 9(2)(f)(iv)** [Redacted text block]

The result of this initial sub-option analysis is reflected in the following table where the removed sub-options are marked.

Table 12: Refined dimensions and sub-options

| Dimension | | Sub-Options |
|-----------------------------------|-----------------------------|---|
| Scale, scope, and location | Services | <ul style="list-style-type: none"> Only some services ✓ All current services ✓ Existing and additional |
| | Business Functions | <ul style="list-style-type: none"> ✓ All functions Client facing functions only |
| | Cohort | <ul style="list-style-type: none"> ✓ All clients Targeted clients |
| | Geography | <ul style="list-style-type: none"> ✓ All Locations Regional |
| Service solution | System | <ul style="list-style-type: none"> All in One (monolithic) ✓ Best of breed (distributed) ✓ Emerging technology Solutions |
| | Process | <ul style="list-style-type: none"> Standardised (out of the box) ✓ Standardised plus tailoring Bespoke |
| Service delivery | Partnership Approach | <ul style="list-style-type: none"> MSD only (no partners) Multiple agencies ✓ Agencies and partners |
| | Client Experience | <ul style="list-style-type: none"> All of Government ✓ Whānau-centric assessment of needs ✓ Combined service (existing) Multiple hand offs Siloed |
| Implementation | Service Rollout | <ul style="list-style-type: none"> • Incremental Big bang |
| Funding | Funding source | <ul style="list-style-type: none"> Ministry baseline ✓ Ministry baseline plus Crown funding ✓ Crown funding |
| | Funding Model | <ul style="list-style-type: none"> Fixed funding model ✓ Incremental-based funding model |

Creation of a short-list of options

The viable dimension sub-options were mapped into a short-list of options. These options have been workshopped, reviewed, and agreed by the MSD Leadership Team.

The options include a 'do minimum option', which is referred to as Option 1: De-risk. This option assumes there will continue to be a need to replace existing IT systems to mitigate service failure. It is used as a comparator when assessing the other short-listed options.

These options are further outlined in terms of the option dimension scope.

Table 13: Short-list of options

| Dimension | | Option 1: De-risk (Do minimum) | Option 2: Re- platform | Option 3: Transform | Option 4: Extend Services |
|---|---------------------------------|---|---------------------------------------|--|--|
| Scale, scope, and location | Services | All | All | All | Additional |
| | Business Functions | All functions | All functions | All functions | All functions |
| | Cohort | All | All | All | All |
| | Geography | All locations | All locations | All locations | All locations |
| Service solution | System | Best of breed (distributed) | Best of breed (distributed) | Emerging technology solutions | Emerging technology solutions |
| | Process | Standardised plus tailoring | Standardised plus tailoring | Standardised plus tailoring | Standardised plus tailoring |
| Service delivery | Partnership Approach | Agencies and Partners | Agencies and Partners | Agencies and Partners | Agencies and Partners |
| | Client Experience | Combined service (existing) | Combined service (existing) | Whānau- centric assessment of needs | Whānau- centric assessment of needs |
| Implement- ation | Service Rollout | - | Continuous change | Continuous change | Continuous change |
| Funding | Funding source | Baseline and Crown funding | Baseline and Crown funding | Baseline and Crown funding | Baseline and Crown funding |

| Dimension | Option 1: De-risk (Do minimum) | Option 2: Re- platform | Option 3: Transform | Option 4: Extend Services |
|--------------------------|---|---|---|---|
| Funding Model | Incremental- based funding model | Incremental- based funding model | Incremental- based funding model | Incremental- based funding model |

The options are summarised below.

Option 1: De-risk (Do Minimum)

This is a do minimum option. It would deliver the existing services within the constraints of existing systems and business processes. Services and technology would continue to be patched up, addressing only large-scale risk. It would keep ageing and at-risk systems functional and existing processes intact, with a best-effort approach to prevent system failure.

Risk of service failure would continue to grow as systems age and deteriorate, and integration would remain complex and expensive. We would only introduce essential new functionality and we would be very limited in how quickly we can respond to government requirements.

We would need to continue to add processing staff to operate an increasing number of manual processing steps.

Our clients would continue to face difficult, repetitive, and time-consuming processes to get the support they need – even seniors and students with relatively straightforward needs. Clients who want to self-manage would continue to face fragmented processes and digital services that are time-consuming and challenging to navigate. They would have to shift channels, repeating information many times. Clients may continue to have difficulty understanding their entitlements, eligibility, and obligations and some clients may not receive full and correct entitlement.

Staff would continue to spend significant amounts of time navigating our processes. They would have to access multiple systems and incomplete datasets that lead to substantial delays and rework. They would be limited in their ability to fully understand clients and their needs. Clients would need to repeat information many times adding to frustrations and delay. Errors would continue to result in rework. Our staff would not be able to spend much time supporting clients as their time is taken up processing applications for income support.

Option 2: Re-platform

This option would involve the progressive replacement of core technology systems. It would address and mitigate risks around core systems with some process improvement occurring over time. Selected key systems would be renewed, with minimal change to the business processes and service model. Technical debt would gradually be reduced and alignment with the government digital strategy would increase.

Risk of service failure would remain high but gradually abate over time. We would continue to deliver the existing services and still be limited in how quickly we could respond to evolving government requirements.

We would not be able to significantly reduce staff processing effort to divert to client-facing roles. We would need to continue to add processing staff to operate an increasing number of manual processing steps, although the renewed technology would mitigate some of this requirement.

There would be some improvement in business processes as we take advantage of changes in the technology. However, our clients would continue to face difficult, repetitive, and time-consuming processes to get the support they need—even seniors and students with relatively straightforward needs. Staff may continue to have difficulty understanding clients' entitlements, eligibility, and obligations. Clients who want to self-manage would continue to face largely fragmented processes and digital services that are time-consuming and challenging to navigate.

Option 3: Transform

This option would transform MSD's service model, business processes, and technology. It would raise people capability to operate the transformed service model. Current barriers to delivering to government requirements would be eliminated, improving the client experience and outcomes. It would modernise technology infrastructure, systems, data, and information and align with government digital standards. MSD's service model and business processes would be transformed to support fully integrated services, with a tiered service delivery model.

This option would reduce staff processing effort and shift staff effort from processing transactions to face-to-face client case management. We would increase our current people capability to better serve clients.

Our clients would use straightforward, easy-to-use processes to get the support they need. Clients who want to self-manage would be able to do this easily without shifting channels. Clients would be able to understand their entitlements, eligibility, and obligations easily. They would receive full and correct entitlement and have confidence that it is accurate.

Staff would have access to a single view of client information. They would be able to focus on supporting their clients as processing tasks will be largely automatic. Clients would only need to provide information once. Errors would be significantly reduced, as would rework. Processes would be consistent across offices and regions.

Option 4: Extend services

This option would build on Option 3. It would not only transform service delivery but also take on additional services currently provided by other agencies as part of an All-of-Government approach.

MSD's service model would change in the same ways as Option 3, but with further changes – including extending current services to more clients, providing a more intensive service to some clients, or a combination of both.

These options are described and compared in more detail in the following table.

Table 14: Comparison of short-list options

| | | Option 1: De-risk (Do Minimum) | Option 2: Re-platform | Option 3: Transform | Option 4: Extend services |
|-----------------------------|---------------------|--|---|--|---|
| Investment scope | In scope | <ul style="list-style-type: none"> Retain existing service model largely unchanged. Minor changes in business processes, as possible within current systems limitations. Patching and maintenance of most at-risk systems. <p>There will be:</p> <ul style="list-style-type: none"> Largely unchanged service model and approaches to deliver services. Largely unchanged staffing profile with high focus on back-office processing. | <ul style="list-style-type: none"> Retain existing service model largely unchanged, except where required through system replacement. Business process change only as required by system replacement. Planned replacement and renewal of core at-risk systems. <p>There will be:</p> <ul style="list-style-type: none"> Largely unchanged service model and approaches to deliver services. Some ability to automate business processes, but still largely unchanged staffing profile with high focus on back-office processing. | <ul style="list-style-type: none"> Transformation of the service model. Transformed, simplified, and (where possible) automated business processes. Renewal and modernisation of current at-risk technology systems in line with new service model, supported by transformed business processes. Transformed end-to-end self-service digital channels. Significantly increased range of MSD services through digital channels and early intervention services. Establishment of agile service and technology platform to enable more rapid respond to government requirements. Shift for staffing effort from processing to face-to-face service delivery, most notably service coordination and case management. | <p>As with Option 3, and:</p> <ul style="list-style-type: none"> Extending scope of current services to target more cohorts with an All-of-Government approach for social sector. Expansion/extension of the service model. |
| | Out-of-scope | <ul style="list-style-type: none"> Replacement of core systems. | <ul style="list-style-type: none"> Changing the way services and the client experience are delivered. | <ul style="list-style-type: none"> Provision of additional services (for example, employment) or expansion of existing services. | <ul style="list-style-type: none"> Funding services outside of the social sector. |

| | | Option 1: De-risk (Do Minimum) | Option 2: Re-platform | Option 3: Transform | Option 4: Extend services |
|-----------------------------------|--------------------------|---|---|---|--|
| | | <ul style="list-style-type: none"> Changing the way services and the client experience are delivered. Investment in major business process change. Investment in major staffing capability change. Provision of additional services (for example, employment) or expansion of existing services. Funding services outside of the social sector. | <ul style="list-style-type: none"> Investment in major staffing capability change. Provision of additional services (for example, employment) or expansion of existing services. Funding services outside of the social sector. | <ul style="list-style-type: none"> Funding services outside of the social sector. | |
| Service model implications | Expanded services | <ul style="list-style-type: none"> No change. | <ul style="list-style-type: none"> No change. | <ul style="list-style-type: none"> Transformed services available through digital channels targeted towards existing client groups and accessible by all New Zealanders. Early intervention services transformed. | As with Option 3, and: <ul style="list-style-type: none"> Current and new services targeted beyond current client cohorts served by MSD. |
| | Service model | <ul style="list-style-type: none"> No change to the service model. Service model will retain the current issues of: <ul style="list-style-type: none"> Needing to add staff as the primary means of meeting demand surges and service changes. A siloed approach to service delivery. Fragmented systems and processes that make it increasingly harder to deliver for our clients. | <ul style="list-style-type: none"> Minimal improvements to the service model within the constraints of the functionality of the systems and business processes. Service model will <i>largely</i> retain the current issues of: <ul style="list-style-type: none"> Needing to add staff as the primary means of meeting demand surges and service changes. A siloed approach to service delivery. Fragmented systems and processes that make it | <ul style="list-style-type: none"> Transformed full services model, scalable to meet government priorities and supported by transformed business processes. Transformed self-service digital channels. A sustainable shift of staff resources from processing to client-facing work. Transformed ability to engage with partners to better meet client needs. | As with Option 3, and: <ul style="list-style-type: none"> Extension of full-service model to meet government priorities for the Social Sector (scope not determined). |

| | | Option 1: De-risk (Do Minimum) | Option 2: Re-platform | Option 3: Transform | Option 4: Extend services |
|---|---------------------------|---|---|--|--|
| | | <ul style="list-style-type: none"> Working with partners will continue to be constrained by technology and business process. | <p>increasingly harder to deliver for our clients.</p> <ul style="list-style-type: none"> Working with partners will continue to be constrained by technology and business process with some improvements as modern technology enables it. Some limited improvement over time in client, staff, and partner experience enabled by moving the technology to modern platforms. | <ul style="list-style-type: none"> Significantly improved client experience. | |
| Service model implications cont. | Business processes | <ul style="list-style-type: none"> Business processes remain complex with high rework and error rates even after current improvement efforts. Clients face difficult, repetitive, fragmented, and time-consuming processes. They need to repeat information many times. Clients may have difficulty understanding their entitlements, eligibility, and obligations. They may have little confidence in receiving the payments they are entitled to. Staff spend significant amounts of time navigating processes, accessing multiple systems, and accessing incomplete datasets that lead to delays and rework. | <ul style="list-style-type: none"> Some change to the business processes associated with systems, as required when systems are renewed. Some improvement to business processes, but they are still complex, although there is some reduction in rework. Clients face difficult, repetitive, fragmented, and time-consuming processes. They need to repeat information many times, albeit less than currently. Clients may have difficulty understanding their entitlements, eligibility, and obligations. They may have little confidence in receiving the payments they are entitled to. | <ul style="list-style-type: none"> Transformed, simplified, and automated (where possible) business processes. Consistent business processes supporting improved client experience and outcomes. Clients use straightforward, easy-to-use processes to get the support they need. Clients who want to self-manage will do it easily without shifting channels. Clients will be able to understand their entitlements, eligibility, and obligations easily. They will receive full and correct entitlement and have confidence that it is accurate. Staff will have access to a single view of client information. Clients will only | <p>As with Option 3, and:</p> <ul style="list-style-type: none"> Leadership in developing system-wide settings for the social sector. |

| | | Option 1: De-risk (Do Minimum) | Option 2: Re-platform | Option 3: Transform | Option 4: Extend services |
|---|--------------------|---|--|---|---|
| | | <ul style="list-style-type: none"> Processes vary across offices and regions. More staff required as processes change to meet new requirements. | <ul style="list-style-type: none"> Staff spend some time navigating process, accessing multiple systems, and accessing incomplete datasets that lead to delays and rework. Although, navigation will be easier and integration will be better. Processes will vary less across offices and regions. More staff <i>typically</i> required as processes change to meet new requirements. | <ul style="list-style-type: none"> need to provide information once. Minimised staff errors and rework. Reduced staff processing effort. Processes will be consistent across offices and regions. Integration of core cross-government processes into the new, transformed business processes. Ability to move staffing effort from processing to client facing work. | |
| Service model implications cont. | Tech-nology | <ul style="list-style-type: none"> Best efforts to keep existing systems from failing. Systems continue to age, remain fragmented, and are expensive to maintain. Continue to use current technical infrastructure with some cloud adoption where possible (but this will be limited). Risk of technology and service failure will continue to rise as systems age and performance and stability deteriorates. Technical debt continues to grow. Integration of systems becomes more complex and expensive. | <ul style="list-style-type: none"> Progressive replacement of core systems in line with asset life cycle – risk mitigation of core systems first. Continue to use current technical infrastructure with some cloud adoption. Risk of technology and service failure initially remains high but will reduce over time. Slow reduction of technical debt as systems are updated. Interfaces between systems will remain complex and integration of systems will remain complex and expensive. Slow alignment to Government Digital Strategy. | <ul style="list-style-type: none"> Completely renewed and modernised technology, systems, data, and information. Cloud based, modern infrastructure. Dramatically decreased risk of technology and service failure. Technical debt largely eliminated. Systems joined up using modern interface approaches to provide the functionality and agility required. Full alignment to Government Digital Strategy. Provides significant new functionality, including (for example) single integrated | <p>As with Option 3, and:</p> <ul style="list-style-type: none"> Single client, staff, and partner view is extended across full social sector. |

| | Option 1: De-risk (Do Minimum) | Option 2: Re-platform | Option 3: Transform | Option 4: Extend services |
|------------------------|--|--|--|---|
| | <ul style="list-style-type: none"> Alignment to Government Digital Strategy very constrained. Only essential new functionality introduced. Increasingly difficult to respond to new government priorities and requirements. No ability to support All-of-Government options. | <ul style="list-style-type: none"> New functionality can be introduced. Will remain difficult to respond to new government priorities and requirements, but systems limitations will be reduced to some extent. Limited ability to support All-of-Government options. | <ul style="list-style-type: none"> view for clients, staff, and partners, with systems directly supporting partners and partnering. Timely implementation of change in response to environment and government demands. Ability to support All-of-Government options. | |
| Client outcomes | <ul style="list-style-type: none"> Clients receive similar service to that provided today – including some online, some face-to-face, some case managed employment, and some partnered. Service is fragmented and inconsistent. | <ul style="list-style-type: none"> Clients begin to experience some improved services as key systems are re-platformed and modernised – but this occurs over time. Service is still fragmented but with some improvements in service level delivered and consistency of service. | <ul style="list-style-type: none"> Improved client service and outcomes, most notably: <ul style="list-style-type: none"> Better informed clients and increased client trust. Client interactions are insight led and focus on client needs. Client services are personalised and integrated, considering all their circumstances, needs, capabilities, and aspirations. Clients will self-manage, using face-to-face interactions when required. Joined-up service from MSD, partners, and other sector agencies through channels that best work for them. Effective services for Māori and Pacific people and their whānau, and those with disabilities and health needs. Full service model scalable and adaptable to meet | <p>As with Option 3, and:</p> <ul style="list-style-type: none"> Services are provided to more than current MSD cohorts, extending further across existing social services provided by other agencies. |

| | Option 1: De-risk (Do Minimum) | Option 2: Re-platform | Option 3: Transform | Option 4: Extend services |
|------------------------------------|--|--|---|---|
| | | | government priorities as these evolve. | |
| Government outcomes | <ul style="list-style-type: none"> Continued escalating risk of service failure. Continued limits to delivery of government priorities. Continued and increasing cost of staff effort to deliver services because of manual processes and workarounds. Continuing escalating costs of service delivery, especially when changes or extension to services required. Retain current trust and confidence in the welfare system by New Zealanders, with drops as risk events occur and limitations become more apparent. | <ul style="list-style-type: none"> Reduction in risk of service failure over time. Some improvement to how quickly government priorities can be delivered, but not significant. No significant reduction in staff processing effort that can be released to case management or other services. Additional costs for changes or extension to services required. Retain current trust and confidence in the welfare system by New Zealanders. | <ul style="list-style-type: none"> Significantly reduced risk of service failure. Significantly increased agility and ability to meet government priorities. Ability for government to redirect staffing effort to better client outcomes. Reduced costs for the system and service model changes to scale up or introduce new services. Increased trust and confidence in the welfare system by New Zealanders. | <p>As with Option 3, and:</p> <ul style="list-style-type: none"> Better service delivery outcomes for more New Zealanders. Wellbeing of more New Zealanders supported by government services. |
| Implementation risk | <p>MEDIUM/HIGH RISK</p> <ul style="list-style-type: none"> The management of ongoing change will have a Medium/High implementation risk because of the growing complexity of the environment and the difficulty in acquiring and retaining the expertise with the environment and aging technology. | <p>MEDIUM/HIGH RISK</p> <ul style="list-style-type: none"> This level of change will have a Medium/High implementation risk. | <p>HIGH RISK</p> <ul style="list-style-type: none"> A programme of this scale will always have a High implementation risk. | <p>EXTREME RISK</p> <ul style="list-style-type: none"> A programme of this scale will always have an extreme implementation risk. |
| Operating risk that results | <p>HIGH RISK, ESCALATING</p> <ul style="list-style-type: none"> Escalating risk of operation as technology (and underlying | <p>LOW/MEDIUM RISK</p> | <p>LOW RISK</p> <ul style="list-style-type: none"> Low risk of operation as service model, business | <p>LOW RISK</p> <ul style="list-style-type: none"> Low risk of operation as service model, business |

| | Option 1: De-risk (Do Minimum) | Option 2: Re-platform | Option 3: Transform | Option 4: Extend services |
|---|---|--|--|--|
| | business processes) continue to age. | <ul style="list-style-type: none"> Low/Medium risk of operation as technology risk is addressed. However, remaining complexity of technology environment and business processes will have associated risk that will need continued active mitigation. | processes, and technology are completely transformed | processes, and technology is transformed. <ul style="list-style-type: none"> However, slightly increased risk as scope and breadth of services delivered is extended. |
| Costs (s 9(2)(f)(iv) period, not discounted) | s 9(2)(f)(iv) | | | |
| Advantages | <ul style="list-style-type: none"> Lowest cost option. Lowest implementation risk. | <ul style="list-style-type: none"> Lower cost option. Reduced risk of service failure. Some improvement (but still limited) ability to work effectively with partners. Some (but still limited) ability to shift staff effort to client-facing work. Some (but still limited) improvement in ability to respond to government requirements. | <ul style="list-style-type: none"> Transformed client service experience. Transformed ability to impact client outcomes. Transformed ability to work effectively with partners. Ability to shift staff effort to client-facing work. Increased ability to respond to government requirements. | <ul style="list-style-type: none"> Transformed client service experience. Transformed ability to impact client outcomes. Transformed ability to work effectively with partners. Ability to shift staff effort to client-facing work. Increased ability to respond to government requirements. Extended services delivered. |
| Disadvantages | <ul style="list-style-type: none"> Increasing risk of service failure. Limited client service experience. Limited ability to impact client outcomes. Limited ability to work effectively with partners. | <ul style="list-style-type: none"> Limited client service experience. Limited ability to impact client outcomes. Medium/High implementation risk. | <ul style="list-style-type: none"> A higher cost option. High implementation risk. | <ul style="list-style-type: none"> Highest cost option, and costs not understood. Extreme implementation risk. |

**Option 1:
De-risk (Do Minimum)****Option 2:
Re-platform****Option 3:
Transform****Option 4:
Extend services**

-
- Cannot shift staff effort to client-facing work.
 - Limited ability to respond to government requirements.

