

Office of the Minister for Social Development and Employment
Cabinet Government Administration and Expenditure Review Committee

Te Pae Tawhiti Programme: Detailed Business Case for Horizon One – Investing in the Ministry of Social Development’s future

Proposal

- 1 This paper seeks agreement to:
 - 1.1 start the Ministry of Social Development’s (MSD) Te Pae Tawhiti Transformation Programme, beginning with Horizon One for the three-year period 2023/24 to 2025/26; and
 - 1.2 the Detailed Business Case and the scope of Horizon One (Appendix 2).

Link to Government priorities

- 2 Te Pae Tawhiti Programme (the Programme) will play a key role in delivering on the Government priority to lay the foundations for the future. It supports the overhaul of the welfare system to ensure it meets the current and future needs and expectations of New Zealanders. Investing now will ensure MSD has the capability to serve New Zealanders for the coming decades. This investment also supports the government work programme to reduce the impact of debt and deliver on the Social Sector Commissioning Action Plan.

Executive summary

- 3 MSD’s current operating system is limiting our ability to achieve the government’s vision for the welfare overhaul. I am proposing through this paper to progress the next steps in the transformation of MSD’s service model through the first Horizon of the Te Pae Tawhiti Transformation Programme.
- 4 I propose that the Programme would span nine-years with three Horizons of three years each. The Programme aims to redesign the operating model to support more integrated, easier to access and joined-up services and supports across income support, employment, and housing, as well as strengthened partnerships¹, all underpinned by modernised technology.
- 5 The Programme will transform the experience interacting with MSD for clients, whānau, communities and MSD’s partners². Through Horizon One 130,000 students will have a modern, easy-to-use online experience; Jobseekers will have greater awareness of and access to jobs, support and training opportunities in their local area, including through proactive digital contact; and there will be simpler, more efficient partnering³, commissioning and reporting processes for the over 2,000 partners MSD works with. This will also mean that MSD staff will have less time on administrative tasks, and more time to support clients.

¹ Relationships between MSD and external groups or organisations.

² An external group or organisation.

³ This includes partnership activity including: supporting Māori-Crown partnerships (e.g. Social Accords and other Te Tiriti o Waitangi relationship agreements), partnering for delivery of services and support (e.g. partnering with NGOs, Iwi and hapū to fund Community Connectors), partnering for social connection and wellbeing (e.g. relationships with peak bodies or advocacy groups), and commercial partnerships (e.g. financial, technology or research partners).

- 6 I propose to start Horizon One of the Programme, covering July 2023 to June 2026, with investment in the following four service changes and supporting work:
- 6.1 *Service Experience*: A modern service experience platform and business capability to provide the critical foundations for MSD's future systems, processes, and practices, so MSD can deliver effective services to clients, whānau, and communities. This will begin with a transformed experience for students, as the first client group of a multi-Horizon implementation.
 - 6.2 *Employment Service*: A digital employment platform that will transform the ability of jobseekers to connect with employers and gain upskilling opportunities to help them get better jobs and sustainable employment.
 - 6.3 *Client Engagement Practice*: Designing a new practice model to support MSD staff to more effectively engage with clients. This will include designing consistent and coherent service standards and practices, training and development, and guidance to ensure staff have technical practice and cultural competence to support clients.
 - 6.4 *Kotahitanga*: A relational commissioning way of working, founded on Te Tiriti. This model will be underpinned by new technology that supports effective contracting, procurement and reporting, as well as improved funding approaches and use and sharing of information. Kotahitanga is critical for delivering on the Social Sector Commissioning Action Plan.
- 7 I am proposing that this is implemented as set out in Option C (partially implement) in the Economic Case of the Detailed Business Case (Appendix two). Option C balances making valuable changes for clients while being practical and feasible to implement.
- 8 MSD has taken steps to ensure the Programme is investment ready for Horizon One. The Programme includes robust governance arrangements that reflect the scale and importance of the transformation. MSD's Leadership Team governs the Programme through the dedicated Te Pae Tawhiti Transformation and Investment Committee, which has independent advisors. The Minister of Finance and I will receive quarterly reports from the beginning of Horizon One and Cabinet will receive six-monthly reports. Regular reporting will ensure appropriate Ministerial oversight to support on time and on budget delivery.
- 9 MSD will release a Request for Proposal for a Transformation Partner in July 2023. After this I will provide 6 monthly reports to Cabinet on the progress of the work and s 9(2)(f)(iv)

Background

- 10 In November 2021, Cabinet noted that three serious problems constrained MSD's ability to achieve the government's vision for welfare overhaul. Specifically, its fragmented, transaction-focused service approach would not meet the future needs and expectations of New Zealanders; the high and increasing likelihood of service and payment failure risks serious harm to clients, partners and New Zealand; and its current service model makes it difficult for clients to get help, which could result in harm and exacerbate hardship [GOV-21-MIN-0039 refers].
- 11 These problems must be addressed to enable a welfare system that reflects the Government's vision to ensure all New Zealanders can live with dignity and

contribute meaningfully to their communities. Addressing these problem areas will also better support MSD to deliver the Government's key priorities in the welfare overhaul work programme agreed by Cabinet in December 2022.

