

MSD Business Transformation Te Pae Tawhiti Programme Horizons Two and Three Detailed Business Case

Manaaki Tangata, Manaaki Whānau

We help New Zealanders to be safe,
strong and independent

Ko te pae tawhiti	Seek out distant
whāia kia tata	horizons
ko te pae tata	while cherishing
Whakamaua kia	those achievements
tina	at hand

4 Dec 2024

BUDGET SENSITIVE
IN CONFIDENCE

Table of contents

Executive summary	4
STRATEGIC CASE	5
ECONOMIC CASE	7
COMMERCIAL CASE	9
FINANCIAL CASE	10
MANAGEMENT CASE	13
Introduction	16
Strategic Case	19
THE OVERALL CASE FOR CHANGE	19
INVESTMENT OBJECTIVES	25
FUTURE SERVICE MODEL AND TARGET OPERATING MODEL	27
TECHNOLOGY CHANGE	30
TARGET OPERATING MODEL	31
HOW TRANSFORMATION IS BEING DELIVERED	32
BENEFITS REALISATION	38
POLICY AND LEGISLATIVE ENABLERS	43
Economic Case	44
OPTION A: STOP THE PROGRAMME AND MAINTAIN STATUS QUO	48
OPTION B: TECHNOLOGY CHANGE ONLY	51
OPTION C: TRANSFORMATION (PREFERRED OPTION)	55
DIFFERENCES TO DBC1 TRANSFORMATION	61
FUTURE FLEXIBILITY AND OPTIONS	64
Commercial Case	65
MARKET ENGAGEMENT	65
PROBITY, ASSURANCE AND LEGAL ADVICE	67
THE MINISTRY'S ROLE IN AGGREGATION	69
COMMERCIAL RISKS OF FUNDING UNCERTAINTY	70
Financial Case	72
HORIZON ONE FUNDING	73
ALL-OF-PROGRAMME COSTS	74
FUNDING FROM COST SAVINGS	76
FUNDING REQUIRED FOR COMPLETION OF PROGRAMME	78
NPV OF PROGRAMME INVESTMENT	80

Management Case	81
PROGRAMME DELIVERY MODEL	87
BENEFITS REALISATION	89
PROGRAMME RISK MANAGEMENT.....	92
REPORTING TO MINISTERS AND OTHER KEY STAKEHOLDERS	93
CONSTRAINTS, DEPENDENCIES AND ASSUMPTIONS	94
INTEGRATED PROGRAMME PLAN	98
APPENDIX A: § 9(2)(f)(iv)	100
§ 9(2)(f)(iv)	100
.....	100
.....	101
.....	103
.....	105
.....	105
.....	108
.....	110
.....	110
APPENDIX B: Economic Case Options Analysis	113
OPTION A: STOP THE PROGRAMME AND MAINTAIN STATUS QUO	113
OPTION B: TECHNOLOGY CHANGE ONLY	119
OPTION C: TRANSFORMATION.....	122
APPENDIX C: Preferred Option Costing.....	123
PROGRAMME COST ASSESSMENT.....	126
APPENDIX D: Programme Governance and Leadership.....	129
APPENDIX E: Detailed Programme Delivery Model	131
APPENDIX F: Key Programme Risks	132
APPENDIX G: Chief Executive Letter	137
APPENDIX H: Supporting Documents	138

Executive summary

The Ministry of Social Development (MSD) is responsible for the oversight of New Zealand's social welfare system including the provision of employment services; income support for people with low or no income, students and superannuitants; housing support; community partnerships and programmes; and social policy and investment advice.

The Ministry faces three serious problems constraining the delivery of Government policies and goals:

1. Client outcomes – our fragmented, transactionally focused service approach does not meet the needs and expectations of New Zealanders; for example, clients are often passed between MSD functions and groups to receive services, which can result in poor client experiences, difficulty understanding their entitlements and obligations, and a failure to get the right support for their needs.
2. Client experience – our current service model can make it difficult for clients to get help, which could result in harm and exacerbate hardship; for example, delays in clients getting payments can result in them facing financial hardship including rent arrears, while any overpayment creates debt that then has to be repaid.
3. Risk of service failure – the high and increasing likelihood of service and payment failure risks serious harm to clients, partners, and New Zealand.

To address these issues, MSD needs to change the way it operates and modernise its technology and business processes to support new ways of working, and reduce costs and risk. It needs to target and integrate services through a tiered service model to deliver improved employment outcomes, reduced benefit dependency and greater consistency across the country. These changes would enable significant efficiencies and improve the effectiveness of the services provided to New Zealanders.

Between November 2021 and June 2023, Cabinet took a series of decisions to approve the development and commencement of MSD's business transformation programme. In May 2022, a Programme Business Case (PBC) was presented to Cabinet setting out options for change to address the issues above. Cabinet agreed that a transformation programme to deliver a new service delivery model that supports fully

integrated services, redesigned business processes and renewed technology platforms, was the preferred change option.

In June 2023, a Detailed Business Case (DBC1) was presented to Cabinet seeking approval to commence Transformation. It sought funding for the first two years of the programme of \$183 million, comprising \$100 million of new funding and \$83 million of savings from within MSD's baseline, which was agreed in Budget 2023. It was noted MSD would return in Budget 2025 for funding for Year 3 as well as funding to continue the Programme.

Transformation is a nine-year programme across three planning horizons. The timeframe reflects the complexity and risk of a large-scale business transformation encompassing services, processes and technology. MSD recognises it needs to ensure it manages business-as-usual service delivery and ongoing change during the term of the Programme.

The Programme commenced in July 2023 and is now in its second year of delivery. Transformation is being delivered in six workstreams in an integrated and coordinated programme of work. It is on target to deliver key milestones.

This Detailed Business Case (DBC2) is for the remainder of the Programme, and is seeking:

- Government commitment to the completion of the Transformation Programme
- Agreement to the funding envelope for the remainder of the Programme.

Strategic case

The Ministry's current service model is a result of decades of incremental change responding to legislative, policy and client demands. Our services are transactional and siloed into product lines such as income support, housing, employment and StudyLink. System and process complexity means that transaction processing crowds out staff time that needs to be spent working with clients and targeting services and support to reduce benefit dependency. Our current operating model and systems mean that, without change, we will need to add more people to our workforce in the coming years to meet increasing demand.

The Ministry has a major gap in its services with the lack of an effective digital employment service. This limits the value we can provide for

clients and employers as well as the broader economy and reduces our capacity to provide intensive services to those who are most at risk of becoming long-term benefit recipients.

Our current technology is ageing, complex, at risk of failure, and not fit for the future. Core systems are at their end of life and have no future roadmap. They are increasingly prone to performance issues, outages and security vulnerabilities, and an excessive amount of effort is required to keep them operational and safe. It is expensive, cumbersome and complex to respond to Government priorities. Making even routine rate changes to benefits and other payments changes is a drawn-out process taking up to 12 months.

Transformation will significantly change the way MSD delivers services. It implements a Future Service Model that enables MSD to target and integrate services to clients, with a tiered services approach that enables us to tailor responses to clients, employers and other partners based on how much support they need. These changes will deliver better employment outcomes, reduced benefit dependency by getting people off benefits and into work, and greater consistency across the country, and provides an improved system to support partnering for outcomes with community providers, which allows for social investment commissioning.

Transformation also delivers a modern technology environment that spans eligibility and entitlement, client management, digital services, employment, and contracting and commissioning services. It takes advantage of AI and data-driven technologies to create personalised and targeted guidance. It delivers a modernised payments system and improved insights and intelligence to help target services and resources effectively. It will significantly reduce the overall risk of system failure, enable us to implement policy change faster, and maximise return on investment across government by establishing common business processes, payments and case management patterns.

Transformation will enable MSD to take a service transformation role across the social sector. The investment will contribute to the Government's digital strategy through re-usable patterns, knowledge, and standards that can be drawn on by any agency. Transformation delivers significant benefits across four areas:

- Efficiency
- Effectiveness

- Experience
- Risk and agility.

§ 9(2)(f)(iv)

§ 9(2)(f)(iv)

§ 9(2)(f)(iv)

Economic case

The Ministry has re-examined three options for delivering the Programme to ensure we align with Government's priorities of fiscal sustainability, cutting red tape, and affordable, quality public services:

- Option A: Stop the programme and maintain status quo** – stop the Programme and continue to make ad hoc/just-in-time remediation (noting the risk with taking this approach)
- Option B: Technology change only** – planned replacement of core systems but not delivering operating model and service model changes.
- Option C: Transformation** – a re-sequenced Transformation delivering operating model and service model changes as well as technology change. This is a refinement on the preferred option in the PBC and DBC1.

The Ministry recommends Option C: Transformation, for the following reasons:

- It delivers the operating model, technology and business process changes that enable a sustainable welfare system for the future.
- It enables MSD to more effectively tier, target and integrate services.
- It delivers the highest level of benefits including efficiencies and cost savings.
- It delivers the highest achievement of the investment objectives.
- s 9(2)(f)(iv) [REDACTED]
- It is the only option that sets up MSD to respond to change quickly, manage demand, and target investment to deliver a sustainable welfare system.

Option C includes a modern technology environment that spans eligibility and entitlement systems, client management systems, digital services, employment, contracting and commissioning, and modernising the core government payments system. It leverages the business process and operating model changes that could be achieved through new technology foundations like AI, Cloud, and Digital Identity.

Option C reflects our learnings both in New Zealand and internationally in Horizon One plus the experience of other organisations with similar transformation programmes. It delivers benefits across all MSD client cohorts earlier at a lower overall investment than that estimated in DBC1.

Option C requires an investment of \$1.8 – \$2.1 billion over nine years [REDACTED]

s 9(2)(f)(iv) [REDACTED]

Two other options were considered but rejected, as set out below.

Option B involves the progressive and planned replacement of core technology systems ultimately resulting in a modern technology environment. It does not deliver the service and business process

changes and does not provide a tiered service delivery model that enables the allocation of resources and investment to target the right services to the right people in an efficient and effective manner.

s 9(2)(f)(iv)

Option A would see MSD maintain its current approach to remediating, maintaining and/or replacing the ageing and at-risk systems in a just-in-time manner, and would continue to deliver services within the constraints of our existing service model, systems and business processes. While this option produces some benefits in terms of mitigation of the current systems risk, it maintains a high-level of risk of service failure into the future, and Transformation would still be required in the future.

Option A would require approximately \$1.15 billion in additional funding over nine years comprising \$1 billion for technology change and \$146 million to maintain existing service levels, without delivering any benefits from the transformation programme.

Commercial case

The Ministry has engaged with the market before and during Horizon One in accordance with the Procurement Strategy outlined in the PBC and the approach outlined in DBC1.

We have selected strategic partners to help manage the overall programme delivery, and preferred suppliers for two of the Programme's service delivery workstreams – Service Experience and the Digital Employment Service. We have decided to use our new financial management information system (FMIS) platform and implementation partner to address the requirements of Effective Commissioning and Contracting - Kotahitanga.

The remaining major platform for delivery of Transformation is that required for the voice communications and the Contact Centre. The Ministry will upgrade its existing contact centre application to a cloud-based solution, leveraging common patterns from across government.

s 9(2)(b)(ii)

s 9(2)(b)(ii)

Where other services are needed during the Programme, the Ministry will continue to follow the Procurement Strategy, including using government procurement panels to enhance capability as and when needed.

Financial case

This business case covers the following:

- Updated whole Programme costs by horizon and year.
- Funding required for completion of Horizon One in FY2026.
- Funding required for Horizon Two covering FY2027 – FY2029.
- Funding required for Horizon Three covering FY2030 – FY2032.

Funding Commitment for the Programme

Over the last 18 months, the Ministry has undertaken significant work to strengthen the financial case for Transformation. We have:

- Enhanced our financial models and recalculated the cost of Transformation using new and refined information.

- s 9(2)(f)(iv)

- s 9(2)(f)(iv)

At present the Programme is operating with a two-year funding envelope. This limits MSD's ability to:

- Build and maintain its own capability and capacity for the life of the Programme.
- Enter into the best possible commercial deals with partners and suppliers.
- Develop the most optimal architecture, delivery plans and initiative sequences.
- Optimise the delivery of benefits of the Programme.

The Ministry needs funding certainty for the Programme to ensure we can:

- Deliver most cost-effectively over the life of the Programme.
- Build the capability and capacity within MSD.
- s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
- Develop the optimal business and systems architecture and delivery plans to maximise benefits and return-on-investment.

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

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

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

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

Funding required for completion of Programme

s 9(2)(f)(iv)

[Redacted text block]

s 9(2)(f)(iv)

[Redacted text block]

s 9(2)(f)(iv)

[Redacted text block]

The funding requirements are summarised in the table below.

Table 1 – Funding Required to Complete Programme

	Horizon One (Year 3) FY2026	Horizon Two (Years 4–6) FY2027– FY2029	Horizon Three (Years 7–9) FY2030– FY2032
(\$ millions)			
s 9(2)(f)(iv)	[Redacted table content]		

Management case

The Programme is on track, on time and on budget.

We have built the capability and attracted the talent to deliver, and we have engaged subject matter experts from our frontline staff to help design and deliver the change required. We have engaged transformation partners comprising international and New Zealand companies to help deliver the service and technology changes, and to share the delivery risk.

The Ministry's governance and leadership has been enhanced to effectively manage the Programme alongside business-as-usual priorities. The governance and leadership structure has proven fit-for-purpose in managing the Programme delivery in Horizon One, and we will continue to ensure it is responsive and adaptive over the life of the Programme.

We have an assurance plan in place including Gateway Reviews, Independent Quality Assurance, and independent advisors on the Programme's governance group who provide effective insight and challenge.

The Programme is leveraging the Ministry's existing change methodology, processes, tools, and templates - tailoring and enhancing these as required to manage change within the Programme.

We are learning from other organisations who have undertaken equivalent transformations both in New Zealand – such as Inland Revenue and ACC – and overseas including Employment and Social Development Canada.

We have developed a Programme Delivery Model that aligns with the Ministry's Integrated Programme Plan (IPP) and enables strong integration of all design, implementation and change activities; easier management of resource conflicts; and streamlined governance and management.

We are set to deliver Transformation alongside other change with dedicated, ring-fenced funding and resources for the Programme ensuring it has priority status, and the governance structure to provide visibility and decision-making over all work and change at MSD.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

s 9(2)(f)(iv) [Redacted text block containing multiple paragraphs of information]

Programme risk management

There are two significant risks to the delivery of the Programme – the impact of ongoing business-as-usual change, and the failure to execute organisation and culture change in support of the benefits realisation. As discussed above, MSD has the programme and organisational leadership, governance, planning, engagement, and proposed funding and resourcing arrangements in place to address the first risk. s 9(2)(f)(iv) [Redacted text]

[Redacted text block]

The Programme’s Risk and Issue Management Strategy provides tools to identify and manage risks and issues early, and to minimise impacts to the successful delivery of the Programme. There is engagement and line of sight between the Programme and relevant Ministry-wide risks.

Reporting to Ministers and other key stakeholders

The programme is proposing an enhanced reporting framework for Ministers and other key stakeholders, the main elements of which are set out in the following table.

¹ Gateway Review December 2023, Recommendation 5, p3.