Short-list option assessment

The following table evaluates the short-list options against the investment objectives and the critical success factors.

Table 15: Assessment of short-list options

KEY ○ = Low fit to requirement ● = Medium fit to requirement ● = High fit to requirement

| Evaluation criteria | | Option 1 De-Risk (Do Minimum) | Option 2 Re-platform | Option 3 Transform | Option 4 Extend Services |
|---------------------------------|--------------------------------|----------------------------------|-------------------------|-----------------------|-----------------------------|
| Investment objectives | Integrated services | ○ | ○ | ● | ● |
| | Partnerships | ○ | ○ | ● | ● |
| | Modernised technology | | | | |
| | Risk | ○ | ● | ● | ● |
| | Agility | ○ | ● | ● | ● |
| | Information | ○ | ● | ● | ● |
| | Easier access | ○ | ● | ● | ● |
| Critical success factors | Kaupapa Māori | ○ | ○ | ● | ● |
| | Strategic Fit | ○ | ○ | ● | ● |
| | Business Needs | ○ | ○ | ● | ○ |
| | Value for Money | ○ | ○ | ● | ● |
| | Supplier capacity & Capability | ● | ● | ● | ○ |
| | Affordability | ● | ● | ● | ○ |
| | Achievability | ● | ● | ● | ○ |
| Benefit realisation | | ○ | ● | ● | ● |
| Cost | | s 9(2)(f)(iv) | | | |
| Overall | Evaluation | ○ | ● | ● | ● |
| | Conclusions | Rejected | Possible | Preferred | Rejected |

The following can be concluded from this analysis.

Option 1: De-risk (Do minimum) – reject

Option 1: De-risk meets none of the investment objectives. While it is affordable and achievable, it will not support increased client outcomes – and will result in growing delivery risk and reduced agility to support the requirements (and commitments) of government. This option is rejected.

Option 2: Re-platform – possible

Option 2: Re-platform addresses the technology risk. However, it does not take advantage of the business process and service model changes that could be achieved through new technology. Therefore, it creates a wasted opportunity for investment and delivers low value for money. As can be seen from the table, it addresses the modernised technology investment objective but none of the others. Because there is no significant change in the service model it does not address Kaupapa Māori, it is a poor strategic fit to MSD's requirements, and it does not meet business needs. This option is rejected.

Option 3: Transform – preferred

Option 3: Transform delivers the level of change required to meet all the investment objectives. The transformed service model will enable us to address Kaupapa Māori, provide a strong strategic fit, and meet our business needs. Because of the high fit to our needs, it provides the best value for money of the options, even though it has higher cost than Options 1 and 2.

This option would reduce staff processing effort and shift staff effort from processing transactions to face-to-face client case management. We would increase our current people capability to better serve clients and be able to respond to government requirements more rapidly.

Our clients will use straightforward, easy-to-use processes to get the support they need. Clients who want to self-manage will be able to do this easily without shifting channels. Clients will be able to understand their entitlements, eligibility, and obligations easily. They will receive full and correct entitlement and have confidence that it is accurate.

Staff will have access to a single view of client information. They will be able to focus on supporting their clients as processing tasks will be largely automatic. Clients will only need to provide information once. Errors will be significantly reduced, as will rework. Processes will be consistent across offices and regions.

However, Option 3 will stretch the ability of the market to deliver the capability and capacity required. It will be a high-risk project and so achievability will be a challenge. It also requires significant funding.

Option 3 Transform has the best fit to investment objectives and critical success factors of all the options. It is our preferred option.

Option 4: Extend Services – reject

Option 4: Extend Services is an extension of Option 3: Transform. It would use the platforms created in Option 3 and extend the services delivered to those currently delivered by other agencies. While this option meets all the investment objectives, the

extension of the services delivered creates uncertainties around meeting the critical success factors, especially as these services have not yet been defined and Government's appetite for MSD to deliver extended services is not yet confirmed. This option is therefore rejected.

Our preferred way forward is Option 3: Transform

Option 3: Transform will:

- Transform our core service model including our technology, business processes, use of data and information, and people capability.
- Enable complete renewal and modernisation of our technology, allowing us to implement our Future Service Model. Our systems will be resilient, flexible, joined-up and will align with the Government Digital Strategy. Transform will provide a digital experience layer that will enable modern digital self-service – as well as an integrated view for clients, staff, and partners, and a better platform for collaboration and information sharing.
- Allow us to redesign, simplify, and (where possible) automate our business processes as our technology is updated and integrated. This will lead to simpler and more consistent support of full and correct entitlement, which will reduce debt to government. Improved digital self-service, process automation, and redesigned business process will allow staff to spend more time on case management for clients in need, in particular focussing on improving employment outcomes.
- Give us the ability to change, extend, and add new services more quickly to respond to government priorities, changing demands, and needs of our society. This includes services in employment, income support, housing, or community services.

Our initial estimates cost Option 3: Transform at between **s 9(2)(f)(iv)** over the life of the Programme. As per the proposed incremental approach to funding, the total amount will not need to be committed upfront, and Government will have choices on phasing and decision points for continuing investment. However, as this option requires a service model architecture that is very different from the status quo, we will require a clear signal from Government that they support the preferred way forward and will commit to the required funding.

We will build trust with our clients and their whānau through personalised, joined-up services that deliver full and correct entitlement

Clients will be able to choose how they access our services. Modern digital service will enable many clients to fully self-serve. Service coordination, case management, and intensive support will provide additional levels of support for those clients with wider needs.

We will enable joined-up services from MSD, partners, and other sector agencies through channels that best work for clients and address their whole-of-life circumstances and that of their whānau.

More clients will be able to access MSD employment services, and those disadvantaged in the labour market will be supported earlier to sustain employment.

We will be able to provide services that are more effective for Māori and Pacific people and their whānau, and those with disabilities and health needs. Staff spending more time with clients to understand their needs will lead to better outcomes, especially in employment.

Table 16 How the experience of our clients will change

| # | Now | Future services aspirations |
|--|--|---|
| <i>"We will build trust with our clients..."</i> | | |
| 1 | Some clients have low trust in MSD and delay contacting MSD until they are in crisis. | All MSD interactions will be designed to build trust (even compliance), with services designed around competency, reliability, honesty, openness, and compassion. People trust MSD and our partners to deliver the best support to meet their needs. |
| <i>"Clients will receive fast and accurate income support and full and correct entitlement..."</i> | | |
| 2 | Our complex systems and processes mean that clients can face delays in getting their needs met. | Clients' needs will be better understood, and clients will receive timely and accurate income support including first contact resolution, where appropriate. |
| 3 | Client interactions are process-centric and there is limited use of data, insights, and evidence, which means clients are often treated as 'new' each time they access a new service or new channel. | Client interactions will be people-centric and insight-led with the right information provided at the right time to enable fast and effective decisions. |
| 4 | Some clients do not always receive their full and correct entitlement and many lack trust and confidence in entitlement and payment accuracy. | All clients will receive full and correct entitlement and will have trust and confidence in entitlement and payment accuracy. |
| <i>"Clients will be well informed..."</i> | | |
| 5 | Clients have varying levels of awareness of and difficulty understanding the different payment and support entitlements, eligibility, and obligations. | Clients will be aware of and understand their payments and support entitlements, eligibility, and obligations. |
| <i>"Clients will receive personalised, integrated services..."</i> | | |
| 6 | Most clients receive generic, one-size-fits-all services. | We will deliver different levels of support based on a person's needs, their preferences, and the ability of different services to impact outcomes and mutual expectations. The service approach will support a blended service delivery model to ensure that people are seamlessly transferred to a different intensity of service (as service capacity allows) when we or they determine another service level is best fit to achieve a successful outcome. |

| # | Now | Future services aspirations |
|--|---|--|
| 7 | Client interactions are based on a single issue or service, even when clients have high and complex needs. | Clients with high and complex needs will receive integrated employment, housing, health, and income support services based on a more complete view of needs, capability, and aspirations. |
| 8 | Client interactions are based on providing services to meet the needs of an individual, and sometimes ignore the broader whānau needs and context. | Clients with high and complex needs will receive integrated services that consider the needs, capability, and aspirations of their wider whānau. |
| <i>"Client services will be joined-up with those they receive from other agencies..."</i> | | |
| 9 | There is a lack of consistency across the provision of services at MSD, and from its partners and providers. | Clients with high and complex needs will access consistent, integrated case management services across MSD and its partners that are personalised to client and whānau needs and circumstances. MSD will be strengthened by working in partnership with whānau, hapū, iwi, providers, communities, other government agencies, and employers. |
| 10 | Some clients must repeat information and interact with multiple agencies (for example, IR and MSD) to receive the right income support. | Clients will have a seamless service experience across MSD and other agencies. Information will be as accessible as possible. Where possible, we will source authoritative information from other agencies to help assess entitlement, reducing the need for clients to repeatedly provide this. |
| 11 | Client interactions are based on providing services to meet immediate needs. | MSD will work with other government agencies, communities, and partners to identify opportunities to respond early and develop coordinated support to respond early. |
| <i>"Client interactions will be culturally appropriate and support all client groups..."</i> | | |
| 12 | We have a functionalised workforce – some staff are only trained in specific processes, and workflows may differ between different areas leading to inefficiencies and a poor client experience. | All staff will have the tools and capability to resolve client and whānau needs at the earliest point of engagement. |
| 13 | Specific client groups are not always well-served by some current MSD services and risk being left behind (for example, Māori, Pacific people, clients with health conditions or disabilities, and newly released prisoners). | Staff will have the capability to deal with diverse needs of clients and whānau. Staff will have the attitudes and values required to deliver an appropriate client experience. |

Clients will be able to self-manage, access personalised services, and choose the channels that work best for them

Channels are the critical touch point through which clients and whānau will interact with MSD. To achieve the desired shift in *mana manaaki* our channels will change so that clients and whānau can more easily interact with us in the channel of their choice.

Table 17: Changes in how clients will interact with us

| # | Now | Future services aspirations |
|---|---|--|
| <i>"Clients will be able to self-manage but also access personalised assistance when needed..."</i> | | |
| 1 | Clients who want to self-manage face fragmented services which can be time-consuming and challenging to navigate. | <p>Clients will be able to self-manage through simple income needs, via an accessible digital channel that enables straight-through processing. Clients who want to self-manage but need support will be able to connect easily and efficiently to personalised assistance and information.</p> <p>Clients who have difficulty accessing and using digital self-management channels will still be able to use face-to-face and phone services.</p> |
| <i>"Clients will choose the channels that work best for them..."</i> | | |
| 2 | <p>Clients are offered some services through a single channel or a limited number of channels.</p> <p>Our current channels don't reflect the diversity of people or provide them with accessible and inclusive experiences.</p> | <p>Clients will be offered services through multiple channels, based on client preferences, accessibility, needs, and circumstances.</p> <p>Clients will be offered multilingual, accessible, and inclusive experiences through all our channels.</p> |
| <i>"Clients will self-manage through simple digital channels..."</i> | | |
| 3 | Clients are often forced into high-effort channels (such as service centre visits) or shift channels to complete transactions. | <p>Clients will be able to self-manage through simple income needs, via an accessible digital channel that enables straight through processing.</p> <p>Clients will still be able to access face-to-face and phone support if needed.</p> |
| <i>"Clients will move seamlessly between channels..."</i> | | |
| 4 | Channels are designed to operate in silos and clients often must shift channels, repeating information several times. | MSD will enable a multichannel experience so people can interact with us in a way that is appropriate for and supportive of the service intensity they are receiving. |

| # | Now | Future services aspirations |
|---|--|--|
| 5 | Clients are often treated as 'new' each time they access a new service or new channel. | Clients will be able to seamlessly move between their channel of choice, receiving a consistent experience regardless of which service they are accessing. |

We will build long-term partnerships in the community

We will enable iwi and Māori partners to establish, build, and maintain structures, pathways, and mechanisms to deliver partnership-based work programmes to achieve *kia takatū tātou* and improve the social and economic wellbeing of their communities. We will improve the experience of our partners, developing long-term positive relationships built on trust and confidence. We will better join-up procurement and funding approaches among government providers in the social sector, so that government agencies are contracting with social service providers in a consistent manner.

Table 18: Changes in how we will work with partners

| # | Now | Future capability aspirations |
|---|--|--|
| <i>"Longer-term strategic partnerships will provide stability and flexibility for multi-year horizons..."</i> | | |
| 1 | There is limited capability to set up and work with trusted partners and providers in the long-term. | We will establish trusted, long-term strategic partnerships with a wide network of partners who are better placed than us to deliver services and support. We will have strong capability in the development and management of strategic partnerships. |
| 2 | At times our transactional and process driven engagement constrains how providers can deliver services, limiting opportunities for innovation. | Partnerships will have financial stability and flexibility for multi-year horizons. |
| <i>"Strengthened partnerships, joint problem solving, early intervention, improved community resilience..."</i> | | |
| 3 | We provide limited support to partners for capability development. | We will work with communities to strengthen the skills and resilience of community groups to take effective action for community development. |
| 4 | There is limited capacity and capability to develop effective partnerships with iwi/Māori. | We will deliver well on existing partnership commitments and develop new, effective, and strong partnerships between MSD and iwi/Māori, in a timely manner. |

| # | Now | Future capability aspirations |
|---|---|---|
| 5 | Regions proactively engage with employers and partners to understand needs, broker jobs and match skills to job seekers. But it isn't easy for employers to partner with MSD or know what we have to offer. | Regionally led partnerships will enable joint problem solving and early intervention, helping job seekers and employers. We will carry out proactive regional engagement with employers and business that delivers on business need, as well as MSD playing a role in facilitating the market so clients can reconnect themselves to employment. Employers will be able to partner with MSD more easily and have more access to and awareness of the products and services that are on offer to support their workforce development. |
| <i>"Sharing of insights with partners..."</i> | | |
| 6 | There is limited capacity to effectively build on and scale our shared successes. | We will share relevant and useful data with partners and communities to support learning, decision making, and service design. |
| <i>"We will align our procurement approach with the needs of partners..."</i> | | |
| 7 | Our procurement processes assume that we 'know best' and requires providers to follow our pre-defined processes and approaches. These processes are complex and resource-heavy for providers and partners. | We will take different approaches to effective planning, procuring, funding, monitoring, and evaluating providers, in line with the direction of social sector commissioning. |

Our digital platforms will integrate seamlessly and support easy access to information

Our current technology systems are old, outdated, and complex. The significant problems with the current environment include:

- We have an over 30-year-old inflexible core system.
- Digital channels require continuous investment to keep pace with change – we do not have a generic capability to support the continuing change that occurs.
- A single view of all our interactions with a client and the associated information is difficult to achieve.
- Systems are difficult and time consuming to navigate and use for our staff.
- Business rules are inconsistently distributed among ten aging systems, making it difficult to implement new policy.
- It is very difficult to respond to government requirements in an agile manner.

We will modernise and simplify our technology environment, to provide an integrated digital experience for clients to access services when and how they choose.

We will develop a single view of clients and their interactions with us and other partners.

We will have a technology platform that can quickly respond to the changing needs of government.

Table 19: Changes to our underlying technology

| # | Now | Future capability aspirations |
|---|--|--|
| <i>"Seamless integration and access..."</i> | | |
| 1 | Digital platforms that are not fully integrated, providing clients with limited choice and an inconsistent experience across channels. | Digital platforms that integrate seamlessly, enabling clients to easily interact with us, access services and manage their own affairs online (as they are able to). |
| 2 | Technology architecture that was designed for internal use makes it difficult for external partners and third parties to access MSD's information and platforms. | Technology architecture that allows partners and third parties to securely access MSD's information and platforms easily to deliver integrated and seamless social services. |
| <i>"Modular and flexible platforms..."</i> | | |
| 3 | A complex and costly application landscape that makes change and maintenance challenging. | A simplified landscape with modular and flexible platforms and future-ready architecture. |
| <i>"Cloud native..."</i> | | |
| 4 | Legacy technology platforms that do not utilise modern infrastructure and are inflexible. | A technology environment that takes advantage of modern cloud and on-demand infrastructure environments. |
| <i>"Easy access to information..."</i> | | |
| 5 | Information systems that are complex making it difficult for employees to make consistent, accurate, and timely decisions. | Information systems that enable people to easily access and understand information, supporting consistent, accurate and timely decisions. |

Our business processes will be simpler, client-friendly, and digitally enabled

Many of our processes are complex and confusing – not only for our clients, but also for our staff and partners. Legislative changes and requirements can make understanding our clients' entitlements and their obligations confusing and complex.