- 12 In response to this I have started progressing Te Pae Tawhiti, a major transformation programme that will make it easier for New Zealanders to get the support they need from MSD and its partners. This will provide a modern digital experience for clients, with new ways of working and significant technology and process improvements which will transform accessibility and support for the million New Zealanders who interact with MSD every year.
- 13 The Programme will take approximately nine years across three horizons, costing between \$2.1 and \$2.6 billion, assuming scope, delivery and future funding proceeds as planned.

The transformation through Te Pae Tawhiti Programme will enable MSD to better meet the needs of New Zealanders

- 14 MSD's transformation through the Programme will make it easier and simpler for New Zealanders to access support through the welfare system.
- 15 The Programme aims to develop services and supports that are more integrated, easier to access and joined-up across income support, employment, and housing, as well as strengthened partnerships, all underpinned by modernised technology. See Appendix One for an overview.
- 16 Through Te Pae Tawhiti, we will be working towards the Future Service Model for MSD. This is the ideal final state for MSD and its interface with clients, providers and partners so they better meet the needs of New Zealanders. It will reflect the culmination of significant changes to underlying systems, simpler processes, and redesigned services that put people, families and community first. The Future Service Model will lead to a significantly better experience in how MSD delivers services, whether that's face to face, on the phone or online. For example, clients could experience the Model through more self-service for those with minimal needs, or easier access to specialised case management support or consistent early engagement with clients who need support.
- 17 The Programme is strongly aligned with the Government's overhaul of the welfare system as it aims to address problems with MSD's current service approach. The priority areas where the Programme will support the overhaul of the welfare system, subject to policy development and decisions, are:
 - 17.1 the work programme to reduce the impact of debt to government through improved information sharing with Inland Revenue, and complementary policy changes, which will support the sequenced delivery of foundational changes to income support systems
 - 17.2 implementing the Māori Values Framework, through the design of the Future Service Model
 - 17.3 delivering on actions under the Social Sector Commissioning Action Plan 2022–2027 including the design and implementation of MSD's relational approach for commissioning (through Kotahitanga).

A Detailed Business Case has been developed to underpin Horizon One

- 18 In May 2022, Cabinet considered Te Pae Tawhiti Transformation Programme Business Case and agreed to Option 3: Transform as the preferred way forward to address the problems which encompasses redesigning MSD's operating model to support fully integrated services, with a tiered approach, supported by redesigned business processes and renewed technology platforms [GOV-22-Min-0011 refers]. I was invited to report back to the Government Administration and Expenditure Review Committee in early 2023 with a Detailed Business Case, which I am doing with this paper and the attached Detailed Business Case (Appendix 2).
- 19 The purpose of the Detailed Business Case is to outline changes under the first horizon of the Programme, exploring projects that lay the foundations for digital services and case management change, including:
- 19.1 creating a modern digital experience for clients
 - 19.2 enabling New Zealanders to access digital employment services
 - 19.3 the development of new case management practices fundamental to the Future Service Model
 - 19.4 significant improvements in contract management to allow more efficient and effective partnering.

Based on the Detailed Business Case, I propose investing in four key service changes in Horizon One

- 20 Since Cabinet agreement to the preferred way forward in May 2022 [GOV-22-Min-0011 refers], MSD has analysed options for the pace and extent of the Programme, the service changes to undertake in Horizon One, and the preferred scope of each service change.
- 21 I am proposing to deliver the programme over three Horizons of three years each. The expected nine-year timeframe reflects that transforming MSD is a long-term commitment.
- 22 My preferred option for Horizon One, covering mid-2023 to mid-2026, is to invest in four proposed service changes: Service Experience, Employment Service, Client Engagement Practice and Kotahitanga. Budget 23 provides investment for the first two years of Horizon One on this basis.
- 23 MSD will also undertake the supporting work on technology foundations, design and programme management to support the service changes in Horizon One and ensure effective delivery of future changes.
- 24 The Programme will transform the experience interacting with MSD for clients, whānau, communities and MSD's partners. The benefits of Horizon One are summarised below:
- 24.1 130,000 students will have a modern, easy-to-use online experience that can be implemented for working-age clients in Horizon Two and seniors in the following phase. The Programme is implementing the critical foundations for MSD's future systems, processes, and practices. Students will have an improved experience for applications and accurate, up-to-date online information on progress. Students will see reduced time to access support.