Table 2 - Reporting for Ministers and Key Stakeholders

Stakeholder	Frequency
Cabinet	Quarterly Investment Reporting to EXP Cabinet Committee
	Programme update to EXP Cabinet Committee once a year
Joint Ministers	Two times per year
	Direct reports from independent advisor(s)
Quality Assurance	Gateway Reviews at key decision points
	Quarterly or as requested

Introduction

MSD needs to transform its systems, processes and capabilities to better meet the needs of Government and New Zealanders

The welfare system is a key function of New Zealand's public services that enables the Government to calculate and distribute payments, get people into work, and partner with a range of providers to support and deliver employment, housing and income support. MSD has an ongoing role in the provision of public services that are critical to the economic and social stability of New Zealand, and its facilities and systems are critical to the delivery of Government policy settings.

More than 1.3 million people receive services and support from MSD, comprising \$42.467 billion in payments in 2023/24², delivered through 122 service centres, seven contact centres and partnerships with over 2,000 providers.

The Ministry's current service model, technology and business processes have developed over many years to meet changing Government policy, demands, products and needs. Increasing demand for our services is driving an increased need for resources to provide and support service delivery and, in the absence of Transformation, this will continue.

Our current technology is ageing, complex, at risk of failure, and not fit for the future. Core systems are at their end of life and have no future roadmap. They are increasingly prone to performance issues, outages and security vulnerabilities, and an excessive amount of effort is required to keep systems operational and safe. It is expensive, cumbersome and complex to respond to Government priorities. Making changes for even routine rate changes for the Annual General Adjustment on April 1st is a drawn-out process with significant manual corrections involving large numbers of staff and taking up to 12 months.

² Including \$21.574 billion of New Zealand Superannuation payments

This Detailed Business Case follows on from the Programme Business Case and Detailed Business Case for Horizon One

In May 2022, a Te Pae Tawhiti Programme Business Case (PBC) was presented to Cabinet setting out options for change to address the issues MSD is facing. Cabinet agreed, as the preferred option, a transformation programme to deliver a new service delivery model that supports fully integrated services, redesigned business processes and renewed technology platforms.³

In June 2023, a Detailed Business Case (DBC1) was presented to Cabinet. It sought approval of funding of \$183 million, comprising \$100 million of new funding and \$83 million of savings from within MSD's baseline, agreed in Budget 2023, for the first two years of the programme, and confirmed the preferred change option from the Programme Business Case⁴. Further options for the extent and pace of the change were examined and rejected based on higher risk and reduced benefits. The overall programme was confirmed as comprising three "horizons" of three years each, with an iterative approach to delivery of foundational components and transformed services. Horizon One is now underway and on target to deliver by June 2026.

It was noted MSD would return in Budget 2025 for funding for Year Three of Horizon One as well as funding for Horizon Two of the programme.

This Detailed Business Case (DBC2) is for the remainder of the Programme, and is seeking:

- Government commitment to the completion of the Transformation Programme.

- s 9(2)(f)(iv)

- s 9(2)(f)(iv)

³ See GOV-22-MIN-0011 (May 2022)

⁴ See GOV-23-MIN-0016 (June 2023)

This business case does not restate the case for change set out in the PBC and DBC1 except where this may have changed from the earlier business cases. It includes:

- A reiteration of the Strategic Case specifically as it applies to the Government's priorities, plus an updated benefits model and more detailed description of the Future Service Model and Target Operating Model that will be delivered by the Programme.
- An updated Economic Case that clarifies the options for change and value delivered by each option.
- An updated Commercial Case reporting on the programme's market engagement to date and the remaining commercial requirements.
- An updated Financial Case that reflects improved cost estimates due to knowledge gained in Horizon One and market engagement to date, s 9(2)(f)(iv)
- An updated Management Case that considers how the programme is being managed to date and addresses specific issues such as those raised in the December 2023 Gateway review.

The Programme is already delivering

Te Pae Tawhiti Programme commenced in July 2023 and is now in its second year. It is on target for completion of Horizon One by June 2026, subject to funding in Budget 2025. It is on track to deliver key milestones in line with expectations agreed with Joint Ministers in 2024.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

Strategic Case

This Strategic Case confirms the overall case for change as set out in the earlier business cases (PBC and DBC1). The Government's priorities for fiscal sustainability and value for money mean it is more important than ever that MSD delivers the operating model improvements, service changes and the efficiencies the Programme will enable.

s 9(2)(f)(iv)

The Overall Case for Change

MSD provides critical infrastructure for New Zealand

The Ministry provides critical infrastructure that enables the government to distribute payments, get people into work, and partner effectively with a range of providers (e.g. employment, housing and community providers, and employers). It is the lead agency for managing and delivering New Zealand's welfare system and provides New Zealand's public employment service. MSD is the main administrator of financial assistance payments to New Zealanders including New Zealand Superannuation, income support and student support, handling approximately 32.5 percent of core Crown expenditure amounting to more than \$42 billion in 2023/24. This is expected to increase to over \$45 billion in 2024/25. New Zealand Superannuation, which makes up around half of the Vote, is driving an on-going growth in expenditure.

Social, economic, and technological changes are increasing demand on the welfare system

The Ministry's operating environment is changing - driven by social, economic and demographic factors - and we are experiencing increasing and more complex demand for our services. Our clients often have multiple needs and need to interact with us in a range of ways. The economic environment and increased cost of living, the ageing population resulting in growth in Superannuation numbers, and the decline in home ownership leading to increased financial hardship, are particular factors driving demand.

A core objective for the Ministry is to support people into work. We proactively support people at risk of long-term benefit receipt to prepare for, find and retain suitable employment that improves their long-term wellbeing. In 2023/24 there were 59,718 exits from Jobseeker Support into work.

The number of people requiring income support is increasing. As at the end of June 2024, 1,379,000 people were receiving support from MSD. Of these:

- 912,420 were receiving New Zealand superannuation. Over the next 10 years, this number is expected to increase to 1.2 million people.
- 380,889 people were receiving a main benefit.

We are consistently called to lead the welfare, employment and social elements of the Government's responses to crisis events such as the North Island severe weather events, the Christchurch mosques attack and the COVID-19 pandemic. Transformation is needed to ensure our services and technology are able to respond and we can take the lead across government when these events occur.

Technological advances and the prevalence of innovative digital services have changed the way people and businesses operate, setting expectations for government services that are easy to access, continuously available, integrated (online and in-person as well as across all dealings with agencies), and right first time.

The Ministry's service model is fragmented and inefficient

The Ministry's current service model is the product of decades of incremental change responding to government direction, legislative, policy and client demands. As a result, MSD's services are transactional and siloed in product lines such as income support, housing, employment and StudyLink. The fragmented nature of the services means clients are often passed between MSD functions and groups to receive the correct service, resulting in poor service experiences, confusion about our expectations of them, and difficulty in accessing the right support for their needs.

The years of incremental change mean we operate a very complex and disparate set of processes, business rules, and operational policies. This results in the following impacts:

- For **New Zealanders:**

- Clients can have difficulty understanding their entitlements and obligations.
- Clients face fragmented processes and digital services which are time consuming and challenging to navigate, e.g. often having to shift between methods of communicating with us, repeating information many times.
- Case management to assist people into work is limited by the time spent processing income support transactions.
- Client debt to MSD can be created due to overpayments when this could be avoided with better systems.
- Jobseekers have difficulty navigating our services.
- When MSD can't provide support, people may not always be connected to other options.
- Clients with multiple needs are limited to addressing a single issue or accessing one service rather than focusing on all needs and achieving an outcome.
- Clients don't always understand why they are in case management or what to expect.
- Service experience fails to meet expectations set within the private sector and for digital government.

- For **MSD people:**

- Staff spend significant amounts of time navigating multiple processes and systems, which leads to substantial delays, inconsistencies and rework.
- A significant amount of time is spent manually processing client payments, which are simple processes that should be automated.
- Staff are not able to spend time supporting clients into employment and managing cases that need more intense work.
- A lack of connection between service centres and contact centres results in unnecessary delays in resolving client requests, and a less efficient workflow.

- **For Partners and Employers:**
 - Ineffective and inefficient business processes impact upon partners' abilities to deliver services and improve outcomes.
 - We do not have a full view of the all the work with any partner.
 - There is a lack of visibility and consistent understanding of local and regional employers and their needs.
 - They are not able to easily access all the information they need.
- **For the Government:**
 - It is increasingly difficult and expensive to implement policy changes - we are heavily dependent on more and more staff to administer changes rather than leveraging modern technology.
 - We cannot free up resources to focus more on managing cases with greatest need and ensuring clients meet their obligations to find work and move off benefits.
 - We cannot reduce costs to provide services while maintaining service levels and delivering Government policy outcomes.

We lack an effective digital employment service

The Ministry has a major gap in its services with the lack of an effective digital employment service. This limits the value we can provide for clients and employers, as well as the broader economy, and reduces our capacity to provide intensive services to those who are most at risk of becoming long-term benefit recipients.

The Ministry's core information systems are at the end of their useful life

The Ministry's current technological environment is complex and slow to change, with a large number of core applications, some of which are over 30 years old.

A number of critical systems are at their end of life and have no future roadmap resulting in:

- Performance issues

- Security vulnerabilities, and
- Excessive effort required to keep them operational and safe in an environment of growing global threats from foreign interference and cybersecurity attacks.

Without transformation, MSD will need to spend over \$1 billion over nine years on technology changes incrementally remediating, maintaining, or replacing these at risk and critical systems.

The following core payments and client information systems will go out of support over the next two to five years, or have no path forward once they reach end of life:

- **SWIFTT**: This is the primary system for benefits and New Zealand Superannuation payments, managing eligibility and entitlements, and debt recovery. It is over 30 years old and during March 2024 paid over 1.27 million people. It is on the same platform that it was migrated to in the early 2000s. We are on the last available support contract and therefore have to migrate off SWIFTT in 2028.
- **Cúram**: This is the Ministry's core client management system. It was acquired by a US venture capital company from IBM in 2023 and was placed in a standalone company. s 9(2)(b)(ii)
- **SAL**: The Student Allowances and Loans system provides:
 - the ability to record and track a client's study
 - management of applications, entitlements and obligations
 - management of allowances, scholarships and loans for fees, and course-related and living costs.

SAL is at the end of its life and MSD must begin migrating off it by 2026.

- **MyMSD**: This is MSD's main digital channel, enabling clients to access information and undertake tasks including applying for assistance online. Only 15% of tasks can be completed end-to-end online without requiring additional back-office processing by staff.

The systems environment constrains the amount of time our people can spend on higher value work

The amount of time MSD staff spend on processing transactions means they have less time available to perform higher-value tasks such as supporting clients into employment, obtaining suitable housing or addressing their other specific needs. Completing even simple transactions often requires front line staff to switch between multiple systems, which are not integrated or easy to use and do not provide a single view of clients' needs and services. For example, to assess eligibility and entitlement, staff must use multiple systems, which require re-keying of information and switching between different screens - increasing the likelihood of data entry errors, incorrect assessment of needs and entitlements, and over-payments. All of this work crowds out case management.

Our business processes are complicated and inconsistent

Our business processes have developed over time to meet changing services, products and government priorities, and this incremental change has resulted in our processes becoming 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. Processes, business rules, and operational policy information are stored in different places with duplication and inconsistencies, and we have process variations across offices and regions.

As a result:

- The complexity of our business processes results in high levels of rework and errors.
- Clients face difficult, repetitive, and time-consuming processes to get the support they need, even when they have relatively straightforward needs.
- Clients that want to self-manage face fragmented processes and digital services that are time-consuming and challenging to navigate.
- We have a lack of consistency between offices and regions and across service channels.

Implementing policy and service changes is increasingly difficult

The outdated systems and corresponding support issues mean all change takes time, incurs a high cost, and has a high risk of failure, which limits our ability to quickly respond to changes in Government priorities. Over the years we have implemented numerous policy changes and new products, often under tight timeframes. However, changes have needed disproportionately large amounts of resources and time to implement, for example:

- 2012-2013 welfare reform initiative was delivered over three phases taking 24 months, costing \$50.9 million with up to 715 full-time equivalent (FTE) staff involved.
- 2018-2019 families package initiative took 26 months to deliver, costing \$8.2 million with up to 231 FTEs involved.
- Making changes for even routine rate changes to benefits and other payments for the Annual General Adjustment on April 1st takes up to 12 months to implement each year, including approximately 10,000 manual exceptions, manual rates updates and other tasks. This requires a project team of 13 FTEs and 6,700 hours of effort.

Investment objectives

We have reviewed the investment objectives from DBC1 in view of Government priorities and the renewed focus on delivering service improvements and value. The revised investment objectives for the programme are as follows.

Table 3 - Investment Objectives

#	Investment Objective
1.	Deliver MSD functions for New Zealanders cost-effectively and efficiently.
2.	Deliver effective, targeted, and integrated services across work, partnering and payments.
3.	Modernise MSD's core technology systems to: <ul style="list-style-type: none"> • address known critical system risks and service failure. • improve agility so government policy and change can be implemented in an efficient and cost-effective manner. • increase the responsible use of information and intelligence to improve the delivery of services.
4.	Strengthen working with partners to improve the delivery of employment, housing and community-based services and support the delivery of wider public services.

Future Service Model and Target Operating Model

Transformation delivers a new service model...

Transformation delivers a Future Service Model that enables MSD to integrate services for clients with greater consistency across the country. A key part of this is a tiered services approach that enables us to tailor responses to clients, employers and other partners based on how much support they need. The Future Service Model focuses on three areas that work together to enable MSD to deliver better employment outcomes and reduce benefit dependency by getting people off benefits and into work, and enabling us to work with clients less likely to find work on their own:

1. **Work** – helping people into work and to stay in work:
 - **Our service is responsive to New Zealand’s labour market** – our actions and investment decisions are guided by labour market demands and Government priorities.
 - **Faster help for employers** – employers choose MSD to help with their employment needs because our processes, tools and people are easy to deal with, reducing the time to find new employees.
 - **Jobseekers get the right help** – we use an outcome-driven, tiered model to provide services appropriate to what people need to find a job. We help people identify their skills and match them to jobs and training. We proactively identify those who need additional support through modernised systems and processes.
 - **Our services can be easily accessed online** – job seekers can apply for employment services, match to jobs or training, receive alerts and find resources to help them get prepared for work, move into work, and support them to stay in work. People understand and meet their MSD obligations when job-seeking.
 - **Our people work with modern systems** – reducing the need for manual processes and helping us support clients to do the right thing and meet their obligations.
 - **We are focused on reducing labour market barriers** – our investment strategy provides targeted intervention to those most

in need. We support people at high risk of long-term benefit dependence.

2. **Partnering** – working better with partners and reducing red tape so they can focus on helping people:

- **Collaborating with employers** to strategically improve our ability to support clients back to and into work.
- An improved system to support partnering for outcomes with community providers which **allows for social investment commissioning**.
- **Making it easier to refer and connect** clients to partners.
- **Leveraging MSD's local footprint** to help deliver the right response in the right circumstances.
- **Fair, transparent and consistent funding models and processes** – getting better at investing in and supporting our partners' services and delivering better value for money.
- **Clear, consistent and collaborative approaches to relationships** to better support partners and reduce the administrative burden of dealing with MSD.
- **Better practices and ways of working** that support our partners to work with us. Enabling better outsourcing, integration, collective visibility and information sharing.
- **Better visibility** of how targeted support is delivering outcomes through robust feedback loops between partners and MSD.