We will make it easier for employees to ensure clients are getting their full and correct entitlement, and easier for our clients to understand their obligations. We will provide the flexibility for tailoring services and processes to unique client needs and ensure that our employees and clients understand how this tailoring applies to them.

We will clearly document all our processes and ensure that they are stored in an easily accessible location, for both employees and clients to access and understand.

We will automate many of our repeatable processes, to help free up effort for employees to re-invest in higher-value client support.

Table 20: Changes to our business processes

| # | Now | Future capability aspirations |
|--|---|---|
| <i>"Easier, simpler, digitally enabled..."</i> | | |
| 1 | Many processes that are manual and cumbersome. | Our systems will support the design of easier and simpler processes and allow for information to be pre-populated or verified automatically where possible. Client-facing and internal business processes will be automated to the greatest degree possible, within reasonable cost. |
| <i>"End-to-end view..."</i> | | |
| 2 | Incomplete process documentation that primarily provides narrative descriptions of how to complete discrete tasks rather than end-to-end processes. | We will have an end-to-end view of processes to show how different parts of the business affect each other and the client experience when moving through a process start to finish. |
| 3 | Process design considered in isolation without considering the impact on other processes or channels, creating complexity. | We will have an end-to-end view of business process design with more effective integration. Modular and reusable business processes will be used across the business. |
| <i>"Documented..."</i> | | |
| 4 | A complex set of business rules and operational policies with sometimes incomplete and inconsistent documentation. | We will have documented business rules and operational policies that are clear and up-to-date. |
| <i>"Clear ownership..."</i> | | |
| 5 | Clear process ownership and measurement in some parts of the organisation. | There will be clear process ownership and measurement across the organisation for key processes. |
| <i>"Consistent..."</i> | | |
| 6 | An unknown number of process variations across offices and regions. | We will have consistent end-to-end processes, with appropriate feedback loops to ensure processes continue to meet the needs of clients and employees. |
| <i>"Decision support tools..."</i> | | |
| 7 | Prescriptive and siloed procedural information and rules that employees must follow. | Decision support tools will provide guidelines to employees as they navigate business processes. |

Our information will support insights on how we can work better

Information needs to be treated as a taonga and we should better use information that exists across government to identify client needs proactively.

In many instances, information is treated as a risk at MSD. We need to move towards an environment where information is treated as taonga, and where clients and employees are aware of how MSD uses and stores this information.

We need to make better use of information about our clients that exists in the broader social services environment – be that from our providers, or from other government agencies, such as the Ministry of Health and Inland Revenue. This will help us better identify our clients' needs and income, and to help them understand their entitlements and obligations.

Table 21: Data and information changes

| # | Now | Future capability aspirations |
|-----------------------------------|--|---|
| <i>"Useable, high-quality..."</i> | | |
| 1 | MSD does not always know, understand, or govern its information assets appropriately, and therefore cannot unlock the value of its information. Clients and employees cannot access information easily and in a timely manner. | <p>Information will be collected and maintained in a format and quality that is appropriate for its use.</p> <p>One source of truth will be maintained, and clients will not have to repeat their story.</p> <p>We will know where our information came from, why it was collected, what we can use it for, and how long we can keep it.</p> <p>Insights will be fit for purpose, with quality and timeliness suited to the decisions they support.</p> |
| <i>"Personalised..."</i> | | |
| 2 | Very little personalisation to help with individual decisions. We rarely use information and data to give tailored services. | <p>Analytics will be delivered at the right time, to the right person, in the right way to support decisions.</p> |
| <i>"Available..."</i> | | |
| 3 | MSD does not always collaborate or share information effectively across the sector to best meet client needs/outcomes. | <p>Staff will be able to access the information they need to do their jobs, where and when they need it, and can see the impact of their work.</p> <p>Relevant data and insights will be available, understood, and easily found or created for both internal and external users.</p> <p>Clients will be able to easily access information about themselves and their interactions with us.</p> <p>We will have mutually beneficial partnerships, collaborating on insights and sharing information safely.</p> |

| # | Now | Future capability aspirations |
|---|-----|-------------------------------|
|---|-----|-------------------------------|

"Understanding..."

- | | | |
|----------|---|--|
| 4 | In some areas we know the impact of our services and initiatives, but we don't measure everything that matters. | <p>We will have a rich understanding of what is happening, and what works for who and why, across meaningful outcomes.</p> <p>We will think ahead, designing for the insights we will need to support good decisions.</p> <p>Different perspectives will be considered, and groups consulted in the collection, use, sharing, and management of information.</p> |
|----------|---|--|

"Transparency, control, and choice..."

- | | | |
|----------|---|--|
| 5 | Clients may not have a choice or visibility of what we do with their information and control over who has access to it. | <p>Where possible we will give people choices about the information they provide, what it's used for, and who it is shared with and respect the choices they make.</p> <p>Where there are no choices, we will be transparent about our use of their information, who it is shared with, and how we use it.</p> <p>We will proactively publish information about how the Ministry makes decisions, including what information is used to make those decisions and where the information was collected from.</p> |
|----------|---|--|

"Protect..."

- | | | |
|----------|---|--|
| 6 | Controls to protect information do not always operate effectively and are often inefficient impacting on user experience. We do not take a risk/value-based approach to protecting information. | <p>We will protect information according to its value and risk. Security and privacy controls will be right-sized, easily scalable, and embedded in the design of a system or process.</p> <p>We will protect our information wherever it is, relying on identity-defined boundaries that enables the right information to be presented at the right time to the right people.</p> |
|----------|---|--|

"Responsible use..."

- | | | |
|----------|---|--|
| 7 | Information about clients is treated as something owned by the Ministry and we do not always consider that the information is about a person. | <p>We will treat information about people as an extension of the person and as such we will use it fairly, with respect for the people it is about, and in a way that delivers clear benefits to the person and/or for New Zealanders.</p> <p>Clear linkages will be shown between the use of personal information and the purpose for which it was collected.</p> |
|----------|---|--|

Our people will have the capability they need to deliver a positive experience for our clients and their whānau

The transformed service model, business processes, and technology will enable us to move staff effort from transactional processing to client facing roles.

We will increase the capability of our staff to support service coordination and case management roles. Our staff will be paid according to the new roles and capability.

Table 22: People changes

| # | Now | Future capability aspirations |
|--|--|---|
| <i>"Client and whānau centred ..."</i> | | |
| 1 | Organisational systems and structures which do not support a client- and whānau-centred approach. Significant complexity and business processes which detract from the ability to provide a good client experience. Limited agility in work practices and immature strategic workforce planning practices. | <p>We will:</p> <ul style="list-style-type: none"> Understand and build the types of roles needed to support our service model and meet the needs of our clients and whānau. Have organisational structures and roles that enable us to respond quickly to a rapidly changing environment and sudden, increased or changing demand. Have the tools and capability to resolve client and whānau needs at the earliest point of engagement, provide intensive support for those with complex needs, and work in an agile way to respond quickly to demand. Partner with others to deliver services on our behalf if this delivers better outcomes for our clients and whānau. |
| <i>"Capability building..."</i> | | |
| 2 | Lack of clarity on the capabilities our people will need to support our Future Service Model we need to invest in. Low level of cultural capability, including capability that reflects a commitment to Māori. Low levels of digital literacy across the MSD workforce. | <p>We will:</p> <ul style="list-style-type: none"> Possess the cultural competence to understand a Māori world view, form genuine partnerships with Māori, and respect and adhere to Te Tiriti principles. Relate to people from all cultures in ways that are mana-enhancing and respectful of cultural practices and ways of being. Continually develop the skills and capabilities we need to meet the needs of our clients, whānau and communities. Demonstrate and develop a wide range of specialist capabilities for the work we do. |

"Leading for performance..."

| # | Now | Future capability aspirations |
|---------------------------------|--|--|
| 3 | Variable levels of leadership capability and opportunity to take a more integrated approach to articulating expectations of leaders, understanding current capability, and targeting investment to build that capability. | <p>Our leaders will:</p> <ul style="list-style-type: none"> Actively focus on supporting and increasing individual, team and organisational performance, and support a fair and transparent pay and progression approach. Be confident and competent when engaging with Māori, iwi and hapū, and a diverse range of partners and stakeholders. Role-model our values, recognise achievement and contributions, and provide constructive feedback and guidance. Have constructive relationships and engagement with representatives such as unions. |
| <i>"Positive experience..."</i> | | |
| 4 | A diverse workforce that is committed to the purpose of MSD and its values but is held back from realising it's potential through internal systems and processes that create a sub-optimal employee experience. Increasing focus on personal wellbeing and resilience as we work in a demanding and dynamic environment. | <p>MSD people will:</p> <ul style="list-style-type: none"> Live and experience our shared values – Manaaki, Whānau, Mahi tahi and Tika me to pono. Have a workplace that values and leverages diversity through an inclusive environment where everyone is valued regardless of culture, disability, or gender. Feel their wellbeing is supported. Work in a safe, modern and flexible working environment. |

Government will have an agile, resilient, and sustainable welfare system focussed on client outcomes

Government will have a resilient and sustainable welfare system focussed on client outcomes. MSD will have the agility to implement the Government's welfare overhaul programme and respond to emerging priorities. We will be able to implement these decisions more quickly and at a lower cost. Government's risk of service failure will also reduce greatly with the modernisation of technology and systems.

The preferred way forward will be explored further in Detailed Business Cases

There will be further detailed considerations that will need to be undertaken for the development of the Programme to progress Option 3: Transform. There will be decisions needed on pace, ambition, and the extent of service model transformation. We expect to continue strong engagement with our central agency partners and further refine our preferred option as part of the Detailed Business Cases and future programme stages.

We will be completing a cost benefit analysis on Option 3: Transform in the next Detailed Business Case. Cost contingencies have been applied to the estimated costs in this Programme Business Case. These contingencies will be refined in each subsequent Detailed Business Case by Quantitative Risk Assessments (QRA). There will be guardrails on how cost contingencies will be released.

Commercial Case

The Commercial Case outlines the proposed high-level procurement arrangements for the preferred way forward – Option 3: Transform. It covers:

- The procurement strategy.
- The requirement for transformation partners.
- How sourcing will take place.
- Contract provisions for deliverables and services, payment mechanisms, known contractual issues, and accountancy treatment.

Procurement Strategy

The Programme will be a complex transformation that will require many scarce skills we do not currently have. Transformations of this scale require strong specialist capability across governance, programme management, integration, design, implementation, change management, and specialist technical skills. We do not have the required capacity or capability internally, so we will need to go to market to supplement our own expertise.

The requirement for resource will continue over **s 9(2)(f)**. This will create a strain on the New Zealand market, especially for the more specialised resources. Our expectation is that this Programme will require both global and local New Zealand based support over its term.

MSD will retain accountability for Programme integration and service aggregation through supply partners

Our delivery environment is very complex with many existing supplier relationships and an integrated programme of work managed using Agile approaches. We are already responsible for integrating the delivery of numerous projects and programmes to respond to the needs of our clients. To achieve this, we also manage an aggregated set of partners and suppliers who work with us to achieve outcomes.

MSD will retain these accountabilities in the delivery model for the Programme. This approach means we can:

- Maintain direct control of risks and accountabilities over each aspect of a service or deliverable.
- Reduce cost and dependency risks by engaging with many suppliers instead of single supply partner models.
- Mitigate commercial and delivery risk through the flexibility provided across a range of specialist partners.

Strong coordination and management will be vital to the success of the Programme. We will continue to be the integrator and aggregator for the Programme throughout its lifetime and augment our own capabilities with additional expertise from the market. By utilising this model there will be a requirement for separate contracts for each of the suppliers – and a need to ensure that contractual, commercial and performance

management frameworks are in place. We will maintain direct control of risk and accountability over the contracted deliverables. To deliver the Programme, we will require dedicated commercial and legal resources to ensure that contracts are aligned and managed successfully.

Boosting MSD's sourcing expertise to support the Programme

The Programme will require ongoing sourcing and commercial expertise. Our Commercial Operations group will lead the sourcing function and partner management for all the Programme. There is a plan to increase the capacity and capability of the Procurement and Commercial Services team²¹. However, we may require additional dedicated resource, which will be identified through planning. Resources will flex as per the needs of the Programme to oversee the commercial environment for its lifetime.

We will continue to seek sourcing advice from experts across the market for procurement and evaluation activities – including working with overseas agencies or suppliers with international reach, where expertise and knowledge can be leveraged to our advantage.

Embedding a Māori worldview – this will require services that can bring this perspective

Te Pae Tata envisages an embedded Māori world view at MSD that honours our commitment as a Te Tiriti o Waitangi partner and prioritises the needs of whānau. These perspectives are to be embedded in the services procured – they cannot be an 'add-on'. This will require specialist services from New Zealand supply partners and strong New Zealand input into services provided by our supply partners.

We will encourage Māori owned businesses to be part of the Programme, providing services in our regions and across MSD as we progress the Programme. We are committed to the principles of *Te Kupenga Hao Pāuaua*²², the initiative developed by Te Puni Kōkiri and the Ministry of Business, Innovation & Employment. This initiative sets a target for at least five percent of procurement to be awarded to Māori owned businesses²³.

Embracing and being open to different ways of working

We recognise that the effects of the COVID-19 pandemic have impacted suppliers and resource availability. We will continue to consider different ways of working to deliver the outcomes required for a transformation of this nature. This will mean we make clear decisions on how we resource packages of work – either through internal resource

²¹ See, *Tauākī Whakamaunga Atu: Statement of Intent 2021–2025* (NZ Government, September 2021), 36, "Resources and ensuring value for money".

<https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/corporate/statement-of-intent/2021/statement-of-intent-2021-print-version.pdf> [Accessed 18 February 2022]

²² See, Te Puni Kōkiri, *Progressive Procurement* (Te Puni Kōkiri, August 2021). See, [tpk.govt.nz – Progressive Procurement page, Te Kupenga Hao Pāuaua](https://www.tpk.govt.nz/en/a-matou-kaupapa/maori-economic-resilience/progressive-procurement). <https://www.tpk.govt.nz/en/a-matou-kaupapa/maori-economic-resilience/progressive-procurement> [Accessed 18 February 2022] See, [tpk.govt.nz – Progressive Procurement page, Te Kupenga Hao Pāuaua section](https://www.tpk.govt.nz/en/a-matou-kaupapa/maori-economic-resilience/progressive-procurement).

²³ See, Te Puni Kōkiri, *Progressive Procurement* (Te Puni Kōkiri, August 2021). See, [tpk.govt.nz – Progressive Procurement page, Te Kupenga Hao Pāuaua](https://www.tpk.govt.nz/en/a-matou-kaupapa/maori-economic-resilience/progressive-procurement). <https://www.tpk.govt.nz/en/a-matou-kaupapa/maori-economic-resilience/progressive-procurement> [Accessed 18 February 2022] See, [tpk.govt.nz – Progressive Procurement page, Te Kupenga Hao Pāuaua section](https://www.tpk.govt.nz/en/a-matou-kaupapa/maori-economic-resilience/progressive-procurement).

development and deployment or partnerships with other government agencies to leverage capability. When using external resources, we will consider the way that goods and services are sourced or delivered. We expect that it may be more effective in some cases for our partners to deliver services from offshore locations. We will develop specific procurement plans for each significant procurement with an emphasis on implementing innovative sourcing approaches.

Learning from other agencies' implementations

We have established relationships with organisations who are delivering or have delivered transformation programmes, to ensure that we can learn from their experience, as we have described above in the Strategic Case. We will also continue to engage with the Ministry of Business, Innovation & Employment for learnings and key pieces of advice for complex procurements. We will focus on discussing lessons learnt for procurements of this size and scale, and how we can position ourselves in the best way possible as we approach and engage with the New Zealand and international market.

In developing this Case, we have already adopted many of the learnings that were tested and adopted by IR. These include:

- Aligning contracting frameworks to the Programme methodology.
- Linking contract provisions for deliverables and services to key milestones and/or outcomes.
- Structured payment regimes to ensure suppliers have skin in the game.
- Structured frameworks for managing different tiers of suppliers.

In addition, we have also considered the Auditor General's report on the 'Inland Revenue Department: Procurement for the Business Transformation programme' review that was undertaken in 2018²⁴. The report outlined the following four recommendations:

- *Improve compliance with the Government Rules of Sourcing* – we are closely aligned to the rules for sourcing, they are our guide for undertaking all our procurements.
- *Strengthen the application of quality controls for procurement* – each procurement plan that is put in place will have quality compliance requirements included. These will be agreed and enforced by the Commercial Operations group.
- *Improve the contract record management to ensure a complete and accessible audit trail* – all procurements will require compliance with the records management standards required within MSD. These will be reviewed by the Commercial Operations group.
- *Put adequate probity assurance arrangements in place and document the probity approach for procurements* – as mentioned below, we will establish fit for purpose probity arrangements that we will use for all procurements across the Programme.

²⁴ See, Controller and Auditor General, *Inland Revenue Department: Procurement for the Business Transformation programme* (NZ Government, March 2018). <https://oag.parliament.nz/2018/ird-procurement/docs/ird-procurement.pdf> [Accessed 18 February 2022]

The Programme will have a high level of scrutiny to ensure fair and transparent sourcing activities

We expect that the level of scrutiny will be driven by the size of the transformation programme, the impact it will have on many New Zealanders, and by the close relationship that we will need to have with key partners. Probity protocols will be developed with regular probity audits conducted to ensure that the sourcing activities are sound, transparent, and fair to all suppliers. Specialist probity roles will be added to the Programme team, likely to include a probity advisor and a probity auditor.

All procurement approvals will be managed through our established Procurement Board. The Board ensures that procurement processes follow the Ministry's policies and guidelines and the Government Procurement Rules. The Board reviews and endorses all commercial and social service procurements that exceed \$100,000 over the life of the contract. The Procurement Board also reviews and endorses the engagement of contractors and consultants where the value is \$100,000 or more over the life of the contract.