- 24.2 Jobseekers will have greater awareness of and access to jobs, support and training opportunities in their local area, including through proactive digital contact; be matched to and notified of suitable jobs based on their individual circumstances and skills; apply for opportunities online at any time; check on the status of their applications in real time; and generate a CV themselves using the information already in their profile. MSD will be enabled to better support those at risk of poor labour market outcomes.
- 24.3 For those external groups and organisations that MSD partners with, there will be a clearer and more transparent approach to funding, focused on shared outcomes and it will be easier to work with MSD with simpler, more efficient partnering and commissioning and reporting processes. Clients, whānau and communities will benefit from improved access to appropriate support from more effective commissioning between MSD and service providers.
- 24.4 Clients will begin to experience the new client engagement practice; that is, the behaviours and approaches MSD staff use when they work with clients to access support. The practice will help bring consistency to how MSD staff show manaaki to clients and ensure clients can access all the support they need. In Horizon One, the combination of this and *Service Experience* (see paragraph 24.1) is improved access to and experience of MSD's services.
- 24.5 The Programme will create space for MSD employment staff with less time on manual administrative tasks, increasing their ability to direct more focus and support towards clients who need it the most.
- 25 Delivering on the above will support greater equity of outcomes. They will also improve equity by improving access to more culturally appropriate services for Māori and Pacific people. In particular, *Service Experience* and *Employment Service* will enable the Ministry to connect and interface with these groups, supporting better outcomes for Māori and Pacific people.
- 26 MSD has also identified monetisable benefits the Programme could provide from improved social and employment outcomes. These benefits would be from MSD being better positioned to help people into employment and stay employed. Subject to the Programme proceeding as proposed in this paper, and depending on external factors, such as the state of the labour market, the Programme could potentially provide savings of up to \$1.2 billion in benefit payments over 12 years. This estimate uses MSD's Social Outcomes Model and is based on core assumptions about the changes MSD can influence but it has a high degree of uncertainty.
- 27 Each of the four components of Horizon One are described in more detail below.

Service Experience

- 28 *Service Experience* will deliver a modern service experience platform and business capabilities to transform the service MSD's clients and their whānau receive. This will enable transformed channels and tools for staff, simplified processes, and improved service experiences for clients, staff, and partners. This service change will build the foundations for MSD's service model for the coming decades.
- 29 *Service Experience* will enable clients to access services more easily through the channel of their choice, whether digital, phone, or face-to-face. People will also receive an integrated service with a modern online interface when using digital channels and will not need to re-explain their story if they switch channels. Staff will

be more effective as they will be able to spend their time meeting the increasingly complex needs of clients and whānau and less time on processing transactions.

- 30 By the end of Horizon One, *Service Experience* will have developed the business capabilities required for the transformed service experience. These will be used to redesign and implement a new service experience for students and for staff supporting students as the first client group, with other groups to come in later Horizons. MSD is starting with students⁴ as there is lower complexity to implement, higher digital literacy, and an opportunity to create key processes and patterns for future Horizons. This will also enable MSD to retire a key ageing, and at-risk system⁵. MSD will work with a number of other agencies on this change including with the Ministry of Education, Tertiary Education Commission and Inland Revenue.

Employment Service

- 31 *Employment Service* will change how MSD works with jobseekers, employers, and providers and deliver a digital employment platform. It will transform the ability of jobseekers to connect with employers and gain upskilling opportunities to help them find and maintain sustainable employment. This will enable MSD to far better support those at risk of poor labour market outcomes (including those at high risk of long-term benefit receipt).
- 32 *Employment Service* will enable 24/7 access to employment services for job seekers, employers, and providers, allowing them to interact online and self-serve. It will support a contextualised, personalised, and responsive employment service and access to services for people looking for work, training, and employment support. The digital service will also free up MSD staff to help those most at risk of poor labour outcomes through phone and face-to-face engagement. While MSD's employment service targets those in most need, the digital employment platform will be available beyond just those who are receiving income support and/or employment case management from MSD.
- 33 By the end of Horizon One, *Employment Service* will implement a platform to allow MSD staff, jobseekers, employers, and providers to interact and self-serve on a digital employment platform. *Employment Service* is necessary to enable monetisable benefits from improved social and employment outcomes.

Client Engagement Practice

- 34 *Client Engagement Practice* will deliver a best practice model that will guide MSD staff interactions with clients. This will include designing consistent and coherent service standards and practices, training and development, and guidance to ensure staff have technical practice and cultural competence to support clients. This will be used for all MSD staff engagement with clients, whether face-to-face or through channels such as online or by phone.
- 35 *Client Engagement Practice* will enable MSD to better meet the needs and aspirations of its clients and their whānau in a holistic manner, especially those clients with more complex needs. This is an essential component of the Future Services Model.