3. **Payments** – provide timely and accurate payments that are based on integrated, dynamic eligibility and needs assessment processes:

- **People with straightforward needs get fast and accurate payments.** Self-service channels, with appropriate checks and balances, where clients can do things online creating capacity for MSD to focus on people who need additional support.
- Our needs assessment processes help clients **receive the right payments at the right time**, providing a better service experience (based on eligibility and entitlement and adherence with required obligations).
- **Timely and appropriate cross government data sharing** means payments are calculated more accurately.

- **Systems make it easier to do the right thing and harder to do the wrong thing** - clients understand their obligations, reducing repeat interactions and overpayment debt.
- **Simplified, integrated business rules, processes and knowledge management** give MSD the ability to respond to change and provide timely delivery of services.
- **Building patterns and systems** for accurate assessment of eligibility and entitlement that can be re-used across government.

The Future Service Model is consistent with our Māori and Pacific strategies and action plans, Te Pae Tata and Pacific Prosperity. It recognises that some people have differences that impact their ability to lead safe, strong and independent lives and may require different levels of support to achieve independence. An important contribution to lifting social and economic outcomes in New Zealand, particularly for MSD clients, will be understanding and being responsive to the needs of Māori and Pacific people. The Future Service Model will enable us to more effectively address their needs.

...and significant business process change

Transformation will deliver simplified, accessible and modernised business processes that support better service delivery. There will be reduced staff processing work, staff errors and rework. Simplified and (where possible) automated business processes will free up time for our staff to focus on getting people ready for and into work.

We will use a “process-taker” approach to process design with standardised, proven, out-of-the-box processes to reduce complexity and ensure consistency across our organisation.

There will be a mixture of supported and automated decision making, where appropriate – staff will work hand in hand with systems, with personalised guidance and real time, relevant knowledge that support their day-to-day decision making.

New Zealanders through timely personalised communication will be able to understand their entitlements and relevant obligations more easily. The likelihood of New Zealanders incurring benefit debt will decrease.

Self-management will be easier through modern AI-assisted digital channels that are simpler to use without New Zealanders having to repeat information they have already provided.

Cross government processes will smoothly connect to MSD processes to improve New Zealanders experience of service across government.

Technology change

Transformation also delivers technology change

Transformation also delivers technology change that enables the new service delivery model and addresses the current systems risks and issues. It will contribute to the Government's digital strategy, through reusable patterns, knowledge, and standard that can be drawn on by other agencies. Changes include:

- A modern technology environment that spans eligibility and entitlement systems, client management systems, digital services, employment, and contracting and commissioning services.
- A modern core government payments system.
- Taking advantage of new technology capabilities in AI, Cloud, and Digital Identity to deliver a data-driven experience, including opportunities for digital innovation to automate, predict, target, and personalise experiences in response to people's needs. These capabilities will be adopted and implemented in a responsible and ethical manner.
- Improved insights and operational intelligence to help target what works, underpinned by sophisticated analytical and insight capabilities.

The key components of the technology change are:

- Service Experience Platform (SEP) – the key technology enabler of the Future Service Model delivering a modern, integrated service experience for clients and MSD staff.
- Digital Employment Service Platform (DESP) – the key enabler for the new Digital Employment Service and strengthened services model for jobseekers and employers.

- Effective Commissioning and Partnering (Kotahitanga) system – the key enabler for improving partnering approaches and commissioning and contracting with external providers.
- Contact centre platform – the key enabler for the contact centre, including voice platform replacement and integration.
- Foundations – the critical technology and data enablers such as cloud services, identity, security and data capabilities that are prerequisites for Transformation.

We have an architectural model for our new technology that significantly simplifies our systems environment and platforms, enabling prioritisation of dependencies and systems changes of greatest value, and ensures our systems environment is accessible, extensible (e.g. across government agencies) and secure.

Target Operating Model

To enable the above, we will deliver a new operating model

Transformation includes the organisational change that ensures we have the right roles and structures to deliver integrated, client centric, services to clients and improved value across the welfare system. It enables a Target Operating Model that allows MSD to deliver more effectively targeted and integrated services across the three key areas of Work, Partnering and Payments.

The Target Operating Model includes six key changes that will set up MSD to respond to change quickly, manage demand and target investment to deliver increased value, and deliver the right services to New Zealanders and the Government. The six key changes are:

1. **Client centricity:** We will have a single view of each client and the products, services and partners relevant to them. We will have a better understanding of the support needs of our clients through improved data, information and practice.
2. **Consistency:** An MSD-wide service model and practice framework will be implemented and used consistently across all MSD frontline operations. Reorganising the work done in service centres, centralised processing units and contact centres will enable the implementation of a tiered support model, drive consistency and efficiency, and reinforce integrated service delivery.

3. **Tiered support model:** This will allow MSD to prioritise services to where our face-to-face support will have the greatest impact. The model recognises that some clients require proactive and tailored support to reach a sustainable outcome, while others simply require access to support and can reach their outcome independently.
4. **Omnichannel:** Omnichannel means a seamless and integrated client experience across multiple communication channels. MSD will use the channels optimally to manage demand, capacity and client complexity. As much as possible, a client's interactions with MSD will use self-managed channels.
5. **Integrated services:** We will provide an integrated income, employment and housing service where required and based on what clients need, so clients can have an easier and more cohesive service experience.
6. **Integrated engagement with employers and partners:** MSD will take a more integrated approach to engaging with employers and partners across the social sector system. We will put in place processes and systems to efficiently share information, coordinate and contract with employers and partners, streamlining how they work with us.

Social Sector Leadership

We recognise that through our business transformation we will have a service transformation role for the social sector

With commitment and funding certainty, MSD will ensure it is maximising the use of existing best practice for technical design, and also enabling investments that follow. MSD is already one of the biggest adopters of services from across the New Zealand Government. An example is the Client Verification Service (Department of Internal Affairs (DIA) provides this service) that MSD are now using to verify clients' identity rather than coming into Service Centres. This is evidence of MSD adopting all of Government standards and services to align and contribute towards an unified digital experience for citizens.

In relation to the Digital Employment Service (DES), MSD has engaged with the Ministry of Business, Innovation and Employment, including their Business Connect team. Business Connect is the online platform where businesses can manage licences and permits from across government in

one place. DES and Business Connect provide different types of services with little risk of duplication, but there is potential for the two services to link to each other in the future and improve the visibility of government supports for businesses. MSD is engaging with the Tertiary Education Commission (TEC) to ensure close alignment with TEC's online career services platform, Tahatū. DES and Tahatū are complementary and utilise common resources so that New Zealanders feel both platforms are part of the same ecosystem, for example by using the same occupation set as a base for the DES taxonomy.

We are working closely with the Government Chief Digital Office and other agencies on the development of the Service Modernisation Roadmap and the four MSD initiatives on roadmap. MSD leaders engage with other cross agency groups such as:

- Digital Government Leaders Group
- the Government Enterprise Architecture Group
- Chief Architects Forum
- Standards and Patterns Community of Practice.

We are assessing opportunities for alignment and sharing of enterprise patterns with DIA and IRD as well as through GCDO's Service Modernisation Roadmap workshops. This is about understanding what is being/has been developed across government and what we will contribute as the Programme progresses. We also intend to take every opportunity to regularly share and align experience and service patterns where it makes sense to do so, applying the lens of what makes sense to the person who needs help. We have identified procurement processes, contractual clauses, and ongoing commercial structures as areas for collaboration with other agencies with guidance and support from New Zealand Government Procurement.

The Service Experience Platform will implement 24 critical capabilities, which will replace two-thirds of MSD's legacy systems. The 24 distinct – but connected – capabilities make up the functional coverage of SEP. Its technical scope is extensive, covering everything from voice to case management, and integration. The investment will contribute to the Government's digital strategy through re-usable patterns, knowledge, and standards that can be drawn on by any agency.

Advice to joint Ministers (Finance, Social Development and Employment, and Children) in late 2024 from Oranga Tamariki and MSD responded to

the request for assurance that from an all-of-government perspective investment will maximise value for money while considering and minimising any risks involved. MSD and Oranga Tamariki identified opportunities for efficiency through collaboration, including sharing benefits modelling, sequencing respective programmes to gain benefit from each other and sharing/aligning experience and service patterns where it makes sense to do so.

There are likely to be long term opportunities to reduce whole-of-life costs for Oranga Tamariki's Frontline Technology System Upgrade (FTSU) programme by leveraging design work, such as payment processes designed by MSD. Later tranches of the FTSU programme would provide further opportunities to explore how developments through Te Pae Tawhiti programme could be used by Oranga Tamariki. Opportunities may also exist for MSD to draw on functionality designed by Oranga Tamariki.

How Transformation is being delivered

Transformation is being delivered in six workstreams in an integrated and coordinated programme of work

Transformation is a nine-year programme across three planning horizons. The timeframe reflects the complexity and risk of a large-scale business transformation encompassing services, processes and technology. MSD recognises it needs to ensure it manages business-as-usual service delivery and ongoing change during the term of the Programme.

The Programme is being delivered in an integrated and coordinated programme of work with six workstreams covering the major service changes supported by implementation design and support, and programme management, assurance and governance functions, as shown in *Figure 1 - Te Pae Tawhiti Programme Structure* below.

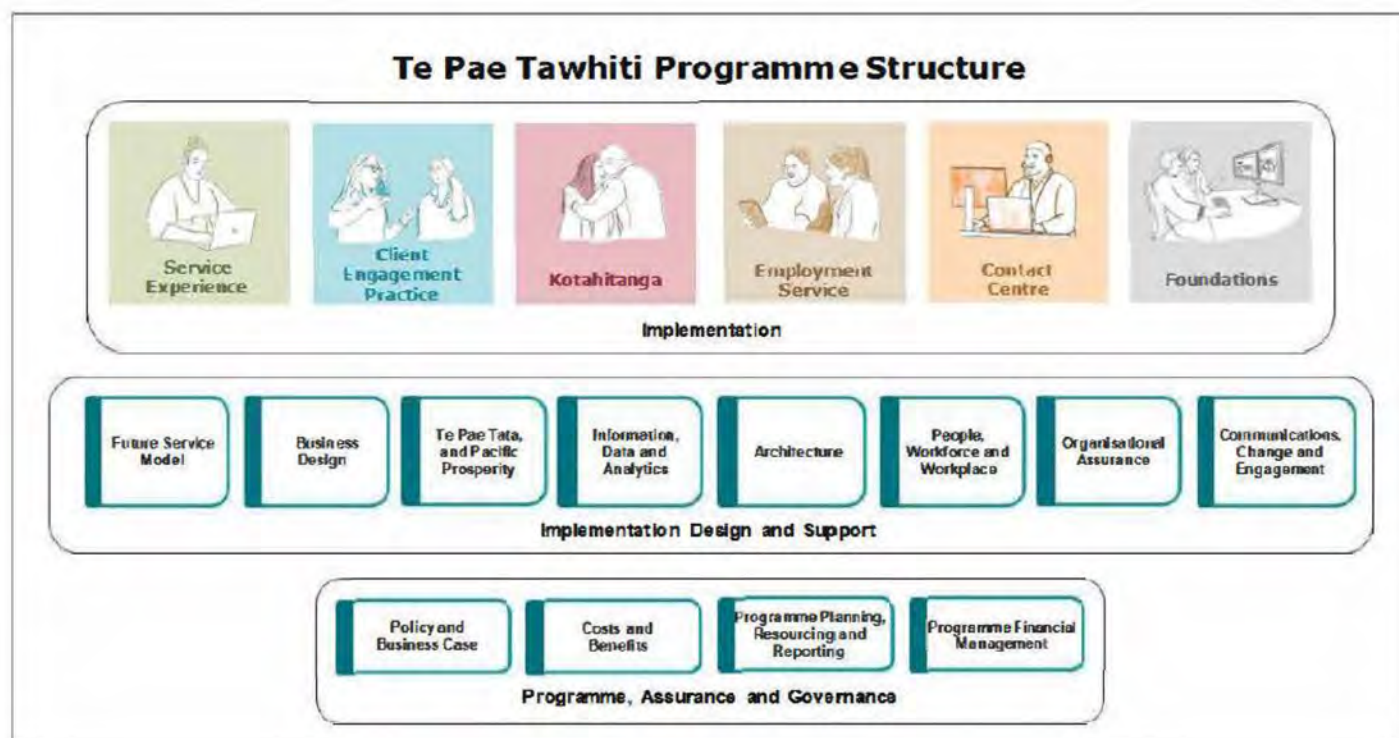


Figure 1 - Te Pae Tawhiti Programme Structure

The Transformation programme's six core service delivery workstreams are described in the table below.

Table 4 - Summary of Programme Workstreams

Service Delivery Workstream	Focus of Workstream	Scope of Horizon 1 (H1), Horizon 2 (H2) or Horizon 3 (H3)
Service Experience	A modern service experience platform and business capabilities will transform the service to MSD's clients. This will enable transformed channels and tools for staff, simplified processes, and improved service outcomes. It will build the foundations for	H1 focuses on procuring, designing and implementing the key foundational capabilities. This includes platform and channel foundations as well as ensuring a robust understanding of the current state and the planned approach for H2 and H3.

Service Delivery Workstream	Focus of Workstream	Scope of Horizon 1 (H1), Horizon 2 (H2) or Horizon 3 (H3)
	MSD's service model for the future.	H2 and H3 involve: <ul style="list-style-type: none"> • Sequenced delivery of new capability • Product and service redesign • Integration across systems • Client and data migration • Coexistence implementation • Decommissioning of heritage systems.
Employment Service	The new Digital Employment Service (DES) and strengthened service model for job seekers and employers will integrate with the income support system to help clients into employment.	H1 focuses on delivering the DES to support users to better access MSD's employment products and services and empower them to manage employment and recruitment needs online. H2 focuses on continuing to enhance and refine employment services, including through further analysis and tuning of jobs and skills matching.
Client Engagement Practice	The Client Engagement Practice is an evidence-based, best-practice model ensuring staff-client interactions are effective and focused on supporting clients towards independence	H1 focuses on defining, designing and testing key components of the new practice model. H2 and H3 involve implementing the client

Service Delivery Workstream	Focus of Workstream	Scope of Horizon 1 (H1), Horizon 2 (H2) or Horizon 3 (H3)
	and employment, implemented through a tiered service model.	engagement practices across MSD frontline staff.
Effective commissioning and contracting - Kotahitanga	Improved partnering approaches and the systems needed to transform how MSD commissions and contracts with third-party providers.	<p>H1 focuses on replacing the systems we use to contract, source, report on and pay for social services. It also focuses on designing and testing new ways of commissioning social services that are better and more efficient for us and our partners.</p> <p>H2 focuses on full implementation of the new social sector commissioning approaches.</p>
Contact centre	Capabilities that enable omnichannel interactions, providing better insights and tools to provide more consistent and efficient delivery of services, fully integrated with the Service Experience Platform.	<p>H1 focuses on procuring an implementation partner and design of the solution.</p> <p>H2 fully implement the new solution including managed business change.</p>
Foundations	Critical technology and data enablers/ foundations, which are prerequisites for the transformation.	H1 focuses on developing common foundational cloud, identity, security and data capabilities.