Transformation partners with critical expertise will be sought

The Programme will be implementing complex change across the organisation. Many of its requirements are unique to us within New Zealand – for example, welfare service models and welfare technology systems. Transformation partners with the appropriate expertise in these critical areas will be required. The Programme case has already benefited from advice from our strategic partners in such areas as redevelopment of welfare systems.

It is likely that our strategic partners will:

- be embedded in a collaborative, innovative and (where appropriate) co-located working arrangement
- be aligned with our approach to embedding a Māori world view in everything that we do
- have scalability to support Agile working and scaling up and down to match appropriated funding
- support us with their skills and resources to enable us to make better strategic decisions
- have a focus on programme outcomes with responsibilities and accountabilities (where required) jointly owned with us
- be flexible and enduring over the term of the Programme.

We will continue to require tactical suppliers for services and products not considered strategic for the Programme. These will be managed as follows:

- At the Programme level – for products and services required across the whole programme.
- At the Portfolio level – for products and services of specific interest to a Portfolio.
- At the Regional level – for products and services that need to be delivered for a specific region.

We will use established policies and processes to ensure that the procurement of partners is tailored to the needs of the service or deliverable.

We have already formed strategic partnerships with strategic advisory partners who have been assisting us in the development of the Future Service Model and key base line vendors. The key strategic advisory partners are:

- Accenture (Business Case, Technology Architecture)
- PricewaterhouseCoopers (Service Model)
- KPMG (Assurance).

We also have existing key partners who may continue providing services. We have developed a supplier relationship framework that, while considering arrangements for new partners, also analyses those existing relationships that may need to move from tactical to partnership arrangements in light of this transformation. These existing relationships include:

- IBM and partners (SPM/Cúram, IRB).
- NZ Post (Archive).
- Salesforce (Partner management).
- Oracle (FMIS, Data warehouse, Platform).
- SAP (HRMIS).
- SAS (Analysis).
- AWS (Amazon Web Services).
- Microsoft (Windows, Office, Azure).
- Atlassian (Collaboration).
- Spark (Data centres, TaaS, Contact centres, 0800, SIEM).
- Vodafone (Mobility).
- Westpac (Payments, cards).

Sourcing will follow a best practice approach

Our procurement policy, Government Procurement Rules²⁵, probity protocols, and partnering models will be adhered to with regards to procurement planning, approaching the market, contracting, and management. Decision making will align with the principles of New Zealand government procurement, as follows.

Plan and manage for great results

- Identify what you need, including what broader outcomes should be achieved, and then plan how to get it.
- Set up a team with the right mix of skills and experience.
- Involve suppliers early – let them know what you want and keep talking.
- Take the time to understand the market and your effect on it. Be open to new ideas and solutions.
- Choose the right process – proportional to the size, complexity, and any risks involved.
- Encourage e-business (for example, tenders sent by email).

Be fair to all suppliers

- Create competition and encourage capable suppliers to respond.
- Treat all suppliers equally – we don't discriminate (this is part of our international obligations).
- Seek opportunities to involve New Zealand businesses, including Māori, Pacific people, and regional businesses and social enterprises.
- Make it easy for all suppliers (small and large) to do business with government.
- Be open to subcontracting opportunities in big projects.
- Clearly explain how you will assess proposals – so suppliers know what to focus on.
- Talk to unsuccessful suppliers so they can learn and know how to improve next time.

Get the right supplier

- Be clear about what you need and fair in how you assess suppliers – don't string suppliers along.
- Choose the right supplier who can deliver what you need, at a fair price, and on time.
- Choose suppliers that comply with the Government's Supplier Code of Conduct.
- Build demanding, but fair and productive, relationships with suppliers.

²⁵ See, New Zealand Government Procurement, *Government Procurement Rules* (NZ Government, nd). <https://www.procurement.govt.nz/procurement/principles-charter-and-rules/government-procurement-rules/> [Accessed 18 February 2022]

- Make it worthwhile for suppliers – encourage and reward them to deliver great results.
- Identify relevant risks and get the right person to manage them.

Get the best deal for everyone

- Get best public value – account for all costs and benefits over the lifetime of the goods or services.
- Make balanced decisions – consider the possible social, environmental, and economic effects and cultural outcomes that should be achieved.
- Encourage and be receptive to new ideas and new ways of doing things – don't be too prescriptive.
- Take calculated risks and reward new ideas.
- Have clear performance measures – monitor and manage to make sure you get great results.
- Work together with suppliers to make ongoing savings and improvements.
- It's more than just agreeing the deal – be accountable for the results.

Play by the rules

- Be accountable, transparent, and reasonable.
- Make sure everyone involved in the process acts responsibly, lawfully, and with integrity.
- Stay impartial – identify and manage conflicts of interest.
- Protect suppliers' commercially sensitive information and intellectual property.

We will use several sourcing channels...

We will utilise a hierarchy of sourcing channels to guide our decision making. While we have many existing agreements with suppliers, we also recognise many of our requirements will be new or unique. We will make active decisions on the best approach for each requirement based on the following hierarchy of sourcing channels:

- *Existing MSD Agreement* – where existing MSD agreements that are compliant with the Government Procurement Rules are in place that meet the requirements of the good or services to be procured, these are used.
- *All-of-Government (AoG) Contract* – where existing MSD agreements do not fulfil requirements, AoG contracts are used.
- *Syndicated Procurement Agreement (other Agency led)* – where common capability requirements are not suitable, syndicated procurement agreements are used.
- *Approach to open market* – where none of the above arrangements are suitable, MSD will go to the open market. This occurs through single stage procurement, or multistage procurement.

Our approaches will ensure that:

- we achieve the required broader outcomes for government – this includes opportunities for New Zealand supply partners, contributing to a low emission economy, looking for innovative solutions, engaging with businesses with good employment practices, promoting inclusive economic development, and managing risk
- we model and achieve *Te Kupenga Hao Pauaua* target to award at least five percent of new contracts to Māori owned businesses.

Across the life of the Programme, we will need to engage with both the global and local market. When appropriate, market analysis will be undertaken to develop a thorough understanding of the nature of the market or provider community, how it works, and how this will impact on our approach to the market and overall procurement strategy.

...across a range of requirements and expertise

Using an Agile implementation model to deliver the Programme enables value to be delivered early, while acknowledging that there is still much that is uncertain but that certainty will grow over time. We are at the early stages of developing the Programme, with our procurement approach recognising the need to evolve as well as the need to work within an Agile environment. At the outset, we anticipate that the following services and expertise will be required – but we expect that these requirements will develop as the Programme progresses.

Table 23: Services and expertise required

| Area | Services and expertise required |
|---------------------------------|---|
| People | <ul style="list-style-type: none"> • Strategic HR advice • Workforce design and configuration expertise • Capability development expertise • Welfare organisation structures expertise • Change management |
| Partnering | <ul style="list-style-type: none"> • Welfare partnering expertise • Strategic partnering expertise • Partnership management expertise |
| Service model | <ul style="list-style-type: none"> • Welfare service models expertise • Service design • Service model implementation • Service model operation and optimisation |
| Process | <ul style="list-style-type: none"> • Welfare business process expertise • Business process design • Business process implementation • Business process management and optimisation |
| Data and information | <ul style="list-style-type: none"> • Data integration expertise • Data migration expertise • Information security and privacy expertise |
| Technology and digital channels | <ul style="list-style-type: none"> • Welfare technology systems expertise • System design • System implementation • System maintenance and operation • Application as a service • Platform as a service • Technology as a service • Specific expertise relating to the management, operation, and maintenance of MSD's legacy systems |
| Planning | <ul style="list-style-type: none"> • Business case expertise • Planning and integration expertise • Benefits management |

As the Programme continues, the specific goods and services required in each horizon will be defined in the respective Detailed Business Cases.

Facing challenging market conditions

We expect the market to be tight particularly in Horizon 1, with the ongoing response to the COVID-19 pandemic. In tight market conditions where external resources and supply partners are required, we will seek to be attractive to the market and explore opportunities to unlock mutual benefits for both parties – so we can attract and retain key supply partners. We will do this through the following activities:

- *Procurement marketing* – demonstrate the full range of benefits of supplying to our agency and/or the status of being associated with our agency to help suppliers see us as a desirable customer.
- *Supplier development* – offering to support or assist with the development of a supplier or their services – for example, being open to using new innovative solutions and prototypes.
- *Partnership approach* – either formally, through contracting mechanisms, or informally, through a close, collaborative approach which is mutually beneficial.
- *Contractual incentives* – for example, share cost/price reduction through innovation, reference site access for future customers of the supplier.
- *Risk-sharing arrangements.*

We will conduct market analysis to inform our sourcing activities

We have already undertaken some market scanning to inform future sourcing considerations, including our procurement of our strategic partner layer. We have looked at enabling products that may be required for the Programme. This process allows us to test our requirements with the market, and to understand the maturity of potential supply options. We are also using this process to provide indicative costings for new products and services, in addition to the cost of implementation. MSD will need to continue to engage with the local and global market for strategic partners, as well as undertake more detailed market analysis to understand the market and the potential options/impacts on specific procurement approaches.

Engaging with the market early and often to understand what the market can deliver

We will engage with the market early and often on the components of the Programme we need to deliver. This will contribute to giving us clarity on the value of what we wish to deliver and the capability available to deliver it including:

- The range of solutions and technologies available.
- The market capacity including implementation and support.
- Design and implementation choices and issues.
- Potential integration options and issues.
- Cost parameters (design, build, and operate).

We will do this through a range of mechanisms before releasing tender or contract opportunities:

- Publishing a forward procurement plan (Notice via GETs).

- Organised briefing and knowledge sessions for current and potential suppliers.
- Requests for information.
- A 'show-and-tell' to allow suppliers to explain their proposed solutions.
- Engagement on investment intentions or policy development.
- Meet with industry bodies' key suppliers or a range of suppliers individually.
- Sound out the market.
- Provide a pre-tender briefing to suppliers who are interested in a contract opportunity.

Contract provisions for deliverables and services

We will use best practice, established contracting frameworks for services and deliverables – for example, standard All-of-Government contracts or Ministry Master Services Agreements. The contract and key milestones will be determined for each procurement required. Contract length will be dependent on the services required, relationship type, and programme delivery phases. In some cases, these may be over multiple financial years. Our contracting provisions for services or deliverables may include:

- *Input based* – where a deliverable focuses predominantly on labour and materials required for a particular task or work package.
- *Output based* – where a deliverable focuses on the required outputs and the scope of the service provider's responsibility. Decisions on how to accomplish this (resources, budgets, etcetera) are left to the provider.
- *Outcome based* – where deliverables specify targets aligned with policy, strategic objectives, and/or organisation growth targets.

Performance management will be developed to ensure delivery by the supply partner is managed. This will include:

- Defining all deliverables or services for which the supplier is (to be) contracted.
- Determining the factors by which each deliverable or service will be measured.
- Establishing key performance indicators (KPIs) for each deliverable or service that can be measured.
- Determining how the measures will be monitored and the frequency of measurement.

We will further develop these provisions as part of subsequent Detailed Business Cases.

Using a range of payment mechanisms

The approach to potential payment mechanisms will be set at an enterprise level to incentivise provider behaviour. SME/smaller providers and large multinationals may have different tolerances to incentives versus penalties. Arrangements will be developed based on the criticality of the deliverable or service and the dependency on collaboration with other suppliers. Options will include:

- *Fixed price* – based on specified milestones or deliverables assessed against key performance indicators.
- *Time and materials* – based on benchmarked rate cards for labour and programme phasing or increments.
- *Hybrid arrangements* – where a proportion of the total cost is based on time and materials, and remaining costs are aligned to achievement of Programme milestones or deliverables.

Known contractual issues and accountancy treatment

We will use standard government contracts wherever possible; bespoke contracts will not be used unless there is a clear advantage to doing so. At this stage, there are no known contractual issues that have been identified.

The Programme is likely to have many procurements over its lifetime that shift from capital expenditure to operational expenditure. The treatment of these major changes has been modelled as part of the cost modelling that has been completed for the Economic and Financial Cases.

Putting in place frameworks to manage contracts, performance, and relationships

We are establishing partnership frameworks to support our relationships with supply partners already on board. This model will be expanded to include management arrangements for strategic and operational partners, including arrangements for managing contracts and performance requirements through dedicated contract managers. Performance, and relationship management frameworks tailored to each requirement will be agreed, reviewed, and documented to support the service aggregator role we will play. By implementing this discipline, it will enable us to control costs, drive service excellence, and mitigate risks. This will allow increased value to be gained from our suppliers throughout the whole life of our relationship. There will be multiple levels of engagement, from the operational to the executive level. Considerable focus should be applied to the development and maintenance of relationships.

Strong relationship management will ensure that there is a particular person who has the responsibility for relationship management with each provider. This role will need to understand the supply partner's business and strategic goals and be able to see issues and risks from the supply partner's point of view, while balancing our own requirements and priorities.

To help foster success we will be open, transparent, and upfront with our partners. We will adopt a 'no surprises' ethos, and actively seek feedback from our partners on our performance.

Financial Case

This section sets out the financial implications of the preferred way forward – Option 3: Transform. It covers:

- The impact the Programme will have on MSD's financial statements.
- The proposed whole-of-life cost of the Programme.
- Factors that might affect the cost estimates.

The cost of the Programme is currently estimated at s 9(2)(f)(iv)

This range has been calculated based on a core set of assumptions and allowances for potential variations in costs. s 9(2)(f)(iv)

A more detailed costing model can be found in Annex 1.

We estimate that we can internally fund s 9(2)(f)(iv) **over this period**

This is based on current capital reserves and funding requirements.

Table 24: Anticipated cash flows – not discounted

s 9(2)(b)(ii)

Some key assumptions were made in determining these costings

s 9(2)(f)(iv)

The model that has been developed includes:

- Capital expenditure for the duration of the Programme.
- Implementation costs including technology costs, process redesign, service model change, transition costs, change management, and programme management costs.
- Funding required for co-existence.
- Existing funding that has been derived from:
 - previous funds received in both Budget 2020 and Budget 2021 to reduce risk of critical systems.
 - a portion of baseline capital to fund some of the capital investment required for the Programme.
- The contribution of a Budget 2022 bid for the Programme is not shown in the table as the amount had not been confirmed at the time of modelling.

This costing is based upon the following assumptions:

- Changes to the timeframe will result in change to co-existence costs.
- The Programme makes up the significant majority of MSD's work programme. Change to this assumption will impact the Programme timeline, co-existence, and costs.
- Cashflows presented in the above table are based on Option 3: Transform and follow the general assumption of taking the high end of estimated ranges and a recommended front-loaded expenditure phasing approach.
 - We have estimated business process costs at s 9(2)(b)(ii) in addition to technology costs, reflecting the scale of service design and business process change required.
 - There is a s 9(2)(b)(iii) assumed split of internal and external resources respectively. Any change to this split and assumed rates will impact Programme resource, and consequently delivery confidence and cost.
 - Salary increases during the Programme lifetime have been included.
- Additional ongoing operating costs incurred during the Programme lifetime are included. The Cost to Serve model will be iterated in subsequent drafts.
- All dollar figures are expressed in GST-exclusive terms.
- Costs exclude depreciation and capital charge.
- Whole-of-life cost is based on a Treasury-specified public sector discount rate of five percent per year and exclude inflation as per Treasury guidance.

- Further work will need to be done in the Detailed Business Case stage to provide more granular costing across different elements of the roadmap at an initiative level.

The costs fall into seven categories

A description of each category is provided below. Some cost categories will include both capital and operating cost components.

Table 25: Cost categories

| Cost category | Description |
|--|---|
| 1. Business Capability | Describes the changes in business capability that will occur across the experience layer; client management systems; service and product entitlement systems; employment; payments systems; information, data and analytics platform; and corporate platform and staff workplace. |
| 2. Enabling Technology | Describes the infrastructure and integration technology changes that will occur to enable business capability, workforce, and service change. |
| 3. Co-existence | Describes the workforce and technology costs that will occur due to the need to operate more than one way of providing services to our customers. These costs will be to enable business capability, workforce, and service change to be safely and effectively managed and executed on the new platforms and ways of working, while the old platforms and ways of working are reduced and retired over time. |
| 4. Business Service & Process Redesign | Describes the service design, business process and business rule changes that will occur to enable business capability, workforce and service change. |
| 5. Workforce | Describes the changes in workforce capability and capacity that will occur. |
| 6. Change & Programme Management | Describes the capability required to effectively manage the Programme to deliver agreed outcomes and implement and embed change across MSD's stakeholders. |
| 7. Workforce: Remuneration Change | This includes case manager remuneration changes and service co-ordination remuneration changes. |

Table 26: Anticipated capex cash flows broken down by cost category – not discounted

s 9(2)(b)(ii)

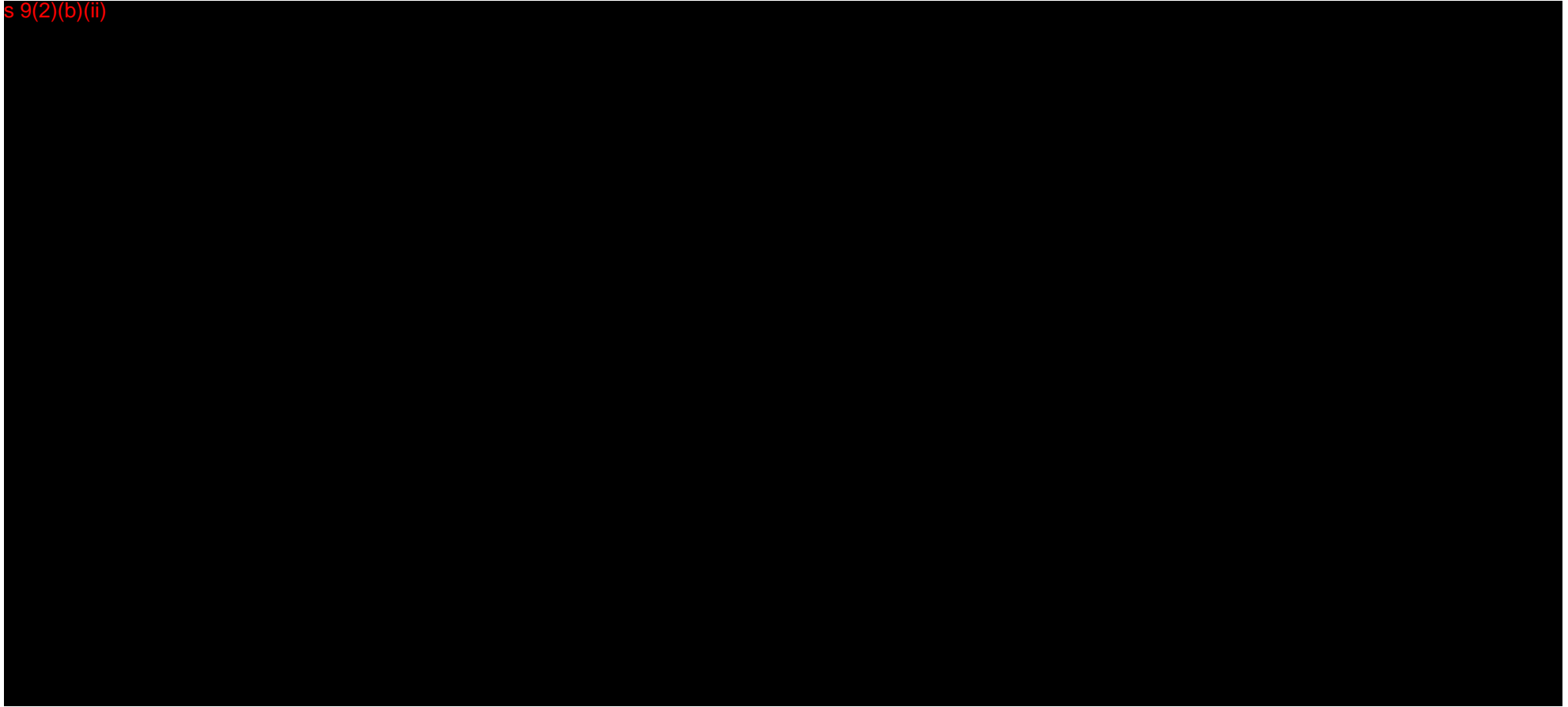


Table 27: Anticipated opex cash flows broken down by cost category – not discounted

s 9(2)(b)(ii)

How we determined the cost of the Programme

The following steps were taken to determine the cost of the proposed solution:

1. A high-level overview for the future state solution was developed.
2. An indicative timeframe of changes over **s 9(2)(f)** was agreed and mapped against other changes already planned. The integrated change programme was prioritised to ensure the changes that delivered the greatest benefit were sequenced correctly.
3. A costing model was developed that reflected changes to assumptions in the following:
 - a. Costs for each of the seven categories listed above.
 - b. Co-existence costs.
 - c. Capital expenditure/operational expenditure.
 - d. Annual cost spread.
4. Assumptions were developed for each element of the model. A mixture of top-down assumptions and bottom-up estimates were used.
5. Assumptions and estimates were based on a variety of considerations including:
 - a. Experience of previous projects.
 - b. Expert knowledge of internal and external specialists.
 - c. Benchmarking with other similar organisations including IR and ACC.
 - d. Bottom-up data such as indicative internal and external resourcing daily rates.