⁴ Approximately 130,000 students received help from MSD between January and June 2022.

⁵ Without transformation, MSD estimates that over the next 10 years it would need approximately \$1 billion to keep aging and at-risk systems functional and existing processes intact.

- 36 By the end of Horizon One, MSD's future *Client Engagement Practice* approach will be designed and tested at selected sites, in preparation for roll-out in Horizon Two. In Horizon One, MSD will implement the changes to our Client Engagement Practice to support the transformed service experience for students.

Kotahitanga: Effective partnering and commissioning

- 37 *Kotahitanga* will deliver improved partnering approaches and the systems needed to transform how MSD works with its partners, including Iwi, hapū, Māori organisations, employment, housing and social service providers, and other government agencies. This will improve their experience working with MSD, and the outcomes that can collectively be achieved with and for MSD clients, other service users, whānau, and communities. MSD works with more than 2,000 partners.
- 38 *Kotahitanga* will shift MSD's commissioning approach to a relational one. This will support partners to have greater reach and agility to respond to what matters most to people and their whānau. *Kotahitanga* is important for MSD fulfilling actions under the Social Sector Commissioning Action Plan 2022–2027 and supporting development of an effective partnering model for all MSD partnering activity. Moving to a relational approach to commissioning that enables more effective partnering also supports the overhaul of the welfare system.
- 39 By the end of Horizon One, *Kotahitanga* will have designed and tested with partners parts of a relational commissioning way of working, founded on Te Tiriti. This model will be underpinned by new technology that supports effective contracting, procurement and reporting, as well as improved funding approaches and use and sharing of information.

I propose that the Horizon One scope balances achievability and value

- 40 MSD analysed options for how much change could be made as part of Horizon One. These are set out in the Economic Case of the Detailed Business Case. Option C: Partially Implement is my proposed option.
- 41 Other options for the pace and extent of the Programme are not preferred at this stage. Option A is the 'do minimum' option, has little impact on clients, whānau and partners, and would result in the Programme taking longer causing a rise in costs and a delay in benefits. Option B is the 'pilot and test' option and does not deliver direct value to any significant group of clients. It would also result in the Programme taking longer causing a rise in costs and a delay in benefits. Option D included a more ambitious programme of work for Horizon One, however this would not be possible due to high delivery risk.
- 42 Completing it faster than the nine-year timeframe across three Horizons is not viable due to the scale of the change and the capability to deliver this. Slowing the Programme would lengthen the delivery time, delay benefits, and increase costs and delivery risk.
- 43 Option C balances making valuable changes for clients while being practical and feasible to implement. This will establish a balanced laying of foundations and implementation across all service changes. It implements transformed services for major cohorts (all jobseekers, and students) implements and tests partnership approaches across a significant subset of all partners, prepares for extension to other cohorts, and delivers measurable value across multiple measures. This option provides the best balance between achievability and value delivered.

Te Pae Tawhiti Programme is investment ready

- 44 MSD has taken steps to ensure the Programme is investment ready for Horizon One, including the following:
- 44.1 Undertaking extensive market engagement, which has established the viability of the market, informed the cost estimates for the Programme and MSD's planning for Horizon One, and has enabled MSD to better plan and target its procurement. Formal procurement plans are in place for Horizon One.
 - 44.2 Determined the work for delivery of service changes and supporting work in Horizon One. This includes the scope, sequencing, and prioritisation of work to deliver in Horizon One as well as what is required to enable delivery of future service changes in later Horizons. MSD has an integrated workplan for the first two years, is clear on how it will manage risks of scope creep, cost escalation and time delays, and has the resources required to start delivery.
 - 44.3 Embedding comprehensive governance and assurance arrangements that emphasise independent advice and challenge. A formal assurance and evaluation plan for Horizon One has been approved by the Senior Responsible Officer.

MSD has the capability and capacity to implement these changes

- 45 MSD has established a delivery approach to manage transformation change, along with Government priorities. MSD will also ensure they are able to continue to deliver their full breadth of services as the Programme is implemented. MSD will continually assess the impact of changes to ensure it has the capability and capacity to deliver the service changes while continuing to deliver existing services without disruption.
- 46 MSD has actively sought lessons from other organisations who have undertaken equivalent transformations both domestically and internationally. Insights from Inland Revenue and ACC transformations have informed the Programme design and the agencies sit on the Programme governance.
- 47 MSD has integrated the Programme and other change activity across the organisation to allow priorities and resources to be better managed. Undertaking the Programme will constrain MSD's capacity to take on additional work during Horizon One and later Horizons if the Programme is continued as scoped across the nine years. Dedicated resourcing to the Programme is essential for successful delivery and MSD will ringfence the capability and capacity required.
- 48 MSD will retain some capacity to implement new change outside the Programme, but it will be important to carefully consider what other change initiatives are prioritised alongside it. To ensure the Programme will not impact on Government priorities or existing programmes of work, I will be regularly updated on MSD's overall work programme and capacity, which will enable informed decisions to be made about what non-Programme work to prioritise.
- 49 MSD's delivery approach enables strong integration of all design, implementation and change activities, business-wide prioritisation, easier management of resource conflicts, and streamlined governance and management. It avoids the disadvantages of having separate programme and governance structures as learned from transformation programmes in New Zealand and overseas.