Benefits realisation

We have reviewed and strengthened the programme benefits following external reviews...

In early 2024, MSD embarked on an accelerated programme of work to increase confidence in the delivery of the Transformation Programme benefits. This work included the following inputs:

1. The Gateway Assessment in December 2023 identified changes were required to the Programme benefits to increase delivery confidence and to ensure continued funding throughout the length of the transformation.
2. An Independent Quality Assurance (IQA) review identified 10 recommendations to strengthen the benefits with a focus on increasing the scale and robustness of benefits to match the level of investment required.
3. Direction from our Programme governance Te Pae Tawhiti Transformation and Investment Committee.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

s 9(2)(f)(iv)

s 9(2)(f)(iv)

Policy and legislative enablers

Transformation will require policy and legislative changes to be delivered in parallel

Delivering the Transformation requires policy and legislative enablers that are dependencies for the delivery of some benefits.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

s 9(2)(f)(iv)

Economic Case

The Ministry, recognising the Government's priorities of fiscal sustainability, cutting red tape and delivering affordable, quality public services, has re-examined the options for delivering the Programme and explored the ways the cost of the Programme could be managed including via changes to the scope and sequencing of delivery, and/or delaying investment.

There are three options that are variations on the options in DBC1:

Option A: Stop the programme and maintain status quo - stop the Programme and continue to make ad hoc/just-in-time remediation.

Option B: Technology change only – replace core systems but do not deliver operating model and service model changes.

Option C: Transformation – a re-sequenced Te Pae Tawhiti Programme delivering operating model and service model change, and technology change. This is refinement on the preferred option in the PBC and DBC1.

Delivering a sustainable welfare system that achieves the Government's outcomes in the future requires MSD to have a flexible and responsive operating model, integrated services, and modern systems with cross-agency interoperability. Therefore, the Ministry recommends Option C: Transformation for the following reasons:

- It delivers the operating model, technology and business process changes that enable a sustainable welfare system for the future.
- It enables MSD to deliver more effectively targeted and integrated services across Work, Partnering and Payments.
- It delivers the highest level of benefits including efficiencies and cost savings.
- It delivers the greatest achievement of the investment objectives.
- s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
- It is the only option that sets up MSD to respond to change quickly, manage demand and target investment to deliver a sustainable welfare system.

The extent to which each option achieves the investment objectives, as set out in the Strategic Case, is summarised in the following table.

Table 5 – Options Achievement of Investment Objectives

Investment Objectives	Option A	Option B	Option C
1. Deliver MSD functions for New Zealanders efficiently and at a sustainable cost to government	LOW	LOW	HIGH
2. Deliver effective, targeted, and integrated services across work, partnering and payments	LOW	LOW	HIGH
3. Modernise MSD's core technology systems to:			
a. address critical system risk and service failure	LOW	MED-HIGH	HIGH
b. improve agility so government policy and change can be implemented in an efficient and cost-effective manner.	LOW	MED-HIGH	HIGH
c. increase the responsible use of information and intelligence to improve the delivery of services.	LOW	MED-LOW	HIGH
4. Strengthen working with partners to improve the delivery of employment, housing and community-based services and support the delivery of wider public services.	LOW	MED-LOW	HIGH

The costs and benefits of each option are summarised in *Table 6 - Investment Options Summary* below. The preferred option from DBC1 is also given for comparison.

Table 6 - Investment Options Summary

Option	Description	Total Cost	§ 9(2)(f)(iv)
A. Stop the Programme and maintain status quo	Remediate, maintain and/or incrementally replace some core systems that are reaching end of life. Employ additional staff to process transactions for the growing numbers of seniors and hardship applications.	\$1.15 billion	
B. Technology change only	Replacement of core at-risk systems with cloud based modern infrastructure.	\$1.67 billion	
C. Transformation	Technology and operating model changes including a new service model, modernising the core payments system, leveraging the business process and operating model changes that support less	\$1.8 - \$2.1 billion⁵	

⁵ Note, upper of range includes contingency.

Option	Description	Total Cost	s 9(2)(f)(iv)
	staff process-driven integration to enable the allocation of resources and investment to target services.		
<i>For comparison purposes:</i>			
DBC1 Preferred Option – as per 2023 Horizon One Detailed Business Case	Renewed technology, redesigned business processes and a new operating model.	\$2.1 - \$2.6 billion	

The three options are discussed in more detail below.

Option A: Stop the Programme and maintain status quo

Stopping the Programme would require a significant investment from Government and does not deliver a sustainable welfare system for the future...

Under this option, MSD would stop the Programme at the end of December 2024, would not transform, and would continue to deliver services within the constraints of our existing service model, systems and business processes.

This option means:

- MSD would not be able to integrate its services across work, payments and partnering.
- MSD would face significant barriers to achieving outcomes to improve employment outcomes, reducing benefit dependency and targeting support and services.
- Clients would continue to face difficult, repetitive and time-consuming processes to get the support they need and receive the same service as they do today.
- 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 still have to shift channels, repeating information many times. Clients would continue to have difficulty understanding their eligibility and obligations.
- Working with partners would continue to be constrained by technology and business process.
- 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.
- Costs of service delivery, especially when changes or extension to services were required, would continue to escalate. We would need

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

Under this option, MSD would continue to make required legislative and policy changes, although the time, cost and complexity to make these changes will continue to grow.

Introduction of essential new functionality would be very limited. MSD would not be able to respond quickly to changing Government requirements. Alignment to the Government Digital Strategy would be constrained.

...but would still require a significant investment from Government

Under this option, the government will still need to provide funding to remediate, patch and/or replace many of MSD critical systems that are at risk of service failure as they age, go out of support and their performance deteriorates.

Technology re-platforming for critical systems including SWIFTT, Cúram, and SAL, and their associated systems and applications, would be incrementally undertaken based on the availability of Budget funding. Incremental change would mean integration across systems would remain complex and expensive.

Modelling of this option calculates that approximately \$1 billion in additional funding for the technology change over nine years would be required for maintaining and/or replacing piecemeal the aging and at-risk systems.

In addition, to meet increasing demand from the rising numbers of seniors and the demand for hardship assistance, MSD would likely seek approximately \$146 million § 9(2)(f)(iv) to maintain existing service levels. This equates to § 9(2)(f)(iv)

This means the total cost including technology and additional people for maintaining the status quo is \$1.15 billion, which would require us to seek investment from future budgets, without delivering any of benefits from the transformation programme.

s 9(2)(f)(iv)

Option B: Technology Change Only

This option does not deliver a sustainable welfare system for the future

Under this option, MSD would not transform and would continue to deliver services within the constraints of our existing service model and business processes.

This option means:

- We would not be able to implement a tiered service delivery model that enables the allocation of resources and investment to target the right services to the right people in an efficient and effective manner.
- There would not be the opportunity for MSD to make significant organisational shifts that support the service model changes and new, efficient, and integrated ways of working.
- There would be no significant reduction in staff processing effort that can be released to case management or other services.
- MSD would face significant barriers to achieving outcomes to improve employment outcomes, reducing benefit dependency and targeting support and services.
- Clients who want to self-manage would continue to face some fragmented processes and digital services that are time-consuming and challenging to navigate. They would still have to shift

channels, repeating information many times. Clients will continue to have difficulty understanding their eligibility and obligations.

- Working with partners would continue to be constrained by ineffective practice and commissioning of services.

This means the Ministry will need to add more people to its workforce in the coming years to meet increasing demand and complexity, with corresponding increases in baseline funding.

It involves the progressive and planned replacement of core systems

This option would involve the progressive and planned replacement of core technology systems ultimately resulting in a modern technology environment spanning:

- Eligibility and entitlement systems
- Client management systems
- Digital
- Employment
- Contracting and commissioning.

As systems are replaced, processes, business rules and data embedded in those systems would be migrated from old to new, and the risks associated with critical systems would decrease. Improvements would occur in our ability to make changes needed to implement Government policy. While this option would replace the Ministry's commissioning and contracting legacy systems, a more strategic approach to commissioning and partnering is out of scope.

s 9(2)(f)(iv)



s 9(2)(f)(iv)

...but Transformation will still be needed in future

The technology change without the Future Service Model and Target Operating Model does not deliver a sustainable welfare system for the future. The case for transforming our service model and services will continue to exist and will need to be revisited in the future – with an increasing opportunity cost in the meantime and likely increased implementation costs for Transformation at a later date.

The benefits profile for this option is shown in *Figure 6 - Benefits Profile for Option B: Technology Change Only* below.

s 9(2)(f)(iv)

Option C: Transformation (preferred option)

Under this option MSD would transform its underlying technology, business process and service model, and deliver a sustainable welfare system for the future

This option is a refinement of the preferred option in DBC1. It reflects our learnings to date in Horizon One plus the experience of other organisations that have successfully delivered transformation programmes. It involves the redesign and rebuilding of the way we deliver integrated products and services to New Zealanders across Work, Partnering and Payments, enabled by modern systems and processes.

It includes:

- Modernising the core government payments system and leveraging the business process and operating model changes that could be achieved through new technology.
- A service approach that offers multiple tiers of escalating support, so the right level of help is available.
- Shifting our staffing effort from processing to face-to-face work focused service delivery.
- Increased capability to deliver case management.
- An improved system to support partnering for outcomes with community providers which allows for social investment

commissioning, improved insights and operational intelligence to target services more effectively.

- A modern technology environment that spans digital and self-service; eligibility and entitlement systems; client management systems; employment; and contracting and commissioning.

This option:

- Creates efficiencies and improves the services provided.
- Reduces staff processing effort and enables the shift of effort from manual processes to case management.
- Increases current people capability to better support New Zealanders and be better positioned to help people into employment and stay employed, reducing benefit dependency.
- Enables us to implement policy change faster.
- Significantly reduces risk of system failures and maximises investment across government by establishing common payments and case management patterns that could be leveraged by other agencies.
- Takes advantage of new opportunities enabled by new capabilities such as AI, Cloud, and Identity.

The new service model will support the investment-based targeting of services and support to clients. The Transformation option will create sizeable efficiencies and improve the effectiveness of services provided.

This option delivers benefits for the following groups:

- New Zealanders will more easily understand their entitlements and relevant obligations, reducing repeat contacts and overpayment debt. This option will enable modern, digital self-service, particularly for New Zealanders with straightforward entitlements and needs. It delivers improved outcomes for New Zealanders by:
 - Helping people get into work and stay in work.
 - Engaging early, ensuring people understand their entitlements and obligations, and providing the right services at the right time, reducing repeat contacts and overpayments.

- Tailoring responses based on client needs and having a single view of client across their interactions with MSD.
- Clients being able to manage their interactions with MSD independently as a result of modern digital self-service channels.
- **Employers, providers and partners** will find it easier and less burdensome to work with MSD. Integrated systems will enable joined-up funding and procurement approaches across government, so agencies are contracting with partners in a consistent and transparent manner, and reducing compliance burdens. This option will enable:
 - Joined-up services from MSD, partners, and other sector agencies to deliver where and when they are needed.
 - A more strategic approach to commissioning and partnering with improved commissioning processes. This could also support better outcomes across government particularly between health, social development, and the community sectors.
- **MSD staff** will benefit from redesigned services that reduce manual processing, workarounds, errors and rework. Staff will have the tools and capability to work with clients at the earliest point of engagement, minimising hand-offs and reducing the need for staff to gather and interpret information from multiple systems. Staff will have access to a single view of client information and better visibility of employment activity to enable more proactive support to clients to find work and meet obligations.
- **Government** will be able to implement policy changes more quickly. Resources will be more focused on managing cases with greatest need and ensuring clients meet their obligations. MSD will reduce its cost to serve while maintaining service levels and delivering improved Government policy outcomes.

s.9(2)(f)(iv)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Differences to DBC1 Transformation

The preferred option set out in this business case delivers benefits for all client cohorts earlier...

DBC1 proposed a client cohort approach to delivery, starting with students and then moving on to working age clients in Horizon Two and seniors in Horizon Three. The rationale was that this would reduce implementation risk and build delivery confidence. Starting with students, who have higher digital literacy and lower complexity to implement, would enable MSD to retire a key ageing, and at-risk system.

While this approach made sense from a client service experience perspective, further work undertaken over the last 18 months (including insights from the Service Experience procurement process) has shown that MSD could not deliver for students without building and configuring most of the core functional capabilities needed for all cohorts upfront. We would be building capabilities to deliver for a smaller group of clients that could deliver value sooner for all client cohorts.

We propose a revised implementation approach, which provides more flexibility up front to focus on employment outcomes and benefit dependency...

We re-examined options for implementation including the client cohort approach recommended in DBC1, a product-based implementation, a “Big Bang” delivery approach, heritage decommissioning (i.e. implementing key system components allowing heritage systems to be decommissioned), and a user-experience/client interface-based approach.

We are recommending a combination of a client cohort-based and product segmented delivery approach. This will be done at small scale, starting with clients who are deemed straight forward/low complexity and who access straight forward and low complexity products and then expanded.

The key benefits of taking this approach include it:

- Largely eliminates current state constraints on future state design.
- Limits co-existence with heritage systems and allows us to stage technology delivery and client / staff / partner adoption incrementally to manage risk.
- Allows us to be transformational with our future design eliminating current state constraints.
- Enables us to test real world scenarios early in the development cycle, to integrate learnings as we go.
- Enables us to take an overall enterprise perspective on transitioning MSD to the new platform.
- Enables us to focus and align to the Future Service Model and Target Operating Model as they are further defined and developed.

This approach delivers greater value earlier through:

- Earlier return on investment and realisation of benefits:
 - It will implement foundational technology components sooner.
 - More clients can access an improved service sooner.
 - It enables us to shift our focus to supporting more clients into employment.
- Freeing up capacity, allowing more staff to focus on employment exits.
- Better management of technical debt:
 - We will be able to turn off old systems as new functionalities are built and deployed, as opposed to managing co-existence for extended periods.
 - We now know what solutions the Programme intends to purchase and implement – this certainty means we can reduce regrettable spend (i.e. not put in workarounds for existing systems) and make different enterprise decisions as a result of having a clear technology product strategy.

Future Flexibility and Options

Our implementation approach and iterative programme planning enable us to provide options on accelerating or slowing the Programme (or deliverables within the Programme) to meet changing Government priorities and social, economic and technological changes over the course of the Programme. s 9(2)(f)(iv)

[REDACTED]

On the question of whether the programme can be accelerated to deliver the benefits sooner, at this stage we continue to consider and assess information including the additional delivery risk of accelerating the technology and service change implementation. Transition and decommissioning of systems is also a constraint on acceleration. As we learn more about the delivery risk of the technology/service changes, we will consider options to accelerate the delivery.

Commercial Case

Market Engagement

The Ministry has undertaken market engagement for many of the products and services required for Transformation

The Ministry has undertaken comprehensive market engagement and procurement approaches to identify the partners and products needed for Transformation. We have followed the Procurement Strategy outlined in the PBC and the approach outlined in DBC1.