Further details of the option costs can be found in Annex 1.

Overall affordability

As outlined above, the expected cost of the preferred option is **s 9(2)(b)(ii)** over a **s 9(2)(f)(iv)** timeframe for transformation.

The Chief Executive and the Senior Responsible Owner have signified their agreement to the required level of funding. (The Chief Executive/SRO's letter is attached as Annex 2.)

Capital

MSD's capital position is challenging. As of 30 June 2021 our assets had a cost of \$849 million with accumulated depreciation of \$522 million. A high percentage of assets are also fully depreciated and relatively aged.

Ideally, our available cash should be at the same level of accumulated depreciation. However, with only **s 9(2)(b)(ii)** of cash available from past cash reserves for capital investment, there is insufficient funding available to replace MSD's aged assets.

MSD also currently incurs depreciation, which it uses to fund its annual reinvestment in capital assets. Approximately **s 9(2)(b)(ii)** per annum is available for reinvestment in technology.

s 9(2)(b)(ii)
 [Redacted]
 [Redacted]
 [Redacted]
 [Redacted]
 [Redacted]

Operating

MSD has a forecast shortfall over the period and so does not have sufficient operating funding to support this programme.

As we develop the Cost to Serve model further, we will be able to identify the impact of this investment on our cost base. We propose that the additional funding required is supported by subsequent Detailed Business Cases as part of the Programme.

Management Case – ensuring successful delivery

This section outlines MSD's capability and capacity to deliver the Programme. It covers:

- MSD's approach to implementing large-scale change.
- The governance and management of the Programme.
- An overview of the Horizon Roadmap for the Programme.
- Reporting arrangements.
- How we manage change for our staff and clients.
- How we ensure that the Programme benefits are realised.
- How we manage risks.
- The assurance arrangements in place for this Case.

MSD's approach to implementing this large programme of change

This investment proposes a comprehensive level of change to the way that we deliver services. It will affect large parts of our service model by implementing a new service model, changing our business processes, and developing a modern technology environment to support client outcomes. Implementing these changes will require coordination across MSD and its partners. All significant change activity that enables the Future Service Model will be delivered through the Programme.

MSD has a long and successful history of delivering change

MSD already operates in an environment in which we are responsible for integrating the delivery of numerous projects and programmes to respond to government priorities and the needs of our clients. Our policy and welfare settings have been subject to regular change.

MSD has a track record of delivering complex change while continuing to administer services for New Zealanders. Our capability has been built up over many decades of social policy implementation, machinery of government changes, organisation structure changes, formal partnerships and working relationships, IT systems upgrades, incremental improvement initiatives, and large programmes.

Our approach supports the early and regular delivery of value and will help ensure responsiveness and adaptability

We will use an Agile methodology to deliver the Programme. This enables us to deliver early and continuous value over a series of horizons for our clients, the government, staff, and partners.

The use of Agile will set us up for a successful delivery by ensuring the Programme adapts to change as it arises. It allows us to prioritise as necessary and gives us the ability to respond to adverse events and government priorities.

We know over the lifetime of the Programme we will need to adapt to:

- Government policy directions and priorities.
- Iwi expectations in a post-treaty settlement environment.
- Client, family, whānau, and community needs.
- Expectations about how, where, when, and by whom services are accessed and delivered.
- The economy and labour market.
- Technology, automation, and intelligence.
- MSD's role and functions in machinery of government.

Adopting an Agile and iterative approach will help us to ensure we are responsive and can adapt to a wide range of potential changes. In practice this means the Programme will:

- be clear about what we know, and be open and honest about what we don't know and what we need to work on
- have on-ramps and decision-making points for Ministers, enabling strategic choices over the life of the Programme
- work with the best information we have at the time
- understand the value that each funded package will deliver and how we will demonstrate and realise this value
- define changes/initiatives and set them out in a prioritised and sequenced way that best utilises the capability and capacity that is commissioned to deliver the work
- enable teams to focus on high-quality development, testing, collaboration, and delivery of continuous improvement.

Agile approaches are being embedded into everyday work at MSD

MSD continues to develop and embed its Agile ways of working across the organisation. This approach is becoming more natural and normal. While it is not the only way that MSD delivers change, it is becoming the primary way.

In alignment with GCDO direction²⁶, we started using this approach to support change implementation in 2016 in the technology area. It involved the adoption of incremental planning and implementation, multi-disciplinary teams, and continuous improvement to how we planned and prioritised work.

²⁶ See, [digital.govt.nz, All-of-Government Portfolio Programme and Project Assurance Framework](https://www.digital.govt.nz/standards-and-guidance/governance/system-assurance/all-of-government-portfolio-programme-and-project-assurance-framework/) (NZ Government, December 2019). <https://www.digital.govt.nz/standards-and-guidance/governance/system-assurance/all-of-government-portfolio-programme-and-project-assurance-framework/> [Accessed 18 February 2022]

During 2019 we phased in the new way of working to non-technology business groups at MSD, in the Employment and Income Support areas. This helped when, in 2020, we had to deliver new services at pace as part of the Government's support package for COVID-19. This approach propelled the establishment of 11 portfolios to provide better alignment between strategy and delivery.

We continue to engage with other large organisations in public and private sectors on their Agile approaches to gain insights to inform our approach.

The ways we use Agile to manage and deliver change are documented in an *MSD Playbook*, which provides clear direction for the portfolios and supporting teams in an accessible way.

MSD operates an integrated programme of work across core portfolios – into which the Programme will be incorporated

Transformation programmes are often established with separate programme teams and governance structures. While this approach enables a strong focus on the transformation work, it has some significant disadvantages, including:

- Senior staff have their planning and governance time commitments significantly increased.
- Change is often delivered without the BAU timing and implications being adequately considered.
- Resourcing conflicts between the programme and other organisational priorities are difficult to manage.
- Programme priorities cannot be easily managed alongside wider agency priorities.

The Ministry is therefore proposing to integrate the transformation into its existing Integrated Work Programme (IWP). The IWP brings together all the work underway to support the implementation of change at MSD, Programme-related change or otherwise. Integrating the Programme into the IWP will enable strong integration of all change activities, portfolio-wide prioritisation, easier management of resource conflicts, and streamlined governance and management.

The IWP is currently made up of 11 established portfolios (the number of portfolios may evolve over time). A portfolio is a team of people delivering a change work programme that aligns to MSD's Strategy. It helps ensure we are working on the right things in the right order to support the Ministry's outcomes.

A portfolio is organised around a collection of value streams and delivery teams to deliver value to MSD staff and our clients.

There are two types of portfolio at MSD:

- Service Portfolios – these align with the mahi that we do with our frontline teams, our clients, and our communities.
- Enabling Portfolios - these focus on the mahi required to support the service portfolios and to keep the Ministry safe.

The relationship between the enabling and service portfolios is illustrated in the following diagram.

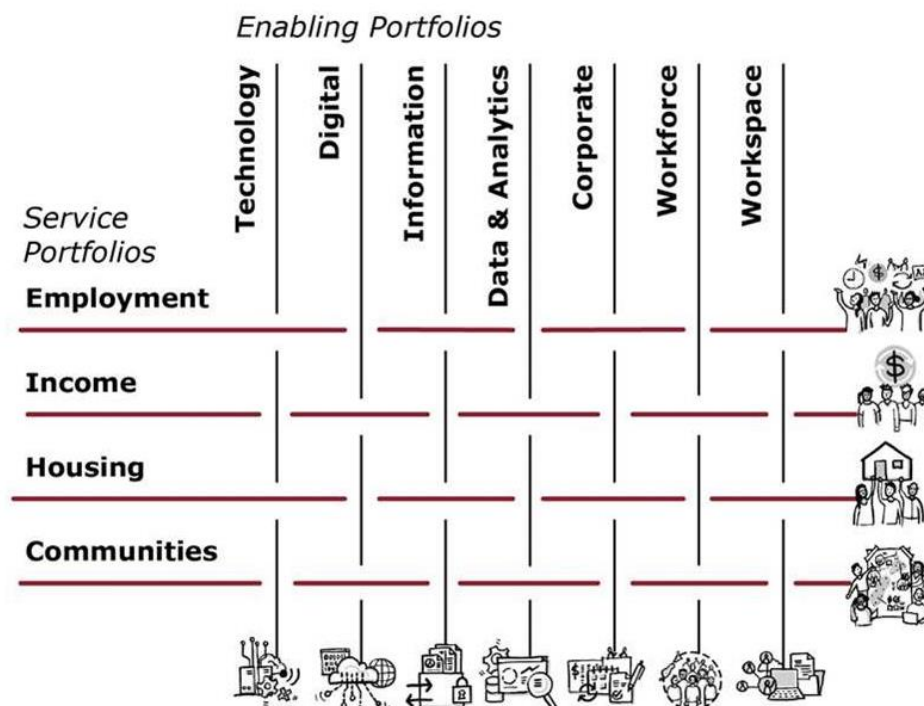


Figure 10: Enabling and Service Portfolios

Each portfolio will have a portfolio roadmap that describes the work planned, as well as the value that will be delivered over the next 18 months. Portfolio roadmaps also provide an estimate of the funding and capability requirements. The individual portfolio roadmaps are combined into an Integrated Portfolio Roadmap, which the MSD Leadership Team has oversight of. This structure helps align the Programme to the delivery of organisational-wide work, by prioritising the right things at the right time to support our organisational outcomes. We are building a more detailed understanding of the processes and resources required to support the change portfolios need to deliver.

MSD is investing in the support needed for an agile transformation programme

We are very aware of the challenges involved in the delivery of a large transformation programme and are investing in the support needed to ensure that we are successful.

We are appointing a permanent Director Enterprise Agile. This role will be responsible for leading Agile practices at MSD. They will manage and support a team of Enterprise Agile Coaches to raise capability and continuously improve our Agile practices and processes.

Each portfolio owner already has an Agile coach to support them. We are making these roles permanent, so that each portfolio will have the dedicated Agile support needed.

We continue to invest in Agile training and are building our own internal suite of Agile training on our Learning Management System. We already have introductory courses

online and are developing specific courses for product managers and product owners. Specialised support is available for staff in key roles.

We continue to invest in the tools required to support Agile methods at an enterprise scale. We are investing in Jira as our core management tool and rolling out a playbook to define and propagate MSD's way of using Agile methodologies.

Governance and management of the Programme

MSD has updated its governance structure to best meet the needs of the Programme. The governance for the Programme starts with the MSD Leadership Team (LT).

To enable the LT to focus on overarching and strategic issues, and to support quality decision-making, the LT has governance committees with authority to make decisions – the Transformation and Investment Committee (TIC) and Organisational Health Committee (OHC). By governing matters relating to their area of responsibility, the committees assist the LT to ensure the organisation’s strategic direction is achieved.

The Programme is also supported through MSD’s advisory groups – Māori Reference Group, Pacific Reference Group, Risk and Audit Committee – and management committees – Design Committee and Technical Design Committee, and Portfolio Executive Committee.

The Programme uses MSD’s existing robust governance structure. This ensures quality of direction and decision-making by organisational leaders who are already experienced in governance.

We are mitigating the risk of business-as-usual governance overtaking Programme governance by setting aside dedicated time for Programme considerations at LT and TIC meetings. This dedicated meeting time also includes external representation to aid capability building and cross-government capability.

All Deputy Chief Executives (DCE) have a major role in delivery. As part of their oversight, all portfolio roadmaps are endorsed by the accountable DCE to the portfolio and approved by the LT.

Governance structure

The diagram below shows the governance framework for the Programme. It also shows the relationships and touchpoints of the various parts of the system.

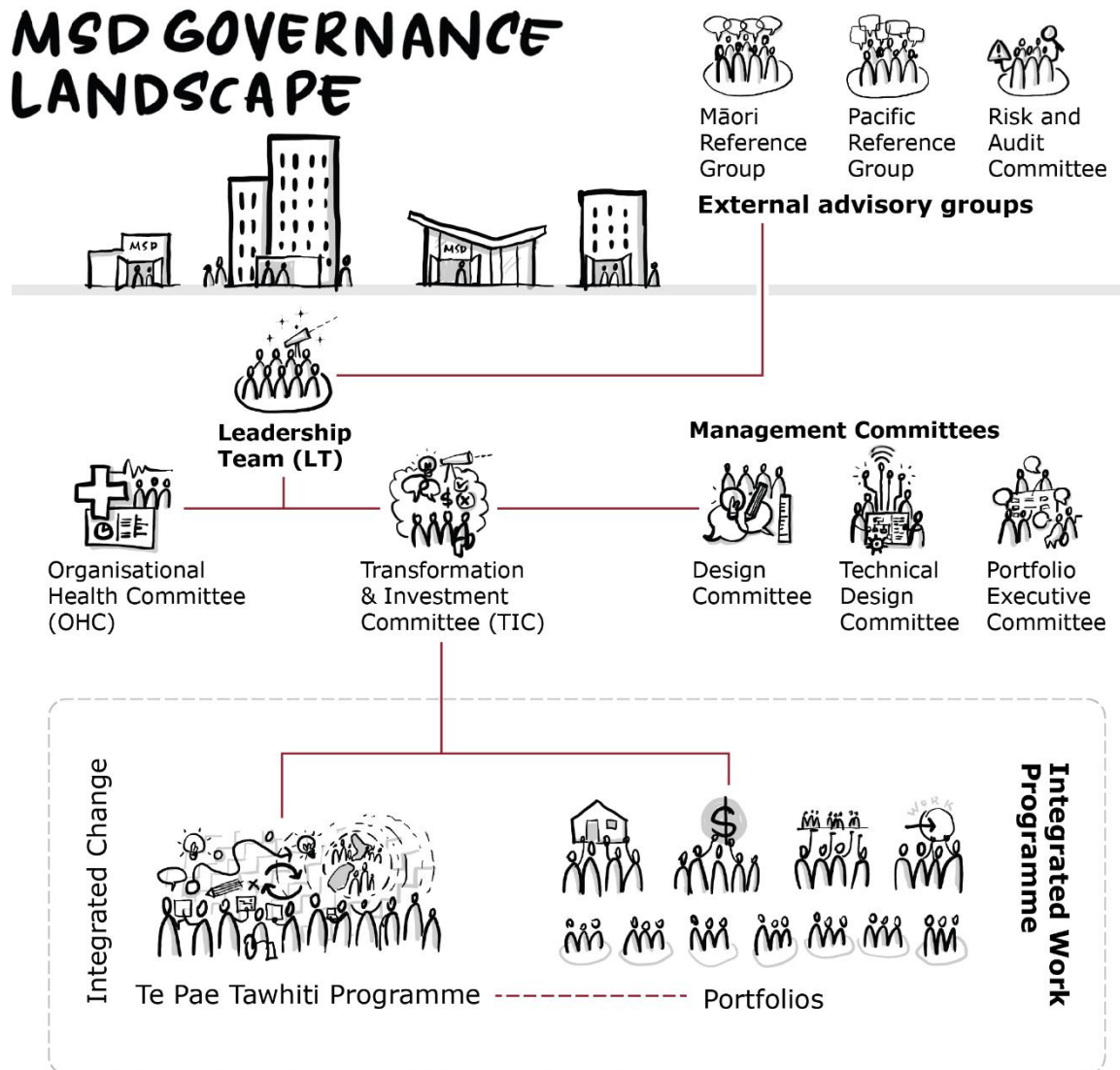


Figure 11: Governance structure

Table 28: Responsibilities of the Leadership Team and governance committees

| Group | Role in relation to the Programme |
|---|---|
| Leadership Team (LT) | <p>Overall governance (meets weekly) and has a specific fortnightly meeting focused on the Programme. This allows direct focus and governance.</p> <p>LT:</p> <ul style="list-style-type: none"> • Makes organisation-level significant strategic/design/prioritisation decisions. • Determines funding/budget for the Programme. • Signs off significant Programme artefacts (for example, the Programme Business Case and Detailed Business Cases). • Approves Portfolio roadmaps. • Monitors overall Programme status and any action required, through quarterly reporting. • Approves Cabinet and Joint Ministers report. |
| Transformation & Investment Committee (TIC) | <p>TIC is next-level governance from LT (meets fortnightly) and is the direct governance for the Programme.</p> <p>TIC has a specific meeting focussed on the Programme called Te Pae Tawhiti TIC. This allows direct focus and governance. This part of TIC has external members from IR and ACC providing advice from experience in transformation programmes.</p> <p>Having Te Pae Tawhiti TIC and TIC with the same membership ensures alignment with the overall MSD IWP.</p> <p>TIC:</p> <ul style="list-style-type: none"> • Makes next-level significant strategic/design/prioritisation decisions. • Monitors funding/budget for the Programme. • Steers and shapes significant Programme artefacts (for example, the Programme Business Case, Detailed Business Cases). • Governs the delivery of the IWP against the roadmaps. • Monitors Programme status and any actions required, through monthly reporting. |

| Group | Role in relation to the Programme |
|---------------------------------------|---|
| | Accountable to LT. |
| Organisational Health Committee (OHC) | <p>OHC is next-level governance from LT (meets fortnightly). OHC:</p> <ul style="list-style-type: none"> • Manages the impacts of the Programme on our people and resources. • Supports the transition to the Future Service Model and management of identified change impacts (particularly for frontline staff and clients). • Provides assurance to LT and the Risk and Audit Committee on organisational health risks. <p>Accountable to LT.</p> |

The relevant groups that operate in an advisory role to the Programme are detailed below.