Comprehensive governance and assurance arrangements are in place to help ensure the Programme successfully delivers

- 50 Te Pae Tawhiti Programme includes robust governance arrangements, that reflect the scale and importance of the transformation. MSD’s Leadership Team governs the Programme through the dedicated Te Pae Tawhiti Transformation and Investment Committee, which has four independent advisors on it. They provide expertise and experience in significant organisational transformation as well as experience across both the public and private sector.
- 51 MSD has strong assurance arrangements embedded to help ensure the Programme is well-managed and successfully delivers. The assurance approach is consistent with the Government Chief Digital Officer’s (GCDO’s) recommended three lines of defence approach, the All-of-Government best practice and details that MSD will provide assurance through operational management and controls, governance and internal oversight and independent internal and external assurance. KPMG are engaged to provide external assurance services for the Programme and Treasury and GCDO have external oversight. As identified in the Detailed Business Case, the Programme uses a variety of tools to provide independent assurance including Treasury mandated Gateway reviews, Independent Quality Assurance, a Delivery Confidence Framework, and real-time probity assurance.
- 52 Gateway confirmed in November 2022 that the Programme is investment ready subject to completing key recommendations – these have now been addressed. The Gateway Review Team’s delivery confidence assessment was Amber/Green.⁶
- 53 The Minister of Finance and I will receive quarterly reports from the beginning of Horizon One on progress, costs, and benefits, against those set out in the Detailed Business Case. Cabinet will receive six-monthly reports on progress covering the same areas. These arrangements will ensure appropriate Ministerial oversight to support on time and on budget delivery.

MSD understand and are actively managing key risks

- 54 A view of the Programme’s key risks and their proposed mitigations are outlined in the table below:

Key Risks	Mitigations
MSD does not put in place effective change management to support the delivery of the Programme	<ul style="list-style-type: none"> Embed strong communications and change management practices. This will support managing the size, scale and pace of changes. MSD will take an approach that uses its leaders and existing relationship owners to drive engagement through existing channels and networks.
The Programme does not effectively manage the transition and temporary parallel running of old and new technology systems and processes	<ul style="list-style-type: none"> The Programme has planned for parallel running and set aside dedicated funding for technology. Transitions will be designed to minimise impact on clients, staff and partners.
The Programme does not demonstrate commitment to Te Tiriti or appropriate engagement with Tiriti partners	<ul style="list-style-type: none"> The Programme has a team of people who help support the Programme to better deliver for Māori, iwi, hapū and whānau. This includes providing advice on equity issues, including those arising out of Te Tiriti. Guidance on Te Tiriti and Ngā Mātanga Māori Values is available from practical and specific guides, which are used to support service design.
The Programme does not have the personnel to deliver the Horizon One scope	<ul style="list-style-type: none"> The Programme has a sourcing strategy in place to guide the best combination of recruiting externally; using contractors; seconding staff; and building internal capability.

⁶ This means successful delivery appears probable, but constant attention will be needed to ensure risks do not materialise into major issues threatening it.

MSD is unable to deliver the planned Horizon One scope within the two year funding available	<ul style="list-style-type: none"> Ongoing assurance activity will measure how the Programme is tracking against budget, time and scope. Regular Ministerial reporting and Cabinet report backs will ensure appropriate Ministerial oversight to support on time and on budget delivery.
There is a lack of engagement in the design of the Future Service Model	<ul style="list-style-type: none"> Detailed engagement plans are being finalised to support the Programme to engage with the right stakeholders and reflect their concerns and priorities.
The Programme's expectations of the market's ability to respond to MSD procurement documents are too high	<ul style="list-style-type: none"> Build off prior successful market engagement and align with best practice/all of Government requirements. Establish clear, open and frequent communications with the market. Use specialised commercial resource and subject matter expertise, including legal support, to manage risk and the commercial complexities.
MSD does not select the right vendor and/or platform in order to deliver on its intended outcomes	<ul style="list-style-type: none"> The Programme's procurement approach includes a robust process to support due diligence.
The Programme is unable to identify and make any necessary changes to legislative conditions to enable the Programme to be delivered	s 9(2)(f)(iv)

Next steps

- 55 Subject to Cabinet's agreement, a Request for Proposal for a Transformation Partner that will propose, configure and implement the product and services that will deliver the Service Experience Platform will be released in July 2023.