In 2022, prior to the commencement of Horizon One, we completed the following market engagement activities:

1. Market research: We commissioned international research companies to provide market intelligence. Gartner⁶ provided analysis and insights reports on Service Experience platforms. Forrester provided targeted research on key platforms that could **meet the Ministry's needs**, and a report on Global Human Social Services technology trends and emerging platforms.
2. Market-led showcase: In June 2022 we published a market briefing document on GETS and invited vendors to respond. Five vendors were asked to participate in deep-dive sessions to demonstrate **their capabilities and how they could meet MSD's requirements**. This included providing information on approaches to implementation and the potential effort and costs.
3. Strategic partner insights: We commissioned Accenture⁷ to deliver two digital platform case studies on design and implementations from other relevant jurisdictions.

We have selected preferred suppliers for Service Experience and Digital Employment Service

In 2023, we commenced an extensive procurement process to address the most significant service requirements and technology capability risks. This included Request for Proposals (RFP) with detailed, written responses

⁶ See www.gartner.com

⁷ See www.accenture.com/

to requirements, presentations, build challenges, and partner and capability showcases. As a result of this process, we have completed the following:

1. Selection of preferred supplier for Digital Employment Service (DES): WCC⁸ was selected as the preferred supplier and a professional services agreement has been signed covering the discovery and design phases (but not the implementation at this stage).
2. Selection of preferred supplier for Service Experience Platform (SEP): A provider coalition led by PwC⁹ was identified as the preferred supplier and following negotiations, a master services agreement was put in place. Our SEP partner has been contracted under the first statement of work to carry out the discovery phase (but not the implementation at this stage).

Our SEP partner will implement on Salesforce¹⁰ and Adobe¹¹ software platforms. The Ministry has existing commercial relationships with both of these vendors and will utilise these to negotiate license agreements. Other organisations that as part of the PwC-led coalition will provide products and services include Assurity, Ghost UX, Sysdoc and Microsoft, all of which will supply under back-to-back agreements with PwC.

3. Selection of platform for Effective Commissioning and Contracting – Kotahitanga: The Ministry is using its existing Oracle FMIS platform to deliver the commissioning and contracting requirements of Kotahitanga. The implementation is being led by Accenture, who is **the Ministry's implementation partner for Oracle**. The project is well advanced.

For DES and SEP, we have undertaken significant post-procurement discovery processes to validate the solution features and capabilities against core requirements. Discovery processes are key to providing greater certainty that the solutions can address detailed requirements. This process has revealed opportunities for accelerated/more integrated

⁸ See www.wcc-group.com/employment/

⁹ See www.pwc.com/gx

¹⁰ See www.salesforce.com/au

¹¹ See www.adobe.com/nz

delivery and has enabled us to refine the costings, which have informed this business case.

Probity, Assurance and Legal Advice

MSD followed Government Procurement Rules

The Ministry followed best practice as well as ensuring that all of the Government Procurement Rules were adhered to in our commercial engagement. This included seeking endorsement of the procurement plans from New Zealand Government Procurement prior to release to ensure that we followed the principles and ethos for public sector procurement.

We had external probity support...

The Ministry engaged external probity support from McHale Group, who were involved throughout the procurement process from the initial design of the procurement plan to market engagement, evaluation and moderation. McHale provided probity assurance reports at the end of each stage of the procurement and a final report after the preferred supplier was identified. McHale reviewed all process documentation including evaluation recommendation reports and evaluation scoresheets.

Suppliers were made aware of the engagement of McHale and were encouraged to contact them if there were any concerns with regards to probity. McHale implemented their probity confirmation process across both SEP and DES procurements. In the SEP procurement, each respondent confirmed they were comfortable with the probity process and no probity concerns were raised by any of the respondents.

An unsuccessful party made a complaint about the outcome of the process of the DES procurement. This complaint was reviewed by McHale as well as an independent review by external legal counsel and found that there was no support to the allegations made.

...and external legal advice

We supplemented our internal legal resources with expertise from Buddle Findlay, who formed part of the procurement team, providing advice on proposed contractual terms and the negotiation of agreements.

What else do we need to procure for Transformation?

The remaining major platform for delivery of Transformation is that required for the voice communications and Contact Centre. The Ministry will upgrade its existing contact centre application to a cloud-based solution, leveraging common patterns from across government. § 9(2)(b)(ii)

[REDACTED]

[REDACTED]

[REDACTED]

Table 10 – Procurement Plan for Contact Centre

Contact Centre Procurement Plan Summary

§ 9(2)(b)(ii)

[REDACTED]

Contact Centre Procurement Plan Summary

s.9(2)(b)(ii)



There are other services that may need to be engaged during the Programme and the Ministry will continue the Procurement Strategy and approaches set out in the PBC and DBC1, which have proved effective in meeting the commercial requirements of the Programme and reducing delivery risk.

The Ministry's Role in Aggregation

The Ministry will continue to retain accountability for Programme aggregation

The Ministry is responsible for integrating the delivery of workstreams across the Programme and the partners who will work with us. This approach means we can:

- Ensure Programme service providers are aligned to and drive Programme outcomes, objectives, and benefits.

- Reduce cost and delivery risks by establishing Programme service integration and provider performance management practices.
- Develop relevant service provider management strategies and oversees the execution of these.
- Monitor ongoing performance of provider/partner relationships and performance.
- Mitigate commercial and delivery risk.

Establishing and implementing partner and vendor management approaches and practises are important to ensure:

- We maximise the value from our partners and vendors.
- We understand and minimise risks.
- We have aligned and appropriate contractual and commercial commitments.
- Performance and ways of working expectations are clear and managed.
- Accountabilities, decision making and governance are clear.
- We have clear issue resolution approaches and procedures.

We will continue to be the aggregator for the Programme across its Transformation partners and suppliers, recognising we will need to augment our own capabilities with additional expertise from the market.

Strong coordination and management of partners and suppliers to deliver and integrate key dependencies will be vital to the success of the Programme. To address this, we have dedicated commercial and legal resources to ensure contracts are aligned and managed successfully and contractual, commercial, and performance management frameworks are in place.

Commercial Risks of Funding Uncertainty

Uncertainty of funding over the life of the Programme leaves the Ministry in a weak commercial position with vendors. Costs increase as the **Ministry's negotiating ability reduces, with implications for delivery.**

Certainty of funding would allow the Programme to build the capacity it needs to be successful, to discuss multi-year arrangements and investment options with vendors, and to signal intent to industry so that they need to commit their best talent. It would also enable the

Programme to ensure it gains access to partners' global talent hubs, which is critical for development and configuration work. Commitment would also send a strong signal to the software vendors to add features to their product roadmap and future releases. This risk is discussed further in the Financial Case below.

Financial Case

s 9(2)(f)(iv)

s 9(2)(f)(iv)

At present the Programme is operating with a two-year funding envelope. **This limits MSD's ability to:**

- Build and maintain its own capability and capacity for the life of the Programme.
- Enter into the best possible commercial deals with partners and suppliers.
- Develop the most optimal architecture, delivery plans and sequences.
- Optimise the delivery of benefits of the Programme.

The Ministry needs funding certainty for the Programme to ensure we can:

- Deliver most cost-effectively over the life of the Programme.
- Build the capability and capacity within MSD.
- Develop multi-year arrangements and investment options with vendors, and signal intent to industry so that they commit their best talent to the Programme.
- Develop the optimal business and systems architecture and delivery plans to maximise benefits and return-on-investment.

This financial case includes updated Programme costs and benefits reflecting the following:

- Funding for Year 1 and 2 of Horizon One as part of Budget 2023.
- Actual costs incurred to date in Horizon One.
- Updated benefits as set out in the Strategic Case.
- Market engagement to date and knowledge gained about the products and services to deliver the technology requirements and Future Service Model.
- Re-estimated costs based on work completed in Horizon One.

This financial case covers the following:

- Updated whole programme costs by horizon and year.
- Funding required for completion of Horizon One in FY2026.
- Funding required for Horizon Two covering FY2027 – FY2029.
- Funding required for Horizon Three covering FY2030 – FY2032.

s 9(2)(f)(iv)



Horizon One funding

In April 2023, joint Ministers with delegated authority from Cabinet agreed to the tranche of funding for two years of the Programme.

The total funding amount agreed in Budget 2023 was up to \$183 million (\$150.8 million operating and \$32.2 million capital) over the 2023/24 and 2024/25 financial years, consisting of:

- \$20 million appropriated directly in the 2023/24 financial year to enable Te Pae Tawhiti transformation to continue.
- \$80 million held in tagged contingency to enable Horizon One to begin once confirmed by Cabinet.
- **Up to \$83 million of further savings from within MSD's baseline.**

DBC1 stated that we would return for continued funding in Budget 2025 for Year 3 of Horizon One. s 9(2)(f)(iv) funding is included in this business case.

All-of-Programme costs

MSD has significantly enhanced its cost models to refine and validate the Programme costs using a range of costing approaches. The revised estimated Programme costs for the preferred option amount to a total investment of s 9(2)(f)(iv)

These estimated are shown in *Table 11 – Estimated Programme Costs for Preferred Option* below.

[illegible]

Te Pae Tawhiti Programme Horizons Two and Three Detailed Business Case
FINANCIAL CASE

- Implementation of a digital employment system connecting employers, job seekers, providers and case managers.
- Changes to MSD employment services and the effectiveness of engagements with employers.
- Integrated tools and information databases for frontline staff.

The analysis of monetised cost savings § 9(2)(f)(iv)



§ 9(2)(f)(iv)



§ 9(2)(f)(iv)



§ 9(2)(f)(iv)



(\$ millions) **FY24** **FY25** **FY26** **FY27** **FY28** **FY29** **FY30** **FY31** **FY32** **FY33** **FY34** **FY35**

Programme costs

§ 9(2)(f)(iv)



Note: not inflation adjusted

Funding required for completion of Programme

The Ministry needs funding certainty over the life of the Programme. Funding it in tranches leaves the Programme in a weak commercial position with vendors. We estimate potential additional costs of § 9(2)(b)(ii) [REDACTED] if commitment and funding is not secured. Therefore, this business case is seeking commitment to the completion of the Programme and agreement to the funding envelope required for the remainder of the Programme.

§ 9(2)(f)(iv)

The Programme is seeking funding of § 9(2)(f)(iv)

§ 9(2)(f)(iv)

s 9(2)(f)(iv)



The funding requirements are summarised in the table below.

Table 13 – Funding Requirements by Horizon

s 9(2)(f)(iv)



s 9(2)(f)(iv)



s 9(2)(f)(iv)



Table 14 - NPV of Programme Investment

s 9(2)(f)(iv)



s 9(2)(f)(iv)



Management Case

The Ministry is delivering the Programme on time and tightly managing the investment profile to ensure it delivers in the current fiscal environment.

The Ministry understands the risks of delivering large scale change alongside continued delivery of business-as-usual services in an organisation as complex as MSD. We have learned from other programmes and projects in New Zealand and internationally, and have spent time putting in place the foundations to create delivery confidence, with particular focus on the following areas:

1. Growing our capability and capacity to deliver.
2. Strengthening governance, leadership and assurance.
3. Balancing Transformation and other delivery – creating time, space and focus.
4. Developing a Programme delivery model that integrates architecture, planning, delivery and change, and benefit management.
5. Learning from NZ and international transformation experts.

Each of these areas are discussed below.

We have built the capability and capacity to deliver

We have spent time building capability and attracting the talent we need including for design, architecture, implementation, change and engagement, and specialist technical skills. We have built a team that has the skills and capacity to successfully deliver the service changes, process design and technology changes that comprise Transformation. We have engaged subject matter experts from our frontline staff to help design and deliver the change required.

We do not have all the required capability internally, so we have gone to market to supplement our own expertise. We have engaged transformation partners comprising international and New Zealand companies to help deliver the service and technology changes, and to share the delivery risk, particularly where commercial organisations are best placed to develop and maintain solutions over time.

Our governance and leadership are fit for purpose

The Ministry's governance and leadership has been enhanced to effectively manage the Programme alongside business-as-usual priorities. It includes the following key elements:

- **MSD's primary governance body is the Leadership Team, comprising** our Chief Executive and DCEs. The Leadership Team is responsible for setting our strategic direction, driving organisational performance, overseeing organisational risk and assurance, managing finances and leading a positive culture.
- The Deputy Chief Executive (DCE) Service Delivery is the Senior Responsible Officer (SRO) and provides direct accountability to the Leadership Team for the Programme. The DCE Service Delivery is the largest benefit owner of the Programme.
- The DCE Transformation is responsible for overall leadership and direction of the Programme, ensuring timely and quality delivery of the work programme. They are responsible for ensuring the effective design and delivery of service change supported by **enabling change across core components of the Ministry's operating model**.
- The SRO and DCE Transformation are supported by the Programme Director and a Programme Delivery Steering Group (PDSG). The PDSG aligns and integrates delivery across the Programme to achieve outcomes as specified in the business case.
- Te Pae Tawhiti Programme Committee is the primary governance for the Programme and is chaired by the SRO. It ensures programme investment is robust, assurance is appropriate and strategic objectives set out in the business case are achieved.
- The Programme Committee **is part of MSD's enterprise governance**, which provides wider support and assurance. Four independent advisors sit on Te Pae Tawhiti Programme Committee, providing effective insight and challenge.
- The core delivery workstreams of the Programme have Workstream Delivery Groups, which direct the workstream and maintain **alignment with the Programme and MSD's way of working to support efficient and rapid delivery outcomes that enable the expected outcomes and benefits**.

The governance and leadership structure has proven fit-for-purpose in managing the Programme delivery in Horizon One. We will continue to ensure the governance and leadership structure is responsive and adaptive over the life of the Programme, and that we have the right decision pathways and the right people on governance.

The full governance and leadership structure for the Programme is shown in APPENDIX D: Programme Governance and Leadership.

We have an assurance plan in place including independent assurance

The Te Pae Tawhiti Programme Assurance Plan aligns to the GCDO's six principles of good assurance:

1. Assurance by design
2. Flexible
3. Informs key decisions
4. Independent and impartial
5. Risk and outcomes based
6. Accountability.

The Assurance Plan is consistent with the Ministry's Five Lines model. It includes a variety of tools to provide independent assurance including Gateway Reviews, Independent Quality Assurance, and independent **advisors on the Programme's governance group who provide effective insight and challenge.**

We have a track record of implementing change...

The Ministry has a proven record of successfully implementing large scale change including major government reforms and significant machinery of government changes – most recently the transfer of Disability Support Services to MSD in September 2024. This capability has been acknowledged in various reviews and assessments, for example the PIF review of MSD 2011 and follow-up review 2013, and the Baseline Review of MSD 2019.

We have also demonstrated successful change delivery by completing, on time and to budget, two technology-enabled programmes in recent years - implementing a new Oracle financial management system and a new payroll system.

...and have the change management and engagement processes and capabilities in place to deliver the size and complexity of Transformation

The Programme is leveraging the Ministry's existing change methodology, processes, tools, and templates - tailoring and enhancing these as required to manage change within the Programme. Our change approach is divided into three stages: plan and assess (warm-up), enable and implement (launch), and embed and sustain (follow-up).

A change strategy for the Programme was approved in December 2023. It **sets out how the Programme uses MSD's change approach and how it will support Programme service streams and teams. Completed work now includes an initial consolidated view of MSD's work programme and a consolidated view of stakeholders.** Additionally, an enterprise-wide view of change impacts is in development. Together these views will inform and enable:

- deliberate and co-ordinated decisions to going live with initiatives
- a complete view of activity across MSD, and what change activities may mean for business units, clients, and external partners
- an indication of the possible impact any initiatives (and go-live timing) may have on performance.