Table 29: Advisory groups and their roles

| Group | Advisory role in relation to the Programme |
|-------------------------|---|
| Māori Reference Group | <p>Provides a strategic reference point and gives advice on the design and implementation of social strategies and policies that impact Māori.</p> <p>In relation to the Programme, the Reference Group:</p> <ul style="list-style-type: none"> • Provides feedback and advice to guide our approach and ensure alignment with <i>Te Pae Tawhiti – Our Future</i> and <i>Te Pae Tata</i>. • Will be actively engaged in the design phase to ensure the Programme's planned services and initiatives deliver positive outcomes for Māori. <p>Advises LT.</p> |
| Pacific Reference Group | <p>Ensures the actions and initiatives that come out of the <i>Pacific Prosperity</i> Strategy and Action Plan are effective for Pacific people.</p> <p>In relation to the Programme, the Reference Group:</p> <ul style="list-style-type: none"> • Provides feedback and advice to guide our approach and ensures alignment with <i>Pacific Prosperity</i>. |

| Group | Advisory role in relation to the Programme |
|--|--|
| | <ul style="list-style-type: none"> Will be actively engaged in the design phase to ensure the Programme's planned services and initiatives deliver positive outcomes for Pacific people. <p>Advises LT.</p> |
| Risk and Audit Committee (RAC) | <p>Provides independent advice to the Chief Executive on the Ministry's risk management processes including:</p> <ul style="list-style-type: none"> Oversight and monitoring of significant risk management issues, including remediation actions required. The resolution of significant issues and monitoring, control functions performance. Reporting the outcome of any independent reviews of the risk management process. <p>In relation to the Programme, the RAC is part of the MSD lines of defence model.</p> <p>Accountable to the Chief Executive.</p> |
| Design Committee (DC) and Technical Design Committee (TDC) | <p>DC and TDC are advisory bodies that provide assurance to TIC that Programme components are aligned to desired organisational design and technical design principles.</p> <p>In addition, TDC ensure our technical solutions align with our Technology, Data, and Information Strategies.</p> <p>Advisor to TIC.</p> |
| Portfolio Executive Committee (PEC) | <p>Under the strategic direction of TIC, PEC provides prioritisation and optimisation of MSD's investment in portfolio workstreams to support the Programme and delivery of change.</p> <p>Advisor to TIC.</p> |

There are clear Programme delivery responsibilities

The Programme management structure and day-to-day oversight of the Programme is depicted below.

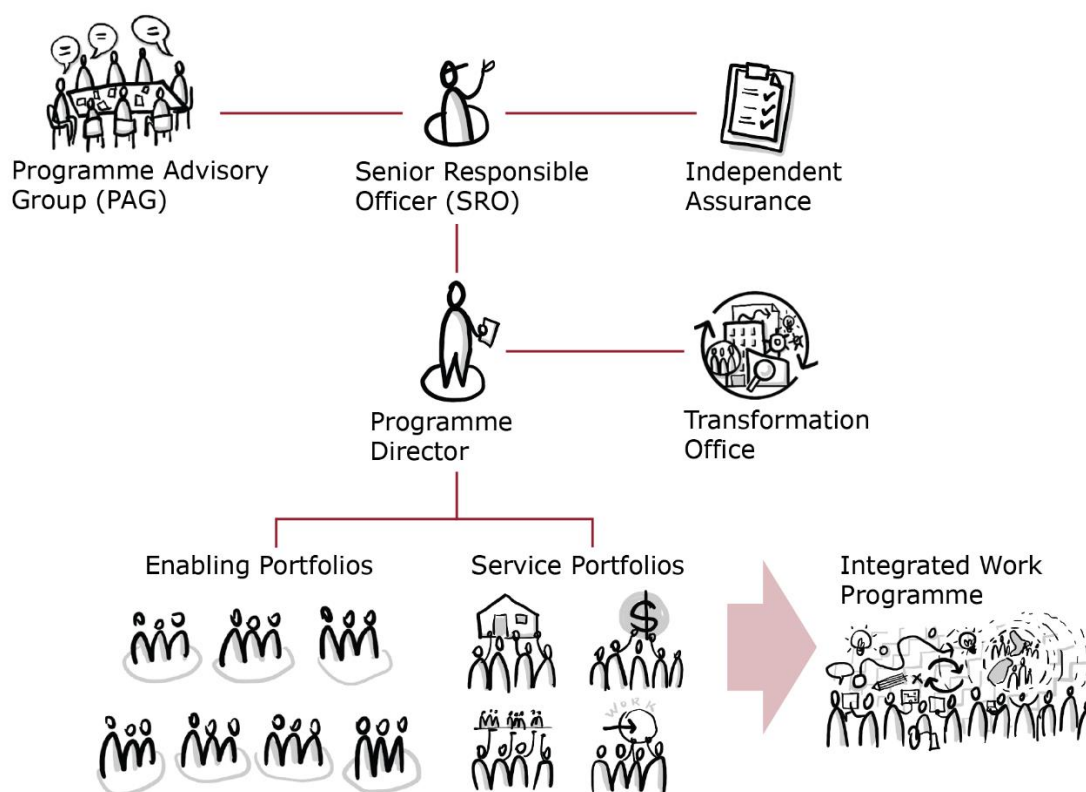


Figure 12: Summary of programme delivery responsibilities

The table outlines the management and operational responsibilities of the Programme.

Table 30: Management and operational responsibilities

| Group/position | Role in relation to the Programme |
|---------------------------------------|---|
| Senior Responsible Owner (SRO) | <p>The Senior Responsible Owner (SRO) has overall accountability for the Programme. They ensure it meets its objectives, delivers the desired outcomes, and delivers value that will enable benefits to be realised.</p> <p>The SRO is the visible owner of the overall business change and will make sure the delivery team is focused on achieving its objectives. They provide confidence to the Chief Executive that the investment will deliver the expected outcomes and benefits. The SRO will be recognised throughout MSD as the key leadership figure in driving the change forward.</p> <p>Has delegated responsibility from LT for the management of the Programme. Is a member of TIC.</p> |

| Group/position | Role in relation to the Programme |
|--------------------------------------|---|
| | Accountable to LT and the Chief Executive. |
| Programme Advisory Group (PAG) | <p>Advisory body for the SRO to manage day-to-day running/steering of the Programme (meets up to three times a week).</p> <p>Chaired by the SRO.</p> |
| Independent Assurance | <p>We will use our strategic partners and other parties to provide independent assurance throughout the lifespan of the Programme</p> <p>Accountable to the SRO.</p> |
| Programme Director | <p>The Programme Director is responsible for the overall coherence and structure of the Programme, including:</p> <ul style="list-style-type: none"> • Ensuring the right work is underway and is integrated and coherent. • Managing internal and external stakeholders. • Ensuring performance of the Programme is visible and regular monitoring information is provided for oversight. <p>Accountable to the SRO.</p> |
| Transformation Office (TO) | <p>The Transformation Office (TO) provides Programme leadership and direction to the overall work programme, managing all the key components associated with an active programme management function.</p> <p>The Transformation Office will have the following capabilities which will be supported by business groups within MSD:</p> <ul style="list-style-type: none"> • Reporting • Benefits management • Governance • Risk and assurance management • Stakeholder change management, engagement, and communications • Planning • Commercial management • Change management • Resource management • Design workstreams • Business case development workstream. |

| Group/position | Role in relation to the Programme |
|----------------|-----------------------------------|
|----------------|-----------------------------------|

| | |
|------------|---|
| Portfolios | <p>Each portfolio is organised around a collection of value streams and delivery teams to deliver value to MSD staff and our clients. Two groupings of portfolio exist:</p> <ul style="list-style-type: none"> • Four Service Portfolios align with the work for frontline teams, clients, and our communities. • Seven Enabling Portfolios have a focus on the mahi required to support the service portfolios and to keep the Ministry safe. <p>This structure ensures our strategic direction is aligned with change delivery, by prioritising the right activities at the right time to support our outcomes.</p> <p>Portfolio owners are responsible for aligning the strategic direction of the portfolio to MSD's strategy. They have oversight of all work in the portfolio and manage relationships with LT, including their accountable DCE. They are accountable for the management of risks and work programme dependencies.</p> <p>Portfolio owners are accountable to the Programme Director for any deliverables that relate to the Programme. TIC provides overall governance for portfolios.</p> |
|------------|---|

Programme reporting arrangements

The proposed internal and external governance reporting is as follows:

- Cabinet:
 - Half-yearly report on progress, costs, and benefits – compared with what was promised in business cases.
- Joint Ministers:
 - Quarterly report on progress, costs, risks, issues, and benefits.
- Leadership Team:
 - Quarterly reporting comparing what was in business cases and what has been achieved.
 - Approval of Joint Ministers report.
 - Half-yearly review and approve Cabinet report.
- Te Pae Tawhiti Transformation and Investment Committee:
 - Monthly reporting on costs, progress (against business cases), benefits, risks, issues, dependencies, engagement, and resources.

We will use a phased delivery approach, set out in a Programme Horizon Roadmap

We recognise that the Programme will be large, complex and will take some time. It will require the support of the whole organisation. Making changes to our service, core processes, technology, and people will require a dedicated, multi-year effort of change. It needs to work seamlessly with our welfare overhaul and wider policy and operational work programme, and connect to the IWP. We have begun developing an initial multi-year Horizon Roadmap of changes, which we will use to inform the development and delivery of key activities within the Programme.

We expect to flex and change this roadmap to allow for options that would be analysed as part of the Detailed Business Case. We also expect this roadmap will form the basis of our policy and wider work programme management with key stakeholders.

Horizons provide us with an organising framework

Horizons are an organising framework that provide reference points at which we can describe the work being undertaken, the work delivered, the focus and scale of service change, and the value being delivered. Within horizons, the work being done will be adaptive and flexible so we can learn, adjust, and respond to changes. The Horizon Roadmap outlines five horizons, within which are the big pieces of work (initiatives) that contribute to *Te Pae Tawhiti – Our Future* outcomes. Importantly, horizons do not represent fixed delivery blocks of work or significant end points at which big delivery drops occur.

- **Horizon 1** – delivers value with a focus on the foundations for digital services and case management change.
- **Horizon 2** – delivers value to clients with a focus on service improvement and process redesign.
- **Horizon 3** – delivers value with a focus on further service and process redesign and embedding the service model.
- **Horizon 4** – delivers value with a focus on full modernisation of the underlying technology, business processes and service model optimisation.
- **Horizon 5** – delivers value with a focus on partner enablement and expansion of the service model.

Below is a high-level view of our integrated roadmap. This has been developed in a top-down/bottom-up way, ensuring that each of the Portfolio Roadmaps consistently integrates across the whole plan.

Table 31: Our delivery roadmap

| <div>s 9(2)(f)(iv)</div> Horizon 1 Delivers value with a focus on the foundations for digital services and case management change. | Horizon 2 Delivers value to clients with a focus on service improvement and process redesign. | Horizon 3 Delivers value with a focus on further service and process redesign and embedding the service model. | Horizon 4 Delivers value with a focus on full modernisation of the underlying technology, business processes and service model optimisation. | <div>s 9(2)(f)(iv)</div> Horizon 5 Delivers value with a focus on partner enablement and expansion of the service model. |
|--|--|--|---|---|
| <ul style="list-style-type: none"> ▪ A modern digital experience for clients is created. ▪ New Zealanders can access digital employment services. ▪ Development of new case management practices. ▪ More efficient and effective partnering through improvements in contract management. | <ul style="list-style-type: none"> ▪ Enhanced early response service, including through partnering. ▪ Client experience improved through more effective service coordination and service support. ▪ Improved client experience as a result of redesigned and automated services (seniors and students). ▪ Clients can access an enhanced range of employment services. ▪ Client experience improved through implementation of new case management practices. ▪ Staff have access to a more integrated view of client information, services, and product knowledge. | <ul style="list-style-type: none"> ▪ Digital self-service is fully available for all clients. ▪ Improved client experience as a result of redesigned (and automated, where possible) services and products (working age and income). ▪ Improved client service is fully enabled by an embedded Future Service Model. ▪ Client service and staff experience is supported by seamless access to service and product information and an integrated client record. ▪ Partner performance and experience is enhanced through implementation of social commissioning changes. ▪ Client experience improved through the use of enhanced insights and analytics. | <ul style="list-style-type: none"> ▪ MSD fully able to act as a platform for service extension. ▪ Client, staff, and partner experience optimised by fully modernised technology and data and analytics capability. ▪ Improved client experience through completing the full redesign of business processes across all services and products. ▪ Service model optimised (for clients, staff and partners) through the use of insights and analytics to inform service allocation, design, and decision. | <ul style="list-style-type: none"> ▪ Clients can access an increasing range of services and products through preferred community and partner providers. ▪ AoG opportunities to utilise MSD's platform capability. ▪ MSD platforms, services, products, and insights are open and available to support decisions about partner and community provision. |

We have developed the roadmap using a structured, principle-based approach

The work and value required for each horizon has been defined

As we developed the roadmap, we used a series of swim-lanes to provide a logical view of the work required to deliver. These included the value to be delivered, the service changes that will occur, the changes in workforce capability and capacity, the changes in business capability that will occur, the changes in technology that will occur, and any other changes and priorities.

We have ordered the work we will undertake in each horizon, to provide early value

The following table sets out the criteria being used to develop the scope of each horizon

Table 32: Scope criteria

| Criteria | Why |
|---|--|
| Start with the foundations for design | <ul style="list-style-type: none"> • Puts in place the prerequisites for service change. • Builds the digital foundations needed. • Provides early opportunity to test service changes. |
| Start redesign with services and cohorts of lesser complexity | <ul style="list-style-type: none"> • Builds delivery confidence and expertise. • Best practice and recommended from other transformations (lessons learnt). |
| Start redesign where there is less risk of service disruption | <ul style="list-style-type: none"> • Builds delivery confidence and expertise. • Best practice and recommended from other transformations (lessons learnt). • Minimises potential client/service disruption. |
| Create time and space | <ul style="list-style-type: none"> • Reduces staff time spent processing transactions and enables more time to be spent working with clients and understanding and meeting needs. |
| Deliver early value for clients and staff | <ul style="list-style-type: none"> • Creates early and realisable client and staff benefits. • Builds confidence and support in the Programme. • Demonstrates Programme responsiveness. |
| Create business patterns that are reusable | <ul style="list-style-type: none"> • Develops business patterns that can be reused throughout the life of the Programme as you extend to other areas of service and process redesign. • Upfront investment for future delivery efficiencies. |
| Address technology risks | <ul style="list-style-type: none"> • Ensures service continuity. • Addresses, at the earliest possible opportunity, systems that urgently need to be replaced and/or modernised. • Improves system resilience. |

Organisational change management

We have developed a change strategy

Managing this level of change and complexity will require a large, well-coordinated, and capable change capability. The change that the Programme is seeking to undertake is transformational – defined as a change in multiple elements of the business’ systems, processes, people and organisation, data and information, and culture. All these elements will require change, often simultaneously. The change team will be ensuring the activity in a project is aligned, so that the transfer from old work to new work does not result in a performance drop, and the movement to the new, improved work is rapid.

This will require the change function to coordinate business readiness – monitoring across changes in systems, processes, services, people, and workforce. This role will integrate with the current MSD portfolio Agile processes. The more traditional change engagement activities of communications, training, gaining buy in, and overcoming resistance are also critical to gaining stakeholder support – but, on their own, will not be enough to effectively manage this level of change.

MSD already has some change capability. The Programme change workstream will work with the MSD internal change team to create the scale required to manage a programme of this size.

There are clearly defined objectives for the change

Our objectives for the change process are to:

- support MSD leadership to drive the change
- maintain business performance before, during, and after change
- support the implementation of the Future Service Model and gain the expected benefits
- embed organisational and people capabilities
- support the management of stakeholders’ expectations, including employees
- gain the commitment and advocacy of stakeholders and employees.

These objectives will inform our actual change plans

The change strategy is designed to achieve the change objectives. This strategy will form the basis for several change plans, to be built around each horizon. The change plan, which will include a stakeholder plan, will coordinate with other plans – including the Programme Horizon Roadmap and the communications plan. This change approach will use Agile principles to ensure it is flexible and responsive to organisational demands.

The change workstream will have several capabilities:

- *Change capability* – helping augment the current change methodologies to create an enhanced MSD change approach.
- *Leadership engagement* – aligning and coaching the leadership in transformational change.

- *People change (including culture if required)* – this is often called ‘engagement’ of hearts and minds, and the development of required behaviour and skills.
- *Business readiness* – working with the technology, process, workforce, data, and information workstreams, and the organisational portfolio teams, to move from old work to new work in a controlled and managed way.
- *Stakeholder management and ongoing engagement with all stakeholders.*
- *Organisation design* – could be included if required.
- *Training coordination.*

Our change strategy will engage specific sub-strategies to ensure sustainable change

The following table summarises the key themes of the strategy and how they are addressed.