Investing in the four service changes will support further changes in Horizons Two and Three

- 56 Investing in the four proposed service changes at the preferred scope will lay the foundations for building and expanding in future Horizons. For example: The transformed service experience that starts with students in Horizon One would be followed by working age clients in Horizon Two, and seniors in Horizon Three. The new client engagement practice would be rolled out to MSD staff in Horizon Two. All the design work in Horizon One for how MSD shifts to a relational commissioning approach will be implemented in Horizon Two. A substantial proportion of the benefits from the Programme will be delivered in these later Horizons. In Horizon One, MSD is starting implementation with services and cohorts that are lower complexity to implement, building delivery confidence.
- 57 If no further funding is agreed, assets will not be used to their full potential. For example, government would not gain the value of extending the capabilities of the service experience platform to working age; seniors; partners, and staff. These groups would continue to have a fragmented, transactionally focused service that would not meet their increasingly complex needs. Client Engagement Practice must also continue if the Future Service Model is to be implemented for MSD. Funding pauses will result in loss of trust from community partners and stakeholders as well as the inevitable loss of expertise in the Programme.

- 58 s 9(2)(f)(iv)
- The regular reporting to Cabinet and joint Ministers outlined above will provide opportunities for decisions as the programme is implemented.
- s 9(2)(f)(iv)

s 9(2)(f)(iv)

59 s 9(2)(f)(iv)

Financial Implications

60 The funding required for Te Pae Tawhiti Programme – Delivering Horizon One of MSD’s Transformation initiative is \$183 million over the 2023/24 and 2024/25 financial years. This is currently made up of the following:

60.1 \$20 million appropriated directly in 2023/24 financial year as part of Budget 2023;

60.2 \$80 million held in tagged contingency as part of Budget 2023 and can be drawn down on completion of a Cabinet approved detailed business case and joint Ministers (Minister for Social Development and Employment and Minister of Finance) are satisfied with the remaining investment funding from within MSD’s baselines are sufficient to progress the first two years of Horizon One;

60.3 \$83 million of further savings from within MSD’s baselines.

61 A paper seeking joint Ministers approval to draw down the funding held in contingency, and to make other financial changes necessary to reprioritise funding from within MSD’s baseline, will be submitted soon after Cabinet’s agreement to this paper.

62 At this stage, it is estimated the cost for the whole Programme across all three horizons is between \$2.1 to \$2.6 billion. MSD will continue to reassess the Programme costs and will provide a detailed update in the next Detailed Business Case.

63 The Programme will deliver significant improvements to the uptake of full and correct entitlements. It is expected that this will increase costs to existing Vote Social Development appropriations, but there is a high degree of uncertainty about the quantum and timing. This impact will be closely monitored.

Legislative Implications

64 This paper does not propose legislative changes, but they will be required to enable the Programme to realise some benefits. s 9(2)(f)(iv)

[Redacted]

64.1 s 9(2)(f)(iv)

64.2 s 9(2)(f)(iv)

Impact Analysis

66 A Regulatory Impact Analysis is not required at this time, as this proposal does not seek legislative change.

Te Tiriti o Waitangi analysis

67 MSD is committed to supporting the Crown to meet its commitments as a Tiriti partner. This is reflected in its commitment to Te Pae Tata, its Māori strategy and action plan that helps guide its approach to delivering better outcomes for Māori. MSD supports the Crown as a Tiriti partner in its relationships with Māori through developing the capability of its people to engage with Māori and understand their aspirations and perspectives, reflecting section 14 of the Public Service Act 2020.

68 MSD will leverage established networks and relationships to work with Māori partners to establish, build, and strengthen structures, pathways, and mechanisms to improve the intergenerational social and economic wellbeing of whānau, supporting them to be strong, safe and prosperous – te mana kaha o te whānau.

69 MSD is growing in its understanding of how to incorporate a te ao Māori view and deliver its services to be more responsive to Māori. For example, an Equity Team has been established, with Te Tiriti as the foundation. This team will help support the Programme to better deliver outcomes for Māori, iwi, hapū and whānau.

Population implications

70 The four service changes in Horizon One will positively impact people in different population groups through supporting improvements to the welfare system. Key specific impacts on different population groups are detailed below.