We will use a standard and repeatable change rhythm within these phases to enact 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 business-as-usual. **MSD's change toolset** has been strengthened, a quality assurance framework developed, and regular reviews planned. The change workstream of the Programme and the MSD Change Team will support the organisation through the lifecycle of the change. We will embed change practitioners across the Programme to ensure they have an in-depth understanding of the changes, are connected to those impacted, and are well-positioned to support roll-out activity. These embedded practitioners will be supported, at a strategic level, by a small core Programme Change Team.

As part of implementing the change strategy and in partnership with the change practice, the existing Te Kupenga Ora change network has been reviewed and strengthened. We will build on this existing network to raise awareness of, and support staff through, the service changes. Change at MSD is leader-led and development and support for leaders to lead their

teams successfully through change is a vital part of successfully delivering transformation.

The Programme uses existing relationship owners to drive engagement about the Programme through existing channels and networks. This ensures the alignment of messages about the whole organisation and consistent points of contact and trusted relationship are not disrupted. Relationship holders will be supported with information and key messages to ensure they are equipped for these important engagements.

In light of our role in the sector we recognise it is critical that we engage with other key government agencies to ensure we are joined-up and support delivering affordable, quality public services. This is supported by an engagement plan that considers how to involve agencies who do not have a direct role in the sector but have an interest in some aspects of what the Programme is delivering (e.g. case management).

Our engagement will reflect the diversity of people who interact with us. Engagement will help us discover, design, test and iterate with representatives across all our stakeholder groups.

Further detail on our engagement and design approaches is detailed in DBC1.

We have learned from New Zealand and international transformation experts.

The Ministry is learning from other organisations who have undertaken equivalent transformations.

Insights from Inland Revenue's and ACC's transformations have informed our Programme design, and we have people from those transformations working on the Programme. We have learned from Inland Revenue, who constantly reviewed their governance and made changes to ensure it was fit for purpose at all phases of their transformation. We adopted and implemented the Inland Revenue pattern in the implementation of our new payroll and financial management systems, and we are leveraging this investment in the replacement of our commissioning and contracting legacy systems.

Inland Revenue's procurement learnings are informing our Programme, including:

- aligning contracting transformation frameworks to the Programme methodology
- linking contract provisions for products 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.

There is a natural limit to what MSD can leverage from Inland Revenue's Business Transformation beyond the above and lessons learned because:

- social sector eligibility and entitlement rules and workflows based on legislation are very different to that of a tax system
- social sector commissioning (i.e. partnering) is very different to that of tax agents
- Inland Revenue adopted a non-cloud-native commercial off the shelf specialist tax package.

We are learning from investment and implementation patterns from ACC adopting similar technology platforms, including:

- reuse of integration patterns
- patterns that will inform the development of our Client Engagement Practice
- Genesys Contact Centre.

We collaborate with our international peers through the Windsor Working Group of social welfare agencies from New Zealand, Australia, Canada, United Kingdom (UK), Ireland, and the United States.

We work closely with Employment and Social Development Canada, Services Australia and the UK Department of Work and Pensions to share **insights and critically review each other's work.**

We have established the Bilateral Transformation Advisory Group with Employment and Social Development Canada to share learnings, as they are at least two years ahead of us in their transformation.

Programme Delivery Model

The Programme has developed a delivery model to ensure there is consistent approach to planning, designing and implementing change. Regular reporting to the Programme leadership ensures there is visibility of the overall work programme including where there are risks or pressure points.

The model enables strong integration of all design, implementation, and change activities, easier management of resource conflicts, and streamlined governance and management. It uses various programme delivery methods, depending on scope or phase, including, where appropriate, agile and more traditional **“waterfall” delivery methods**.

The Programme Delivery Model is underpinned by:

- The Target Operating Model that defines the end state to which each initiative and release contribute.
- Effective governance and assurance to ensure that the programme delivery remains aligned to the Target Operating Model, benefits are realised, and the programme has the required level of business support.
- Journey maps and blueprints that define the way in which MSD will interact with its clients and partners.
- Aligned architectures that define how MSD systems, processes, data and people will deliver services and against which each initiative can be designed.
- Programme management practices that ensure there is effective planning, control, risk and issue management, stakeholder management, people management and benefit management.

With this model the Programme leverages a four-phase delivery method:

- Discover – the Discover phase establishes each initiative or release within the Programme and identifies:
 - Scope: Identifying the scope of the business outcome with clear traceability back to the Detailed Business Case, Te Pae Tawhiti Benefits, the Future Service Model, and Programme Blueprints ensures that new change initiatives are always in alignment with the overall programme direction.

- Current State: Identifying current state technical architecture, business processes, business rules, pain points and legislation provides a basis against which the future state design can be compared to determine the degree of change.
- Define – the Define Phase captures business, technical and data requirements, facilitates procurement (if required), and identifies:
 - Schedule
 - Key delivery risks and issues
 - Resources required to deliver
 - Roles and Responsibilities
 - Budget, and
 - Stakeholders.
- Deliver – the Deliver phase enables delivery of the business outcome through five key steps:
 - Detailed Planning and Analysis analyses the Future Service Model and the desired experience defined in Client, Staff and Partner Blueprints to develop detailed Business Requirements against which solution validation and Change Impact assessments can occur.
 - Design develops solution options, solution designs, data migration plans, test plans and training plans.
 - Build, Test and Train develops technical specifications, builds the solution and conducts user acceptance testing. Where appropriate solutions may be piloted or tested with staff or partners to further refine the solution. Tailored change management activity supports people to prepare for, launch and embed the change.
 - Business Readiness checks ensure that all aspects of the delivery life cycle have been covered to ensure the change is ready to go live.
 - Deploy and Support implements the change and provides immediate support to the business.
- Evolve – Initiative closure reports ensure that lessons learnt are captured, improvement opportunities are identified and provide assurance that all the scope has been delivered.

We are set up to deliver Transformation alongside other change

The Ministry understands that transformation is complex, risky and requires strong organisational focus. Alongside Transformation, MSD will maintain the capacity to deliver to New Zealanders and on government policy changes. MSD has the capability, capacity and governance and assurance arrangements to enable successful delivery of both.

The Ministry will continue to deliver its 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 Programme changes while continuing to deliver existing services without disruption. Ministers 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.

The dedicated, ring-fenced funding and resources for the Programme ensures it has priority status and we have the capability and capacity to manage Transformation alongside business-as-usual work.

MSD's governance structures provide visibility and decision-making over all work and change at MSD, including the Ministry's Integrated Work Programme. Reporting to the Leadership Team provides visibility of the overall work programme, including what the balance of the work programme looks like and where the risks and pressure points are. Having a view of the overall balance of the work programme enables MSD to create the necessary time and space by making clear and visible trade-offs. The DCE Transformation has oversight of Transformation and the Integrated Work Programme.

s 9(2)(f)(iv)



s 9(2)(f)(iv)

Programme Risk Management

There are two significant risks to the delivery of the Programme – the impact of ongoing business-as-usual change, s 9(2)(f)(iv)

As discussed above, MSD has the programme and organisational leadership, governance, planning, engagement, and proposed funding and resourcing arrangements in place to address the first risk. s 9(2)(f)(iv)

Risk management is an established process for the Ministry, the Programme and its workstreams

The Programme's Risk and Issue Management Strategy provides tools to identify and manage risks and issues early, to minimise impacts to the successful delivery of the Programme. DBC1 identified the key risk management accountabilities within the Programme.

There is engagement and line of sight between the Programme and relevant Ministry-wide risks, which are owned by the Leadership Team with oversight and support from Governance committees.

Programme risks are regularly reported to MSD's:

- Leadership Team (quarterly)
- Te Pae Tawhiti Transformation and Investment Committee (monthly)
- Risk and Audit Committee (quarterly)
- Te Pae Tawhiti Programme Steering Committee (monthly).

Risk deep dives are held periodically with the Te Pae Tawhiti Transformation and Investment Committee.

We understand and continue to monitor our major strategic risks and seek mitigations for them

The key Programme risks, their assessed level, and the proposed mitigations are shown in APPENDIX F: Key Programme Risks.

Reporting to Ministers and other key stakeholders

The Programme is proposing an enhanced reporting framework for Ministers and other key stakeholders, the main elements of which are set out in the following table.

Table 15 – Reporting to Ministers and Other Stakeholders

Stakeholder	Frequency	Details
Cabinet	Quarterly Investment Reporting to EXP Cabinet Committee	<ul style="list-style-type: none"> • Programme expenditure against budget • Forward investment intentions • Summary of progress against key milestones and budget • § 9(2)(f)(iv) • Key risks • Assurance and reporting in place
	Programme update to EXP Cabinet Committee once a year	<ul style="list-style-type: none"> • Delivery summary • § 9(2)(f)(iv) • Progress against key milestones and budget • Change management and engagement activities • Key risks

Stakeholder	Frequency	Details
		<ul style="list-style-type: none"> Budget drawdowns Forward investment intentions Summary of IQA (see below)
Joint Ministers	Two times per year	<ul style="list-style-type: none"> Programme status report including delivery impacts and transitions, financials, risks and issues, confidence against milestones Policy and legislative dependencies update Summary of IQA reports (see below)
	Direct reports from independent advisor(s)	<ul style="list-style-type: none"> To Minister for Social Development and Employment To joint Ministers
Quality Assurance	Gateway Reviews at key decision points	<ul style="list-style-type: none"> Gateway Review 0 Mid-stage 1 Gateway Review 0 Mid-stage 2 Gateway Review 0 Mid-stage 3 Gateway Project Reviews as required Final Gateway Review 0
	Quarterly or as requested	<ul style="list-style-type: none"> Independent quality assurance report

Constraints, dependencies and assumptions

There are some significant constraints, dependencies and assumptions that could affect our ability to deliver the outcomes we seek and that will need to be managed throughout the Programme.

Constraints

The constraints are known limitations that could impact on Programme delivery. These are set out in the following table.

Table 16 - Key Constraints Identified

Constraint	Description
Capacity for other change	MSD will manage its capacity to implement other changes during transformation which will impact the timing or delivery of Ministerial priorities. As this will impact multiple portfolios (Social Development and Employment, Disability Issues, Child Poverty Reduction, Housing, Seniors, Youth, and Tertiary Education and Skills), this will be mitigated through on-going and regular dialogue with Ministers, which will enable decisions to be made about what and how much non-Programme work to prioritise. MSD will also use governance to help prioritise and make trade-off decisions.
Capacity and capability of stakeholders	The capacity and capability of partners, providers and clients to absorb change may be constrained. This will be mitigated by embedding strong communications and change management practices including using our partner and all of government networks. 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.
Complexity of co-existence	<p>We are proposing a combination of a client cohort-based and product segmented delivery approach. One of the benefits of this approach is it limits co-existence with heritage systems and allows us to stage technology delivery and client / staff / partner adoption incrementally to manage risk. Transitions will be designed to minimise impact on clients, staff and partners.</p> <p>Co-existence is where existing IT systems and business processes need to be maintained concurrently with newly installed IT systems and business processes. This means staff and clients will experience both old and new experiences and ways of working, making access to services more complex for both staff and clients.</p> <p>The costs, complexities and risks associated with co-existence will be considered alongside other delivery dimensions (e.g. effort, change management) as part of the final determination of iterations and frequency for production deployments.</p>

Dependencies

There are dependencies for success that we will continually monitor and manage. A dependency is an external influence on the success of the Programme. The table below describes the Programme's dependencies.

Table 17 – Key Dependencies Identified

Dependency	Description
Policy and legislative enablers	The expectation is the Programme's changes are designed within current policy parameters (e.g. within the bounds of the Social Security Act 2018, other relevant legislation, and Cabinet authority). However, enabling modernised technology and changes to enable a fit-for-purpose service model is likely to require policy and legislative change to achieve the benefits of the Programme.
Stability of external environment	A major economic or social shock may significantly alter our benefit profile s 9(2)(f)(iv) MSD is consistently called on to lead the welfare, employment and social elements of the Government's response to crisis events. There are minimal proactive mitigations available to the Programme, but we will have offramps to accommodate any external environment issues.

Assumptions

Our analysis is subject to major, but realistic, key Programme assumptions, which are shown in the following table.

Table 18 – Key Assumptions Identified

Assumption	Description
Timeframe	The Programme will take nine years, although value will be delivered iteratively. s 9(2)(f)(iv)
Delivery approach	The implementation model has features that are particular to MSD and have proven to be successful in the implementation of large business process and systems change. The teams are multi-disciplinary teams, that are blended across transformation and the business. Driven by an integrated implementation plan, this ensures that the Programme remains business-led and technology enabled, and that the organisation's subject matter experts and service delivery leaders are key to leading the change.
Service Experience implementation plan	The Service Experience implementation plan will be finalised by the end of Year three of the Programme. The Programme is following leading practice completing detailed discovery processes before finalising implementation plans. s 9(2)(f)(iv)
Generative AI	MSD will be adopting generative AI abilities
Use of ADM	Efficiencies in the Programme rely on an expanded use of Automated Decision-Making (ADM), where suitable, to support MSD to deliver efficient and modern services at scale. This is an

Assumption	Description
	assumption behind the Programme's ability to reduce manual processing by using ADM where it is suitable.
System benefits from investment	<p>MSD will have a service transformation leadership role for the social sector through its transformation. MSD will re-use (and contribute to) government services and patterns. We will align to the Digital Strategy for Aotearoa and the government's digital standards principles.</p> <p>MSD's investment will create reusable technology-agnostic patterns for all of government. Where MSD is looking to establish common social sector patterns, we will work across the system and ensure they are genuinely leverageable.</p>
Prioritisation	<p>We will need to prioritise work carefully to ensure we have sufficient capacity and capability to deliver across the whole of MSD – both inside the Programme and the other change work MSD will need to continue to deliver.</p> <p>MSD will continually assess the impact of changes to ensure it has the capability and capacity to deliver the Programme changes while continuing to deliver existing services without disruption.</p> <p>The Government may need to accept a greater risk appetite as our workforce delivers business-as-usual and copes with a high level of change. MSD will ensure it is able to continue to deliver their full breadth of services as the Programme is implemented.</p>
Co-existence	Co-existence costs will be incurred during the Programme as we concurrently develop new and support old IT systems and business processes.
s 9(2)(f)(iv)	

Integrated Programme Plan

The Integrated Programme Plan has been updated for the remainder of the Programme, reflecting what we have delivered to date, the agreed funding to date, the revised implementation approach and what we have learned from our commercial engagement activities in Horizon One. It reflects the proposed funding in this business case and the latest assumptions around Budget initiatives and drawdowns. It shows the delivery by workstream, horizon and year, and indicates the key activities that drive benefits realisation. It will be updated to reflect progress and changes agreed by the Programme Governance throughout the Programme.

The Integrated Programme Plan is shown in *Figure 11 – Integrated Programme Plan* below.

APPENDIX B: Economic Case

Options Analysis

Option A: Stop the Programme and maintain status quo

The Option A costs are estimated at \$1.15 billion. This includes:

Full Year 1 programme spend but no further programme costs with all programme workstreams shut down immediately and unspent funding returned.

Single system re-platforms for Cúram and associated systems and applications, SWIFTT and associated systems and applications, and SAL and associated systems and applications, including impacts to ongoing vendor licence and support costs and the impacts on MSD IST resources.