Table 33 Change strategy summary

| Theme | Specific strategy |
|----------------------------|---|
| Leadership | <ul style="list-style-type: none"> • Supporting leaders to develop change management skills. • Supporting leadership and governance to effectively prioritise and make change decisions. • Leaders leading the change, with the Programme providing support. |
| Change capability | <ul style="list-style-type: none"> • A change life cycle that traverses from design to embedding/sustaining. • A repeatable change rhythm. • Consistent change and engagement mechanisms. • Further enhancing an MSD change capability. |
| Business and People change | <ul style="list-style-type: none"> • People change and business transition interventions built on data gathered from change impact and readiness assessments. |
| Business transition | <ul style="list-style-type: none"> • Change managers managing the overall change coordination. • Resourcing change capability around co-existence. |
| People change | <ul style="list-style-type: none"> • Involvement of employees in both design and testing of new systems, products, and services, to gain buy-in and commitment. • Behaviour change gained through consistent role modelling, involvement, communications, and training. |
| Stakeholder management | <ul style="list-style-type: none"> • Management of stakeholder expectations through good communications, planning, and delivery. • Managing stakeholders to gain their commitment to this change. |

| Theme | Specific strategy |
|----------------|--|
| Communications | <ul style="list-style-type: none"> Change workstream providing additional channels for communication. |
| Measures | <ul style="list-style-type: none"> Measuring progress to enhance decision-making. |

The change lifecycle will traverse from planning to sustaining

MSD already has a change methodology that is fit for purpose. The programme will work with this approach as a base, further enhancing it to cope with the scale and complexity of the Programme. Our change approach, in its simplest form, is broken into three key stages:

- **Plan**
- **Implement**
- **Sustain**

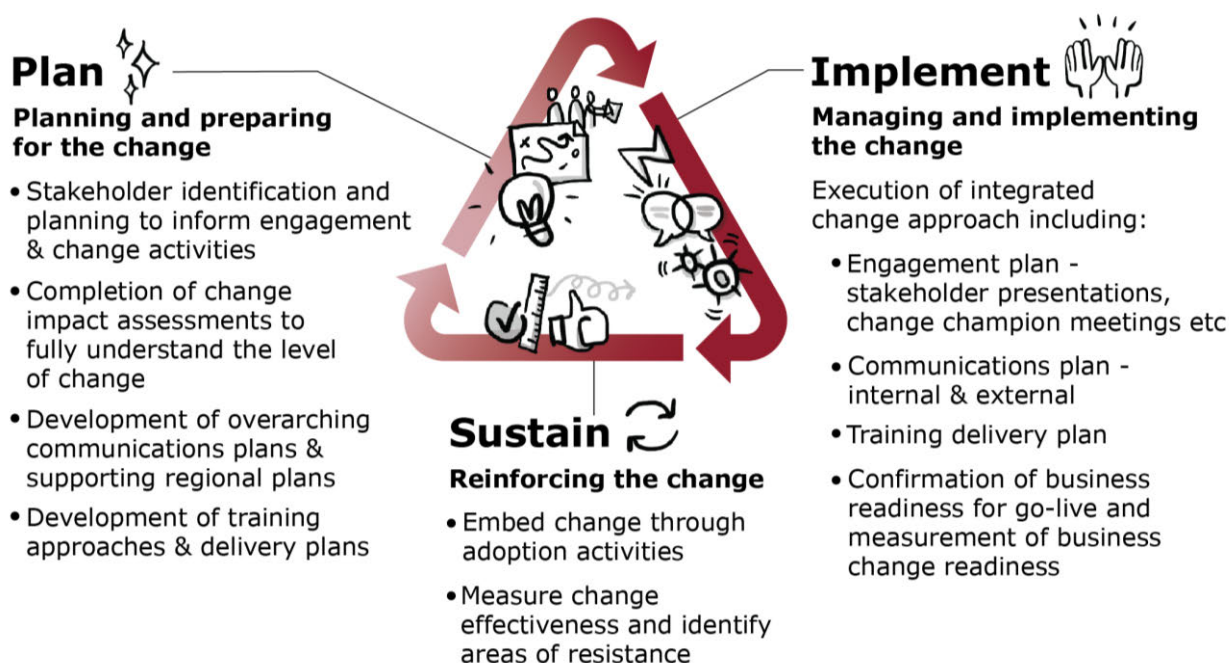


Figure 13: Change management approach summary

A standard and repeatable change 'rhythm' within these phases will be used, that enacts a set of change activities over the life of a specific change – from the initial design of the change/improvement, through to embedding the change in BAU. The change workstream of the Programme and the MSD change team will support the organisation through the life cycle of the change.

Within each major horizon of transformative change, there will be many specific changes delivered. Each of these specific changes (or groups of change) will be managed through their own plan/implement/sustain cycles. These changes may also overlap. To avoid conflicts, change activities will need to be coordinated by the Programme change team.

Change resource will increase over time as the Programme progresses

The change resourcing plan will be developed around the Horizons Roadmap. Based on current information, we would anticipate that the change resource needed to support the programme would reach a peak around 2025 and be maintained through the life of the programme, before tailing off gradually as the programme ramps down. Resourcing will be jointly developed with the MSD change team – with some resource being managed by the MSD team, and some by the Programme change team.

The change workstream will build on the current MSD change capability

MSD already has in place a significant change function that is operating effectively to manage the planning and delivery of change. It is acknowledged that it does not have the current capacity to cope with the amount of change that the Programme will produce. In addition, the MSD change team will not only be undertaking Programme change projects. The Programme will work with the MSD change team to jointly develop the capacity to cope with the amount of support that will be required to manage the Programme change requirements.

Using consistent change and engagement mechanisms

Where it fits, the change managers will use a standard set of engagement methods. Each of these methods will be used to achieve the dual objectives of increasing employee readiness, as well as achieving the specific goals of the project. These methods will include:

- Design workshops.
- Test workshops.
- Communications.
- Education and training.

The workshop change methods will be used in an Agile way. The design approach will use small iterations of design rather than a single outcome. Workshops will be used in a similar iterative manner to test design iterations with employees as they evolve, and test implementation plans with a broad cross-section of stakeholders.

Although standard engagement methods will be used where possible, at times specific initiatives will need to be developed based on the unique requirements of a change, or the unique culture or practices of an impacted group. The change managers on a project will be supported by Programme change resources to design bespoke initiatives as required.

Change assessment tools will be used

All changes will be assessed for impact on all areas of the business (for example, a change affecting the Service Delivery group will be assessed for impact on other MSD groups), and with other elements of the business's service model (for example, a system change will be assessed for impact on business processes). Based on these assessments,

people change/business transition interventions/activities will be developed to reduce the impact and mitigate risk.

In the same way that the Change Impact assessments will generate the design of interventions, so too will the Change Readiness assessments. Low scores in readiness may necessitate a variety of initiatives/interventions – be it communications activities, more education activities, or workshops to uncover and address anxiety or resistance.

Quick wins and change momentum

An important aspect of the change process will be gaining the commitment of staff and stakeholders. As discussed above, various techniques and engagement approaches are used to do this. We will also seek commitment by demonstrating that change is real. 'Quick wins' are projects that produce tangible results with minimal effort. These allow the business to quickly see results, demonstrating the value that the Programme will produce as it develops, not just when it is completed.

Carefully managing change while co-existence takes place

Our delivery approach sees change introduced continuously over a period of years. It is important to recognise this means our business will be operating in a state of transitional co-existence throughout this journey. Co-existence reflects the reality that we will not achieve our future state overnight. We must continue to operate our business and deliver for our clients during multiple interim states in Programme delivery. Our new and old ways of working (and the technology supporting them) will need to operate together.

Co-existence is typically among the biggest delivery challenges for large scale programmes²⁷, and we are no different. It will significantly influence the schedule, cost, risk, and options available to us during delivery. We are planning for co-existence, and each of the transition states it brings, as a core feature of our design. Critically, we will also understand, plan, and manage the impacts to our people and our clients deliberately and transparently.

While it reduces risk, co-existence will require more change resource and coordination than a 'plunge' strategy. The change workstream will ensure it is resourced to the level required to support the co-existence approach.

The co-existence approach will further necessitate business transition activities to be well planned, sequenced, and implemented using appropriate change control and management tools and techniques. The Change Workstream will coordinate with the appropriate business groups (for example, Technology, People, Communications, Training, Delivery, etcetera) to ensure that all change risks are under control before 'go live' of the change.

Ensuring leadership support for the changes

Leadership support for the change is critical. A key focus of the Change Director will be on gaining the alignment, commitment, and advocacy of senior leaders, as well as other identified key influencers, and equipping these leaders with the skills and knowledge to

²⁷ See, Inland Revenue, *Budget 2017 Four-Year Plan* (NZ Government, November 2016), 41. <https://www.ird.govt.nz/-/media/project/ir/home/documents/about-us/publications/annual-and-corporate-reports/budget-2017---four-year-plan/budget-2017---four-year-plan.pdf?modified=20200427222527&modified=20200427222527> [Accessed 18 February 2022]

influence change in the business. To facilitate this goal, the Change Workstream Lead/Change Director will regularly engage with the LT to provide the opportunity for coaching and influencing of change leadership behaviour.

Business will lead the change, and the Programme and change team will support the business to make the changes. This leader-led approach will be used throughout all aspects of the Programme, including communications and stakeholder management. In line with the leader-led approach, decision making around business and people change will be made by the MSD leadership. There will be an expectation that the Programme will coordinate stakeholder input and present credible data and information to show the pros and cons of viable options.

Change measures will be developed to provide the Programme and MSD leadership with the ability to track change progress and provide the data to make good change decisions.

There will be a focus on the commitment and engagement of employees

The change workstream will manage the development of a compelling narrative for the Programme that serves as an easily communicated summary of the purpose of the Programme. The change workstream will work with the communications team to develop this narrative and the communication plan for it. The change and communication teams will continually assess the organisation's buy-in and understanding of this narrative, and evolve as required.

As we better understand the behaviours required, we will set clear targets as to what we want to see

Although some behaviour change will be required to enable the new ways of working, it is unclear on exactly what the required behaviour change may be. As the picture becomes more developed, the change workstream will undertake a process to assist MSD leadership determine this target behaviour. A set of communication and education activities will need to be designed and implemented to give employees the understanding and skills to demonstrate the desired behaviours. If it is determined that 'culture change' is required, then an additional and significant set of culture change initiative(s) will need to be designed and implemented over the life of the Programme.

Managing our stakeholders through planning and engagement

We will seek to ensure that sufficient planning and engagement is undertaken to ensure that stakeholder/employee expectations are realistic, and that the Programme can deliver on those expectations. The Programme will ensure stakeholders receive the right information to engage with stakeholders in a timely way and understand the purpose of each engagement.

Additional channels for communication will be provided

The communications strategy and plan will be developed by the communications workstream in consultation with the change workstream. The initial focus of communications will be on depicting the end state of this change in a way that employees and stakeholders can be excited by the change, understand the steps needed

to get there, and understand the benefits for themselves, their clients, and business partners. The methods of design and test workshops will be used as channels for communication in addition to the more established communication channels

A set of measures will be developed to track progress

The Change Workstream will develop a set of measures to enable Programme leadership to gauge progress and provide data to make informed change decisions.

Increasing MSD change capability

The Programme change team will work closely with the MSD change team on Programme change projects, ensuring that change resources are provided from either group as required. The goal is to work closely with the MSD team so that any increased capability, skill, and knowledge that the Programme change team bring will be passed on and embedded in the MSD change team.

Benefits management

We are in the early stages of developing a benefits realisation plan

The Programme is in the early stages of developing a benefits realisation plan and a benefits register. These will articulate the value being delivered by the Programme. We are developing a Value Management Framework which will ensure that there is a link between the delivery of value to the achievement of outcomes from the portfolio roadmaps.

Benefits management will:

- focus on high impact and high priority benefits to maximise use of resources
- give an early warning of potential problems and create the opportunity to adapt the benefits or changes to enable the overall objectives
- ensure that achieved benefits are measured, reported, and communicated.

Level two benefits and KPIs are being analysed

For each of the five benefits identified in the Strategic Case, we have identified the subsidiary level benefits, put in place the current KPIs, and are developing the future KPIs. This includes considerations such as whether the existing KPIs can be segmented for Māori and Pacific people. An example of this analysis for the first benefit is shown in the figure below.

Table 34: Example analysis underway for the level 2 benefits and measures

1. Improved wellbeing of people in need

If we respond early, understand people's needs, and provide the right services at the right time, we reduce the amount of time people are in the system, ensure less people end up in debt, and empower people to achieve their goals.

| Level 2 benefit | Current KPI description | Current KPI can be segmented for Māori & Pacific peoples? | Future KPI description [to be developed] |
|---|---|---|---|
| 1.1 Minimise debt | <ul style="list-style-type: none"> • Number of clients in debt • Amount of debt | | Options include: <ul style="list-style-type: none"> • Minimise debt establishment. • Debtors engaged in repayment. • Sustainable recovery of debt. |
| 1.2 Respond early | <ul style="list-style-type: none"> • Not currently measured | TBC | Number and percentage of clients in target cohorts who received early intervention services who did not go on to longer term MSD services. |
| 1.3 Entitlement accuracy and timeliness | <ul style="list-style-type: none"> • Number of working age beneficiaries receiving benefit on time • Number of working age beneficiaries receiving benefit accurately | TBC | Proportion of clients receiving full and correct entitlement. This will be our main measure supported by our current accuracy and timeliness. |
| 1.4 Improved exits into sustained employment | <ul style="list-style-type: none"> • Number of working age main benefit clients exiting the system • Percentage of working age main benefit clients exiting the system and staying off benefit for more than six months | | Time spent in employment lasting longer than six months [SNZ IDI]. |

Benefits achievement over the timeframe of the Programme and beyond

For each of the level two benefits, we are analysing how these will be achieved over a 15-year period. An example of the work in progress of this analysis is shown below.

Table 35 Example analysis underway for benefit phasing

| Level 1 benefit | 1. Improved wellbeing of people in need | | | | |
|--|---|---|---|---|---|
| Level 2 benefits | s 9(2)(f)(iv) | | | | Rationale of phasing |
| 1.1a Minimise debt - <i>Māori & Pacific peoples</i> | ○ | ○ | ⊙ | ● | Working age business process and real-time sharing with IR not delivered until H3. Māori & Pacific peoples are more impacted by debt. |
| 1.1b Minimise debt - <i>All</i> | ○ | ○ | ⊙ | ● | |
| 1.2a Early response - <i>Māori & Pacific peoples</i> | ⊙ | ⊙ | ● | ● | Focus on early response and case management model in H1/2. |
| 1.2b Early response - <i>All</i> | ⊙ | ⊙ | ● | ● | |
| 1.3a Entitlement accuracy & timelines - <i>Māori & Pacific peoples</i> | ○ | ○ | ⊙ | ● | Working age business process not delivered until H3. |
| 1.3b Entitlement accuracy & timelines - <i>All</i> | ○ | ○ | ⊙ | ● | |
| 1.4a Improved exits into sustained employment - <i>Māori & Pacific peoples</i> | ⊙ | ● | ● | ● | Digital employment and case management is priority in H1. |
| 1.4b Improved exits into sustained employment - <i>All</i> | ⊙ | ● | ● | ● | |

| KEY | ○ | ◐ | ◑ | ◒ | ● |
|-----|--|---|---|--|---|
| | Low 0-20% of total benefit realised | Low/med 21-40% of total benefit realised | Medium 41-60% of total benefit realised | Med/complete 61-80% of total benefit realised | Complete 81-100% of total benefit realised |

This analysis will enable us to develop a comprehensive benefits realisation plan

While we are still determining how the benefits realisation will work in an Agile environment, the benefits realisation plan is expected to include the normal components of such a plan. This will include:

- The ownership of the benefits
- The KPIs that will be used to measure how the benefits are tracking
- The source of the information, targets, and phasing of the KPIs
- The governance and reporting processes.

Benefit realisation management will occur at the portfolio level. We expect to measure and report the value expected and realised for each project on a quarterly basis. Regular monitoring of value delivered will enable us to identify any issues and adjust quickly to ensure we remain on track for key value realisation points, as set out in the Horizon Roadmap and benefits realisation plan.

Risk and issues management

A common risk and issues management approach will be used across the Programme

Risk management will be used across the Ministry to ensure a proactive approach to the achievement of investment objectives. The MSD risk framework is based on AS/NZS ISO 31000:2009 and provides tools, templates, and guidance to support consistent risk management activities across the Ministry.

Each portfolio has a Risk and Issues Management Strategy (RIMS) that outlines the expectations for all portfolios in relation to risk management, recording, and reporting of risks. The programme RIMS is owned by the Programme Director and held by the Transformation Office. It will be reviewed once a year with TIC to ensure it remains fit for purpose.

Portfolio-level risks and issues are recorded in the Portfolio Risk, Issues and Decisions template. Portfolio risks and issues are also used to provide an integrated portfolio view to governance.

Delivery risks are most often identified and assessed during delivery team stand-up meetings. Risks that cannot be managed within the delivery team, could impact at a Portfolio level or impact the Programme will be escalated to the Portfolio Manager for further direction and to ensure appropriate risk ownership.

The key risk management activities that will be performed are identified in the following table.

Table 36 Key risk management activities

| Activity | Purpose | Accountability |
|--|--|-------------------------------------|
| Te Pae Tawhiti workstream level risks | Risks are identified, assessed, evaluated, recorded, and reviewed in real time. Workstream level risks are escalated to the Programme Director as required. Risks will be reviewed monthly with the Transformation Office Risk Specialist. | Workstream leads |
| Te Pae Tawhiti Programme level risks | Risks are identified, assessed, evaluated, recorded, and reviewed in real time. Risks will be reviewed monthly with the Transformation Office Risk Specialist and all Workstream Leads. | Programme Director |
| Portfolio risks | Risks are identified, assessed, evaluated, recorded, and reviewed in real time at the delivery and portfolio level. Delivery level risks are managed by product managers, and portfolio level risks are managed by portfolio managers. | Portfolio managers/product managers |

| Activity | Purpose | Accountability |
|--|--|-----------------------|
| Risk transfer (Workstream leads/portfolio owners) | Transfer of residual risks are required when the Programme workstream leads hand over to delivery teams. These risks are then added to the portfolio risk register for ongoing management and reporting. | Transformation Office |

A Programme Risk Register and Issues Log is located within the Programme Control Book and held by the Transformation Office. Workstreams have individual control books. Risks and Issues are identified and added, after assessment, by the workstream leads and reviewed at least once a month with the Transformation Office Risk Specialist to ensure consistency in the application of the MSD risk framework and that appropriate escalation is taking place.