Population group	How the proposal may affect this group
Māori	<p>Māori are currently highly and disproportionately represented amongst people accessing welfare services. Whānau, Māori, hapū and Iwi have called for greater partnership in the design, delivery and evaluation of services.</p> <p>The proposed service changes will improve equity by improving access to more culturally appropriate services for Māori:</p> <ul style="list-style-type: none"> • Moving to a relational commissioning model will improve partner experience for Māori providers. • Client Engagement Practice will enable MSD to build the cultural capability of their workforce to ensure MSD staff understand the Māori world view. This will enable the MSD to better respond to needs of Māori and engage appropriately with their client and/or their whānau. • Services will better meet the needs of Māori because they will have been involved in the design, planning and rollout of those services.
Pacific people	<p>Pacific people are currently highly and disproportionately represented amongst people accessing welfare services.</p> <p>The proposed service changes will improve equity by improving access to more culturally appropriate services for Pacific:</p> <ul style="list-style-type: none"> • Moving to a relational commissioning model will improve partner experience for Pacific providers. • Client Engagement Practice will enable MSD to build the cultural capability of their workforce and ensure the workforce understands the

	<p>cultural needs of Pacific people to engage appropriately to the needs of the client and/or their families.</p> <ul style="list-style-type: none"> • Services will better meet the needs of Pacific people because they will have been involved in the design of those services.
Ethnic communities	MSD supports a diverse group of communities with different needs, skills and experiences. The relational approach to social sector commissioning will support provision of services from MSD partners that respond to the uniqueness of different ethnic groups and the diversity of cultural practices.
Disabled people and people with health conditions	<p>Disabled people and people with health conditions, tangata whaikaha Māori (disabled Māori) and their families and whānau may face barriers to accessing support and services from MSD. They will benefit from the service changes, including:</p> <ul style="list-style-type: none"> • being able to access a range of services that are responsive to people with complex needs, such as people with multiple health conditions and the acknowledgement of and response to the impact of challenging life experiences. • MSD working more effectively with partners that provide a range of services and support for these diverse communities. • MSD seeking to provide information in accessible and alternate formats so that they have equitable access to MSD services.
Older people (aged 50 and over)	<p>MSD supports older job seekers into employment as those aged over 50 experience disadvantage in the labour market and are at risk of job insecurity/displacement. Some may benefit from improved employment outcomes through access to the digital employment platform, with it being important to design services to meet the needs of digitally disadvantaged older workers and employers.</p> <p>MSD also provides superannuation support and a range of other services to New Zealand's older population aged 65+, although there is an increasing proportion of people needing to work beyond this age of superannuation entitlement. Implementing the service experience in Horizon One will lay the foundations better services to superannuants in Horizon Three.</p>
Children and young people	<p>Young people who are students will benefit from improved access and experience through the Service Experience and Client Engagement Practice service changes.</p> <p>The wellbeing of children will be improved through MSD providing more holistic and integrated support to clients with children, and working more effectively with partners that provide a range of services and support for families and whānau.</p>
Women	Women, including wāhine Māori, Pacific women and women from the full range of ethnic communities, are disproportionately represented amongst people accessing welfare services. They will benefit from the improvements to the welfare system enabled by the service changes, including and improved employment and other supports through partnered responses.
Rural communities	Rural communities currently may find it more difficult to access services and support due to their location. They will benefit from the changes, including from a relational approach to social sector commissioning enabling MSD to work better with partners that respond to harder to reach groups.

Human rights

- 71 The proposed investment is consistent with the Human Rights Act 1993 and the New Zealand Bill of Rights Act 1990.

Consultation

- 72 The following departments were consulted on this Cabinet paper: Accident Compensation Corporation; Department of Corrections; Department of Internal

Affairs (Government Chief Digital Officer); Department of Prime Minister and Cabinet; Inland Revenue; Kāinga Ora, Ministry of Business, Innovation and Employment; Ministry of Education; Ministry of Foreign Affairs and Trade; Ministry of Health, Ministry of Housing and Urban Development; Ministry of Justice; Ministry for Pacific Peoples; Ministry for Women; Oranga Tamariki; Social Wellbeing Agency; Te Arawhiti; Te Puni Kōkiri; Ministry for Ethnic Communities; Whaikaha and Treasury.

Proactive Release

- 73 I intend to release this paper proactively, subject to any redactions that may be warranted under the Official Information Act 1982.