Expected above inflation cost increases relating to the annual costs of vendor support and licencing and the annual costs of specialist MSD IST resources required to support current aging systems until system re-platforming is complete.

s 9(2)(f)(iv)

[Redacted content]

These amounts have been calculated from:

1. Industry benchmarks relating to costs of replacing, like for like platforms including costs associated with:
 - Implementation – core configuration, data and rule migration, validation and testing, system integration and co-existence, system decommissioning.
 - Licenses and support.

2. Projected cost increases relating to the annual costs of vendor support and licencing of current aging systems particularly due to the increasing scarcity of NZ based specialist resources to support these systems and to our increasing reliance on overseas service providers. This support is needed until re-platforming is complete.
3. Recent procurement processes and includes co-existence/integration/de-commissioning costs and programme overhead costs.

There are some benefits from single system re-platform in annual expenditure for vendor licensing and support costs and fewer FTE to support new platforms, which have been included in the estimated costs for this option.

Unlike a full technology re-platform, single system re-platforming does not fully address the complications and limitations of the status quo. However, there would be some benefits from the new technology – potentially lower testing and integration costs and a small lift in policy implementation agility – but these have not been assessed.

Costs include alleviating critical system risk...

The costs for additional funding to alleviate critical system risk and improve resilience have been modelled with reference to recent examples of additional secured funding to maintain provision of services and reduce critical system risk, which include:

- 2018 \$24m Capex and \$37m Opex over four years for Critical Systems – Improving Resilience
 - Disaster recovery platform built in Auckland
 - Recovery processes optimised – payments processes recoverable in four hours
- 2019 \$51m Capex and \$65m Opex over four years for Reducing Risk in Critical Systems
 - Software and security upgrades for third party software and migration from aging hardware to service models
 - Replacement of data warehouse and replacement of Identity / Access Management System
- 2020 & 2021 \$23.5m Capex and \$31m Opex for Critical Service Delivery Systems Contingency

- Knowledge management and Single Client View (single source of truth) – detailed discovery
- Eligibility & Entitlement – discovery to reduce system fragmentation and duplication of statutory rules.

...and three significant policy implementations

The costs for three significant policy implementations have been included in the articulation of costs. The level of funding required has been informed by the costs incurred by MSD from implementing recent policy changes, including:

- 2012-2013 welfare reform initiative, which was delivered over three phases taking 24 months, costing \$50.9 million with approximately 615–715 FTEs involved.
- 2018-2019 family incomes package initiative, which took 26 months to deliver, costing \$8.2 million with approximately 221–231 FTEs involved.

s 9(2)(f)(iv)



s 9(2)(f)(iv)



The Option A estimated costs are shown in *Table 20 – Option A Benefits and Costs* below.

s 9(2)(f)(iv)

Table 21 – Detailed Costs for Option A

Option B: Technology change only

Option B costs are estimated at \$1.667 billion s 9(2)(f)(iv)

It delivers the full technology re-platform articulated in Option C including some business process optimisation and will positively impact the service delivery model. However, Option B will not deliver a relational client management transformation or a relational contracting and commissioning model.

Elements of the Option C programme articulation removed from Option B include:

- Design and implementation of approaches that support investment-based targeted services and support to clients
- Service integration across work, payments and partnering
- Tiering of services based on need and demand
- Service model driven improvements to client, partner and staff experience
- **Building and strengthening partnerships with whānau, hapū, iwi, and communities by working differently and supporting them to achieve their wellbeing aspirations.**

The Option A estimated costs are shown in *Table 22 – Option B Benefits and Costs* below.

The image is a solid, uniform gray rectangle. It contains no text, figures, or other discernible features. It appears to be a redacted page or a placeholder image.

The costs by workstream for Option A are shown in *Table 23 – Detailed Costs for Option B* below.

Table 23 – Detailed Costs for Option B

s 9(2)(f)(iv)



Option C: Transformation

The Option A estimated costs are shown in *Table 24 – Option C Benefits and Costs* below. s 9(2)(f)(iv) and details of costs are set out in APPENDIX C: Preferred Option Costing.

Table 24 – Option C Benefits and Costs

s 9(2)(f)(iv)

APPENDIX C: Preferred Option Costing

MSD has significantly enhanced its cost models to refine and validate the Programme costs using a range of costing approaches including:

1. Industry benchmarks relating to costs of replacing, like for like platforms including costs associated with:
 - Implementation - core configuration, data and rule migration, validation and testing
 - Design, training and change
 - System and data integration and co-existence, system decommissioning
 - Licenses and support.
2. **Information gained through MSD's procurement processes, commercial negotiations and discovery activity.** As part of processes MSD held a series of commercial and contractual sessions with respondents. Those session provided detailed information potential programme costs associated with different delivery approaches and assumptions. Additional insight has been gleaned from commercial negotiations and discovery activity with chosen providers.
3. Activity based costing. Estimates were made of the activity breakdown structure and the resourcing commitments (internal and external) needed to design and deliver system configuration and redesign MSD products and services.
4. Cost comparators from other organisations. Costs has been gathered from other organisations who have implemented similar platforms and or undertaken comparable product and service redesign. Specifically, recent IR and ACC contact centre migrations to the cloud.
5. Projected cost increases relating to the annual costs of vendor support and licencing of current aging systems particularly due to the increasing scarcity of NZ based specialist resources to support these systems and to our increasing reliance on overseas service providers. This support is needed until re-platforming is complete.

6. s 9(2)(f)(iv) [redacted]
[redacted]
[redacted] Informed by recent similar funding requests.
7. s 9(2)(f)(iv) [redacted]
[redacted]
[redacted] Informed by implementation costs of recent policy changes.
8. s 9(2)(f)(iv) [redacted]
[redacted]
[redacted]
[redacted] Informed by internal cost to serve and internal transaction cost insight.

A Quantitative Risk Analysis (QRA) has been performed with the assistance of a New Zealand Government accredited consultant on Option C. Based on the analysis, even at the extremity of the distributions, the benefits will exceed the costs of the Programme.

The following table summarises how the costing approaches outlined above were used across the key cost categories (note, numbers refer to paragraphs above).

Table 25 – How the costing approaches were used

	Costing Approach							
	1	2	3	4	5	6	7	8
Transformation Option								
Service Experience	●	●	●	●				
Employment Service	●	●	●					
Client Engagement Practice	●		●					
Kotahitanga	●	●	●	●				
Contact Centre	●		●	●	●			
Design	●		●	●				
Transformation Management	●		●	●				
Foundations	●	●	●	●	●			
Coexistence, Decommissioning, Integration	●		●		●			
Technology Option	●	●	●	●				●
Status Quo	●				●	●	●	●
Contact Centre component	●		●	●	●	●	●	●

The tables below show the summary and detailed estimates for the preferred option and proposed Programme workstreams.

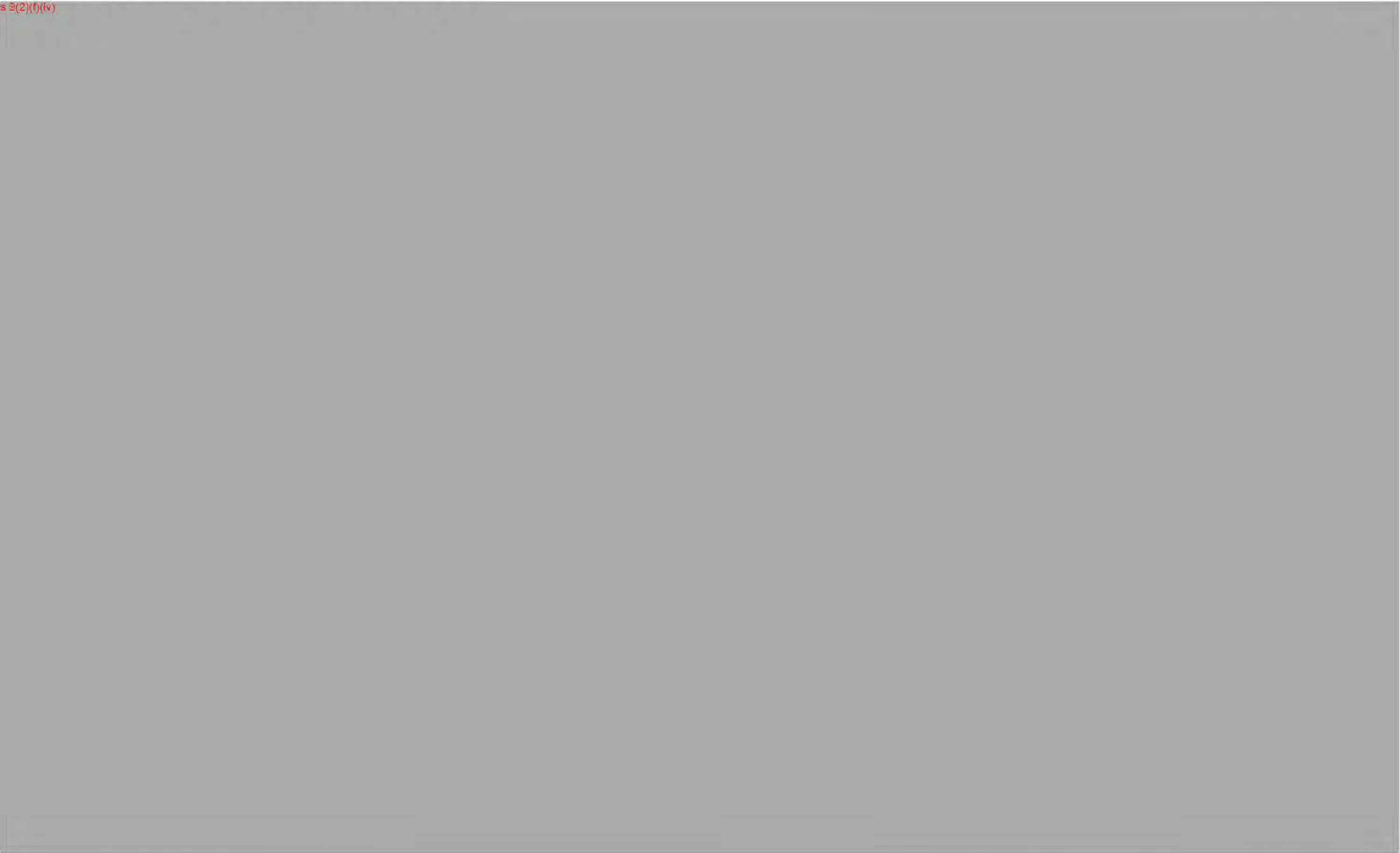
Programme Cost Assessment

Table 26 – Programme Costs by Change Workstream

§ 9(2)(f)(iv)

Table 27 – Programme Cost Assessment Assumptions and Notes

S9(2)(f)(iv)



APPENDIX D: Programme Governance and Leadership

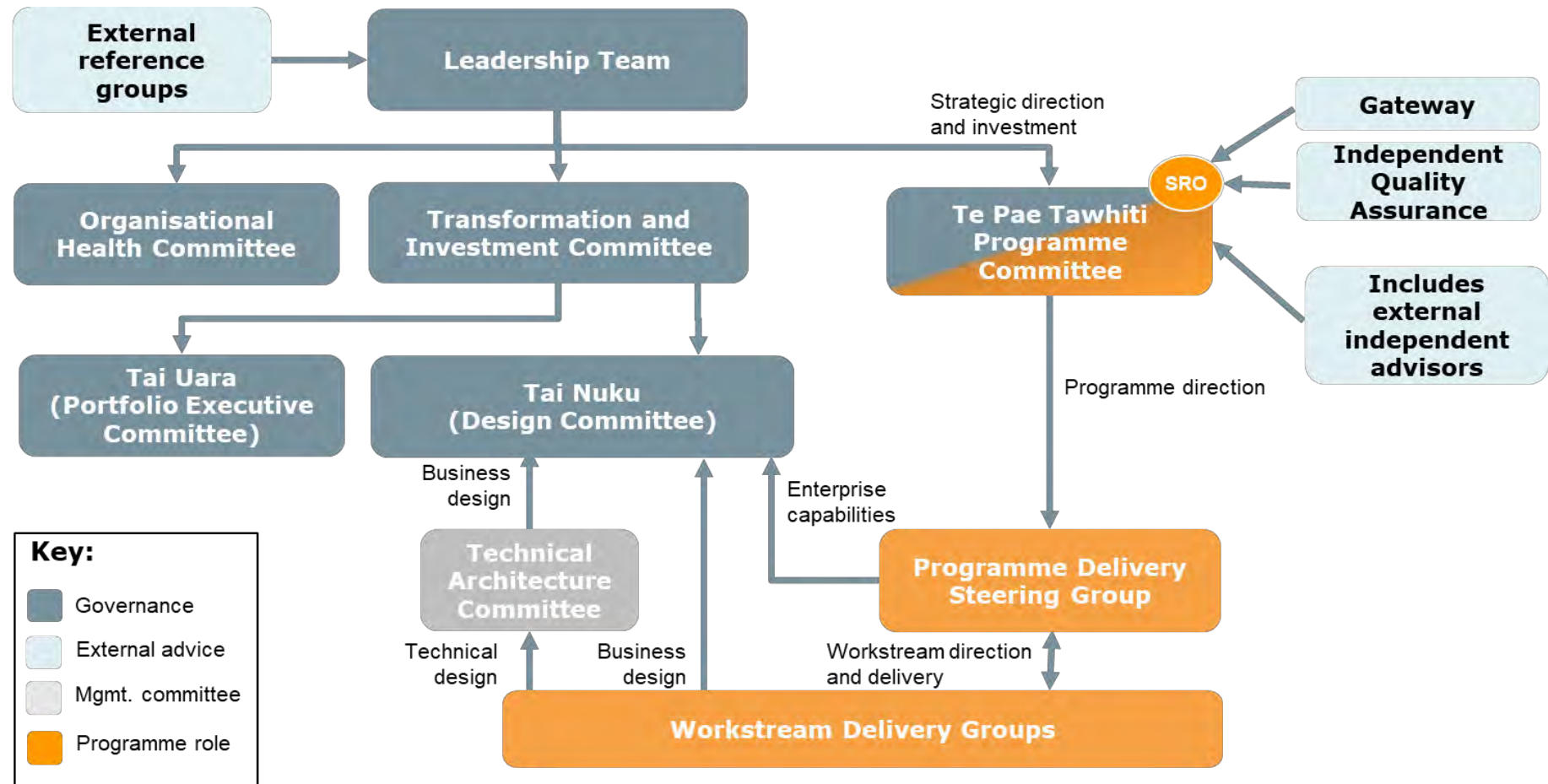
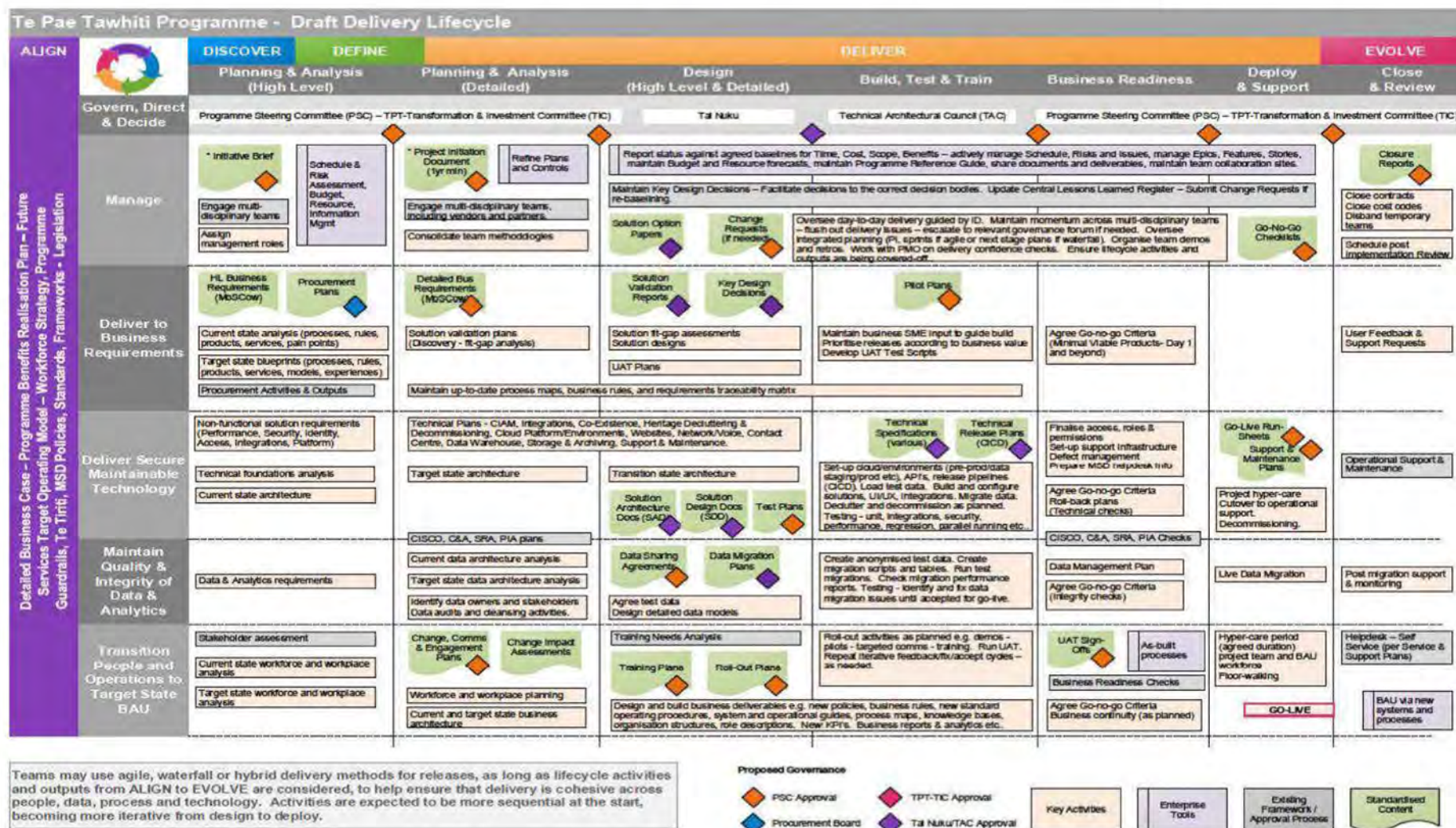