Programme and Workstream Risk reporting to governance will include:

- Risks with a residual consequence of severe or major.
- New or closed risks and those that have substantially changed.
- Risks that are near eventuating.
- Status of risks that governance have identified as requiring regular updates.
- Issues with a residual consequence of severe or major.

Programme and business assurance arrangements

This investment proposal has been assessed as HIGH risk using the Treasury's Risk Profile Assessment tool²⁸ and moderation process²⁹. The Programme is subject to on-going Gateway reviews.

Assurance over the IWP is intended to give confidence to the governance and leadership groups that the IWP:

- is well-managed
- has effective identification and management of risk
- informs decision makers accurately, comprehensively, and in a timely manner
- delivers value that meets the expectations of our clients and stakeholders
- delivers value within the expected and budgeted costs
- meets the desired timelines as far as possible.

Assurance is embedded in our Agile practices

MSD understands how assurance contributes to the successful achievement of our outcomes and, therefore, delivery of our objectives and realisation of value.

In an Agile environment, assurance is part of the delivery process and is embedded into day-to-day operations and governance arrangements. To provide assurance, quality management activities are built into delivery. Agile delivery encourages continuous identification and implementation of improvements.

Assurance is embedded throughout MSD's organisation, and we have had over five years of experience in managing assurance in an Agile environment.

Assurance is delivered through our five lines of defence

The Programme has an Assurance Plan that sets out the delivery risk, the outcomes being sought, and how these will be managed.

Our assurance approach is aligned with the GCDO's principles of good assurance and guidance for Agile delivery³⁰. GCDO states that assurance is most effective when it is integrated across three lines of defence. We have augmented this approach to improve its effectiveness within our environment – our model consists of five lines of defence. These lines of defence are illustrated in the following diagram.

²⁸ See, NZ Treasury, *Risk Profile Assessment Template* (NZ Government, May 2020). <https://www.treasury.govt.nz/publications/guide/risk-profile-assessment-template> [Accessed 18 February 2022]

²⁹ See NZ Treasury, *Investor Confidence Rating: Assessment and Moderation Guide* (NZ Government, March 2016). <https://www.treasury.govt.nz/publications/guide/investor-confidence-rating-assessment-and-moderation-guide> [Accessed 18 February 2022]

³⁰ See Government Chief Digital Officer System Assurance Team, *Principles of good assurance and lessons learned for digital investments* (NZ Government, not dated) <https://www.digital.govt.nz/assets/Standards-guidance/Governance/Pocket-guide-Principles-of-good-assurance-and-lessons-learned-for-digital-investments.pdf> [Accessed 18 February 2022]

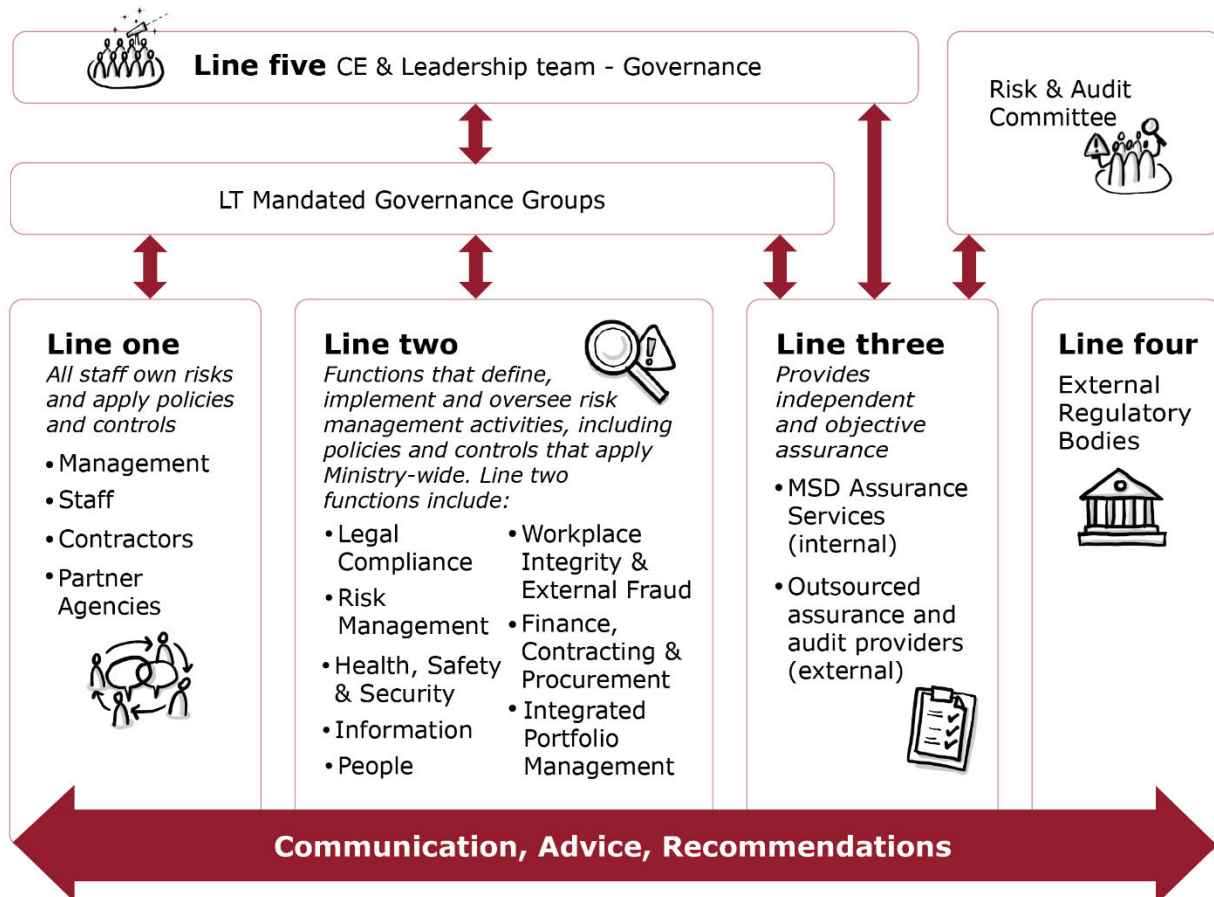


Figure 14: Assurance approach

Our first line of defence involves the events and practices used by teams and leaders to keep alignment, quality, dependencies, and risks discussed and actively managed.

Our second line of defence involves the key oversight functions within MSD. These include legal, risk, workplace integrity, people, health and safety, security, portfolio management, finance, and information functions.

Our third line of defence ensures independent challenge to the levels of assurance provided by business operations and oversight functions. This is delivered internally by MSD assurance services and externally.

Our fourth line of defence involves the external bodies and regulators we are accountable to. This includes Treasury and GCDO.

Our fifth line of defence is the core governance accountability to the Chief Executive and the LT through the reporting, management, and governance structures.

Our assurance model includes external oversight from government agencies

We have established regular meetings with central monitoring agencies. As well as sharing the formal deliverables (such as this Programme Business Case), MSD is being transparent regarding the sharing of the supporting documents and work in progress.

This will help monitoring agencies gain a view behind the scenes as to how the Programme has developed and how it is progressing.

Gateway is a key part of our external oversight processes:

- A Gateway Review 0: Strategic Assessment³¹ was completed in October 2021 and the Programme was given an Amber/Green rating.³² Feedback from the review has been incorporated in the development of this Programme Business Case.
- A Gateway Review 0/1 – Business Justification & Options review was completed in March 2022 and the Programme was given an Amber rating. This Programme Business Case reflects the review team’s advice and feedback.

Our assurance model includes external independent oversight from specialists

KPMG has been appointed to provide independent quality assurance for the Programme. KPMG has already reviewed this Programme Business Case, its core content, and the supporting documents. KPMG’s recommendations have been considered and responded to in this Programme Business Case and were included in the version that was provided to the Gateway 0/1 review team.

KPMG will continue to provide ongoing real-time independent quality assurance. This will provide assurance to the SRO that the programme is being well managed, as well as highlighting any key risks to the success of the Programme.

Ongoing independent probity advice will be provided to the SRO to ensure that all procurement decision making processes are equitable and comply with prescribed practices and directions.

Independent technical peer reviews will take place throughout the core design and build activities. These will be undertaken by independent technical specialists.

³¹ See, Ministry of Social Development, *Te Pae Tawhiti Strategic Assessment* (NZ Government, November 2021).

³² See, NZ Treasury, Gateway Reviews - Review Reports (NZ Government, April 2015), “Delivery confidence”. <https://www.treasury.govt.nz/information-and-services/state-sector-leadership/investment-management/review-investment-reviews/gateway-reviews/gateway-reviews-review-reports> [Accessed 18 February 2022]

Annexes

Annex 1 – Options costing

Annex 2 – Executive/SRO's letter

Annex 1: Options costing

April 2022



Whole-of-Life-Cost Table

Whole-of-life-cost table detailing the Capx and Opex Programme expenditure for the multiple transformation options

| | Option 1: De-Risk | Option 2: Re-Platform | | Option 3: Transform | | Option 4: Extend |
|---------------|-------------------|-----------------------|------|---------------------|------|------------------|
| | | Low | High | Low | High | |
| s 9(2)(b)(ii) | | | | | | |

Fiscal Costing Table

Fiscal costing table detailing programme Capex and Opex expenditure



Anticipated cash flows (not discounted)

s 9(2)(b)(ii)

Cost & Benefits | Programme Costs for Preferred Option

Programme Expenditure Roadmap



Annual and total Programme costs extracted from the March 2022 Cost to Change model

s 9(2)(b)(ii)

Total Programme Expenditure



Annual Programme costs and percentage of total Programme costs extracted from the March 2022 Cost to Change model

Annual Total Programme Expenditure

s 9(2)(b)(ii)

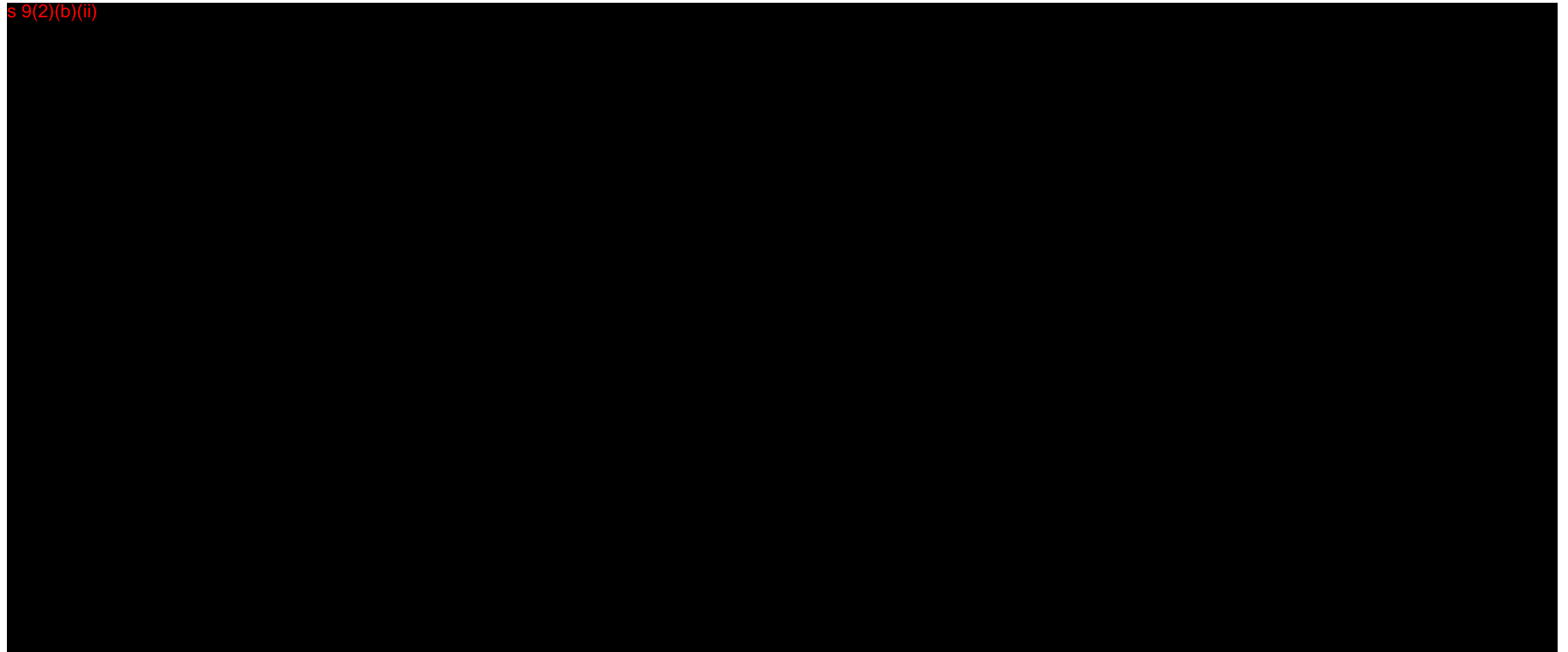
Programme Expenditure by Cost Category



Annual Programme costs by costs categories extracted from the March 2022 Cost to Change model

Annual Expenditure by Cost Category

s 9(2)(b)(ii)



Cost & Benefits | General Assumptions

High-level General Assumptions



High-level assumptions that determined the expenditure for the Economic and Financial Cases

| Element | Assumption |
|---|--|
| Delivery Period | s 9(2)(f)(iv) |
| Service Change Priorities | <ul style="list-style-type: none"> The priorities for service change in the first two years are as follows: <ol style="list-style-type: none"> Digital Employment Service – ‘Employment’ Digital Modernisation Build & Pilot – ‘Experience layer’ Contract management – Contained within ‘Corporate Platform & Staff Workplace’ Case management Practice Development – Contained within ‘Workforce practice model design’ Technology that will initiate in the first two years are as follows: <ol style="list-style-type: none"> Data - ‘Information, Data & Analytics’ Cloud & Identity – ‘Infrastructure’ Integration Platform |
| Programme Expenditure Peak | s 9(2)(b)(ii) |
| Technology Costs | Costings have been developed using a top-down set of assumptions. Further work will need to be done to through the DBC process to validate costings. |
| Business Service & Process Redesign | Costs are in addition to technology costs. The cost is s 9(2)(b)(ii) of technology, depending on the scale of design and change required. The phasing of costs is a function of the technology annual spend. |
| Co-existence, Transition & Change Management and Programme Management costs | Total and annual costs are a function of the technology spend. |
| FTE Resources | s 9(2)(b)(ii) assumed split of internal and external resources respectively. Change to split and assumed rates will impact Programme resource and consequently delivery confidence / cost. |
| Capex / Opex Expenditure Split | The Programme Capex / Opex split for all programme costs is s 9(2)(b)(ii) This is based on expected spend of software as a service and the impact of the updated Treasury guidance. |
| Budget Bid 2022 | s 9(2)(b)(ii) As Budget Bid 22 values are not reflected in PBC as they were not confirmed at the time of drafting. |
| Existing Funding | Further work is currently being undertaken to determine the existing funding that can be allocated to the Programme. s 9(2)(b)(ii) |
| QRA | Impacts of changes to time, cost, and quality will be tested by the QRA process. This is expected to be completed as part of the DBC. |

Cost & Benefits | Option 3: Transform (High Range) Detailed Assumptions

Technology: Expenditure Assumptions



Top-down estimates and assumptions utilised to derive the transformation technology costs

| Technology Element | Assumption |
|--------------------|------------|
| s 9(2)(b)(ii) | |

Technology: Expenditure Phasing



Phasing assumptions utilised to determine the annual Programme costs

s 9(2)(b)(ii)

Technology Annual Expenditure Total

s 9(2)(b)(ii)

Business Service & Process Redesign Annual Expenditure Total

s 9(2)(b)(ii)

Co-existence Annual Expenditure Total

s 9(2)(b)(ii)

Workforce: Expenditure Assumptions



Estimates and assumptions utilised to derive the transformation workforce capability costs

| Workforce Element | Simple Assumptions | Updated Assumptions |
|-------------------|--------------------|---------------------|
| s 9(2)(b)(ii) | | |

Workforce: Expenditure Phasing



Phasing assumptions utilised to determine the annual programme costs

s 9(2)(b)(ii)

Workforce Annual Expenditure

Total

s 9(2)(b)(ii)

Estimates and assumptions utilised to derive the transformation transition costs, and change and programme management costs

| Change and Programme Management Element | Simple Assumptions | Updated Assumptions |
|---|--------------------|---------------------|
| <div style="background-color: black; color: red; padding: 5px;">s 9(2)(b)(ii)</div> | | |

Change Management: Expenditure Phasing



Phasing assumptions utilised to determine the annual programme costs

| | |
|------------|--|
| [Redacted] | |
|------------|--|

| Change Management Expenditure | Total |
|-------------------------------|-------|
| [Redacted] | |

Cost & Benefits | Option 1: De-risk Assumptions



Programme Expenditure and Assumptions

The total programme spend by cost category and the assumptions utilised to determine the costs

| | Totals (\$m) | Assumption |
|---------------|--------------|------------|
| s 9(2)(b)(ii) | | |

Cost & Benefits | Option 2: Re-platform

Programme Expenditure & Assumptions



The total programme spend by cost category and the assumptions utilised to determine the costs

| | Low (\$m) | High (\$m) | Assumptions |
|---------------|-----------|------------|-------------|
| s 9(2)(b)(ii) | | | |



Annex 2 – Chief Executive/SRO's letter signifying their agreement to the required level of funding

To whom it may concern

Te Pae Tawhiti - Programme Business Case

The Ministry of Social Development is proposing a major strategic initiative to meet future service model requirements for Te Pae Tawhiti.

This Programme Business Case is a significant deliverable for this initiative. It investigates value for money options to deliver this initiative and proposes a plan for its delivery.

I confirm that:

- i. I have been actively involved in the development of the attached investment proposal through its various stages
- ii. I accept the strategic aims and investment objectives of the investment proposal, its functional content, size and services
- iii. the indicative cost estimates of the proposal are sound and based on best available information, and
- iv. suitable contingency arrangements are in place to address any current or unforeseen affordability pressures.

This letter fulfils the requirements of the current Better Business Cases guidance. Should either these requirements or the key assumptions on which this case is based change significantly, revalidation of this letter of support will be sought.

Yours sincerely

Debbie Power

Chief Executive