Recommendations

The Minister for Social Development and Employment recommends that the Committee:

- 1 **note** the Ministry of Social Development's (MSD's) current operating system is limiting our ability to achieve the government's vision for the welfare overhaul;
- 2 **note** that the Te Pae Tawhiti Transformation Programme aims to transform how MSD interacts with clients, whānau, communities and partners by redesigning the Ministry's operating model to support better integrated and easier to access services and supports;
- 3 **note** that in May 2022, Cabinet considered Te Pae Tawhiti Programme Business Case and agreed the preferred way forward is a transformation to support fully integrated services, with a tiered approach, supported by redesigned business processes and renewed technology platforms;
- 4 **note** that Cabinet invited the Minister for Social Development and Employment to report back to GOV in early 2023 with a Detailed Business Case;
- 5 **agree** that the Te Pae Tawhiti Transformation Programme be delivered over nine years through three horizons of three years each;
- 6 **note** the transformation through Te Pae Tawhiti Programme will enable MSD to better meet the needs of New Zealanders and support the overhaul of the welfare system;
- 7 **note** that MSD will continue to deliver on Government priorities but will have constrained capacity to take on additional work during the implementation of the Programme;

Scope of Horizon One (1 July 2023 to 30 June 2026)

- 8 **agree** that the Horizon One is investment ready, as MSD has:
 - 8.1 determined the procurement requirements across the Horizon One service changes and supporting work described below, and that there is a viable market for the key procurements it needs to undertake
 - 8.2 detailed plans and schedules in place that set out the work for delivery of service changes and supporting work in Horizon One, including the scope, sequencing, and prioritisation of work,
 - 8.3 the capability and capacity to implement these changes while continuing to provide existing services without disruption,

- 8.4 comprehensive governance and assurance arrangements in place;
- 9 **agree** to start Te Pae Tawhiti Programme, beginning with Horizon One for the three-year period 2023/24 to 2025/26;
- 10 **approve** the Te Pae Tawhiti Horizon One Transformation Detailed Business Case attached as Appendix 2;
- 11 **agree** to the following preferred option in the Detailed Business Case for the Te Pae Tawhiti Programme Horizon One, which will deliver tangible benefits through four service changes and supporting work:
- 11.1 *Service Experience*: Establish a new service experience platform and business capabilities that will be foundational for MSD's future systems, processes and practices, which will be used to improve services to students in Horizon One;
- 11.2 *Employment Service*: Establish a digital employment platform that will transform the ability of jobseekers to connect with employers and gain upskilling opportunities to help them get better jobs and sustainable employment;
- 11.3 *Client Engagement Practice*: Design a new way for MSD's staff to engage with clients, testing at selected sites, and implementing the changes required to support the transformed service experience for students;
- 11.4 *Kotahitanga*: Design and test components of a Relational Commissioning Operating Model with a selected number of partners, as well as redesigned funding & information models, information approaches, and implementing a new Foundational Contracting and Procurement System;
- 11.5 *Supporting work*: Foundational, design, and programme management work necessary to support the service changes;
- 12 **note** Horizon one will primarily benefit students, jobseekers and partners of the Ministry of Social Development, while laying the foundation for the next Horizons;
- 13 **agree** to implement Horizon One using Option C (partially implement) as set out in the Economic Case of the Detailed Business Case (Appendix 2);

Funding for Horizon One

- 14 **note** that in April 2023 joint Ministers with delegated authority from Cabinet [CAB-23-MIN-0139 refers] agreed to fund up to \$183 million for the first two years of the Te Pae Tawhiti Transformation Programme, consisting of:
- 14.1 \$20 million appropriated directly in the 2023/24 financial year to enable the Te Pae Tawhiti Transformation Programme to continue,
- 14.2 \$80 million held in tagged contingency to enable the Horizon One to begin, and
- 14.3 up to \$83 million of further savings from within MSD's baseline;
- 15 **note** that joint Ministers agreed that the funding held in contingency could be appropriated subject to:

- 15.1 Cabinet's approval of MSD's Te Pae Tawhiti Horizon One Transformation Detailed Business Case including the scope of Horizon One, and agrees that Horizon One is investment ready, and
- 15.2 the Minister for Social Development and Employment and the Minister of Finance being satisfied that the further savings available from within MSD's baselines for reprioritisation are sufficient to progress the first two years of Horizon One;
- 16 **note** that a paper seeking joint Ministers approval to draw down the funding held in contingency, and to make other financial changes necessary to reprioritise funding from within MSD's baseline, will be submitted soon after Cabinet's agreement to the recommendations above;
- 17 **note** that this funding is only sufficient to meet the costs of the first two years of Horizon One of the Te Pae Tawhiti Transformation Programme, and further funding will need to be agreed if the Programme is to proceed beyond that point;

Ongoing reporting

- 18 **note** that the Minister of Finance and the Minister for Social Development and Employment will receive quarterly reports on the Programme's progress;
- 19 **invite** the Minister for Social Development and Employment to provide to Cabinet six-monthly reports on the Programme's progress;


20 s 9(2)(f)(iv) [Redacted]

20.1 s 9(2)(f)(iv) [Redacted]

20.2 [Redacted]

20.3 [Redacted]

21 s 9(2)(f)(iv)



Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development and Employment

Appendices

Appendix 1: Te Pae Tawhiti Programme Overview

Appendix 2: Te Pae Tawhiti Programme – Horizon One - Detailed Business Case