Figure 18 - Programme Governance and Leadership Structure

Focus	Governance group	Responsibilities	Roles
Achieving MSD strategic objectives	<div>Leadership Team</div> <div>Transformation and Investment Committee</div>	LT (for programme): <ul style="list-style-type: none"> Programme investment Business direction (e.g. MSD target operating model, service model and organisational capabilities) Sets strategic goals, direction and guardrails to operate within TIC (for programme): <ul style="list-style-type: none"> Integrated view across all MSD change work, clarifies priorities and resolves conflicts 	Refer LT and TIC TOR <i>Note, Chief Executive appoints SRO for the programme</i>
Realising programme outcomes and benefits	<div>Te Pae Tawhiti Programme Committee</div> <p><i>Ensures programme investment is robust, assurance is appropriate and strategic objectives set out in the Detailed Business Case are achieved.</i></p>	<ul style="list-style-type: none"> Ensure programme remains aligned to MSD's strategic direction Deliver programme within parameters of the Detailed Business Case Set tolerances to operate within (refer programme management approaches) Deliver programme outcomes and benefits SRO TOR Confirm appropriate levels of assurance are in place Adequately resource programme Ensure integrity of the Detailed Business Case and maintain alignment to it Monitor programme expenditure and forecast against budget (refer programme management approaches) Approve changes to the Detailed Business Case (refer programme management approaches) Ensure programme risks are being managed effectively Approve programme change management strategy and ensure change is embedded effectively Ensure programme stakeholder support is maintained 	<div>MEMBERS</div> <div> DCE Service Delivery (SRO) (Chair) DCE Transformation (Deputy Chair) DCE Māori, Communities and Partnerships DCE Policy GGM Income GGM Improvement Systems and Technology (IST) </div> <div>MSD advisors External advisors</div> <p><i>Note, SRO and DCE Transformation appoint Workstream Leads and establish Workstream Delivery Groups</i></p>
Aligning and integrating delivery	<div>Te Pae Tawhiti Programme Delivery Steering Group</div> <p><i>Aligns and integrates delivery across the programme to achieve outcomes as specified in the Detailed Business Case.</i></p>	<ul style="list-style-type: none"> Manage integrated plan, ensuring dependencies are managed across the programme, (integrating across workstreams) Manage transition states towards MSD's future state target operating model SRO TOR Monitor delivery performance within tolerance (refer programme management approaches) Ensure programme risk and issue management plans are in place and effective Monitor assurance activities and recommendations Where decisions impact the organisation, direct and support through MSD governance Undertake programme resource planning and manage programme budget Manage programme stakeholder engagement, communication and change management activities Approve progression of work to next delivery lifecycle stage Manage change control where tolerance is exceeded and escalate when the Detailed Business Case is impacted 	<div>MEMBERS</div> <div> DCE Transformation (Chair) Programme Director (Deputy Chair) Workstream Leads Subset of Benefit Owners </div> <div>MSD advisors</div>
Delivering outputs to enable benefits	<div>Workstreams (with no Delivery Group)</div> <div>Workstream Delivery Groups</div> <p><i>Directs workstream, maintains alignment with programme and MSD's way of working to support efficient and rapid delivery outcomes that enable the expected outcomes and benefits.</i></p>	<ul style="list-style-type: none"> Provide leadership and direction to workstream Manage workstream plan, ensuring integration to the programme and dependencies are managed Monitor delivery performance within tolerance and ensure mechanisms are in place for rapid decisions Ensure outputs are delivered within tolerance and contribute to expected outcomes and benefits Adequately resource the workstream Manage vendor engagement and deliverables Ensure workstream risk and issue management plans are effective and escalate to programme-level as per escalation criteria (refer programme management approaches) Ensure stakeholder engagement, communication and change management activities are effective, integrated with the programme, and change is being embedded Confirm appropriate quality review has been undertaken across deliverables Identify organisational decisions that will impact MSD as a whole Manage workstream budget, including regular financial forecasting 	<div>MEMBERS</div> <div> Workstream Lead (Chair) <i>Note, Workstream Lead has business outcome accountability</i> Programme Director Workstream Delivery Lead(s) Enabling Workstream Leads (as appropriate) </div> <div>Vendors and suppliers (as appropriate)</div> <p><i>Note, the Workstream Delivery Group determines frequency and schedule for meetings.</i></p>

Figure 19 - Programme Governance and Leadership Roles and Responsibilities

APPENDIX E: Detailed Programme Delivery Model



APPENDIX F: Key Programme Risks

Risk Description and Residual Risk Rating	Controls and Mitigations
Change and engagement management	
<p>Due to ineffective engagement and change management to support delivery, we may not appropriately support our stakeholders, partners, staff and clients with delivery of initiatives through the Programme, resulting in negative impacts on the Programme and to the realisation of benefits.</p> <p>HIGH - (Major/Possible)</p>	<p>Development of a fit for purpose change management strategy and change approach; and regular review of these.</p> <p>Engagement plans are in place and regularly reviewed, which informs leadership and governance on the effectiveness of Programme engagement.</p> <p>Engagement approaches are embedded in the Programme delivery method to gain support through the development and implementation of change.</p> <p>Experienced Programme change and engagement resources supporting workstreams to coordinate engagement and change planning activities.</p> <p>Development of an enterprise-wide change calendar and approach, integrating all elements of change across MSD portfolio.</p>
<p>Due to the Programme failing to effectively engage in line with our commitments outlined in Te Pae Tata (our Māori Strategy and Action Plan) and Pacific Prosperity (our Pacific Strategy and Action Plan), the Programme's ability to establish and retain commitment and support from Māori and Pacific partners may be impacted, resulting in the Programme not achieving equitable outcomes.</p> <p>HIGH - (Major/Possible)</p>	<p>Regular engagement with MSD's Māori Reference Group.</p> <p>Regular engagement with MSD's Pacific Reference Group.</p> <p>Support from MSD's Te Pae Tata and Pacific Prosperity teams.</p> <p>Development of engagement guidelines to support programme delivery.</p>

Risk Description and Residual Risk Rating	Controls and Mitigations
Capacity and capability Due to insufficient capacity and capability, the Ministry is unable to plan and implement the Transformation Programme, which may result in the Programme benefits and objectives not being achieved. HIGH – (Major/Possible)	The Programme has a resourcing strategy and approach to ensure we understand the capacity and capability required and the best combination of resources including staff (building internal capability, new recruits and secondments), contractors and supplier and vendor resources. The resourcing plan identifies funded and ring-fenced Programme resources. The plan integrates this information with the overall programme plan and schedule. Agreements in place with selected suppliers and vendors to ensure access to capability and capacity (including offshore resources where appropriate) required to support workstreams. Programme reporting ensures risks and issues relating to resourcing are appropriately managed and critical work is prioritised.
If the Programme is unable to retain the right people with the right skills at the right time, the Programme may be unable to deliver transformation and will not realise investment objectives and benefits. HIGH – (Major/Possible)	This is a multi-year business transformation that is early in delivery, which means this risk requires close monitoring and regular reporting on resourcing trends to governance. Periodic Programme health checks. Identification of critical person dependencies and appropriate mitigations.
Delivery Due to ineffective planning or management of co-existence, MSD could operate multiple operating models, processes, and systems over several years resulting in increasing cost, complexity, and not realising investment objectives and benefits. HIGH – (Major/Possible)	Co-existence strategies, plans and approaches in place and will be regularly reviewed. The Programme has planned for parallel running and set aside dedicated funding for co-existence. Programme leadership receive regular updates on programme delivery and co-existence and make decisions on balancing risk with benefit realisation. The development of transition state and detailed delivery plans to identify and minimise co-existence requirements and risks.

Risk Description and Residual Risk Rating	Controls and Mitigations
	Transitions are designed to minimise co-existence needs and impacts on clients, staff and partners.
<p>Due to multiple transition states not having a clear business and technical architecture, we may create a complex landscape (both during and post Programme) that is difficult to maintain, is higher in cost and effort to operate and reduces benefits realised.</p> <p>HIGH - (Major/Possible)</p>	<p>Continue developing an architecture led approach to transition that proactively identifies key design decisions to be made in advance of Service Change delivery.</p> <p>Ensuring Programme has effective Programme planning and an integrated approach to delivery, including:</p> <ul style="list-style-type: none"> • Transition state plans • Integrated architecture mapping • Capability model • Data model
<p>Due to the Programme not being clear on its sequence and interdependencies, then there may be unrealistic or conflicting demands placed on workstreams, resulting in additional costs and delays.</p> <p>HIGH – (Major/Possible)</p>	<p>Ensuring the Programme has effective programme planning and an integrated approach to delivery, including:</p> <ul style="list-style-type: none"> • Integrated Programme plan • Transition state plans • Detailed delivery plans • Dependency management and traceability across workstreams <p>Transformation Programme Office to identify and manage integrated planning, delivery and dependency management.</p> <p>Effective Programme management and governance oversight.</p>
<p>Due to a lack of awareness of business rules, policies, legislation and standards, or an inability to interpret or implement them, the Programme may embed new designs and processes that negatively impact business process or rule integrity which creates legal, operational and financial risks.</p> <p>MEDIUM – (Moderate/Possible)</p>	<p>Robust current state analysis to understand in detail current business rules, processes and operating practices.</p> <p>Development and approval of detailed business requirements before implementation of any changes.</p> <p>Development of detailed impact assessments to ensure the impact of changes on current state are well understood and appropriate mitigations are in place.</p> <p>Business requirements are consistent with and include business rules, policies and legislation.</p>

Risk Description and Residual Risk Rating	Controls and Mitigations
	<p>Development and adoption of Enterprise Capabilities that provide guardrails and assurance related to key business rules, policies, processes and standards.</p> <p>Effective oversight of design decisions through Tai Nuku (MSD's Design Committee) and enterprise governance.</p> <p>Documented and agreed business processes demonstrate that current controls align to relevant policies, legislation and standards.</p>
Vendor procurement and management	
<p>If we are unable to select vendors with the capacity and capability to support Programme delivery, then MSD will be unable to deliver the Programme and achieve Programme benefits.</p> <p>HIGH – (Major/Possible)</p>	<p>Develop and implement procurement plans including extensive and robust processes of written submissions, presentations, and competitive dialogue, due diligence and build challenges.</p> <p>Discovery processes with selected vendors which inform planning and test capability and capacity of provider and proposed solutions.</p>
<p>Due to MSD not effectively managing its large vendor relationships, inadequate performance may lead to increased costs and delays, and benefits realisation could be negatively impacted.</p> <p>HIGH – (Major/Possible)</p>	<p>Expectations of vendors are clearly defined.</p> <p>Workstream Leads manage day to day vendor relationships and delivery supported by effective escalation to Programme Leadership.</p> <p>Develop a vendor management approach that establishes clear roles and responsibilities and practices.</p>
External Environment	
<p>Due to any new or changed government priorities negatively impacting on the ability to deliver the Programme to agreed timeframes and costs, then the delivery of the Programme will be compromised, investment objectives will not be achieved, and benefits will not be realised.</p> <p>VERY HIGH – (Severe/Likely)</p>	<p>MSD maintains capacity and capability to respond to and deliver government priorities.</p> <p>s 9(2)(f)(iv)</p> <p>Effective Programme management and governance oversight including engagement with Ministers and Central Agencies.</p> <p>Regular Cabinet and joint Ministers reporting ensure visibility of pressures and</p>

Risk Description and Residual Risk Rating	Controls and Mitigations
	dependencies in the Programme which could be impacted by Government priorities.
<p>A lack of funding commitment and/or funding pauses may negatively impact on MSD's commercial position and its ability to deliver the Programme, which may result in not achieving the intended transformation benefits.</p> <p>HIGH – (Major/Possible)</p>	<p>§ 9(2)(f)(iv)</p> <p>The Programme will seek approval of a clear funding envelope together with the mechanism and timeline of drawdown through a Detailed Business Case.</p> <p>Ongoing engagement with Ministers and Central Agencies highlighting the need for funding certainty and the impacts of uncertainty.</p> <p>Continuing engagement with Central Agencies and Joint Ministers to support decisions on funding future stages of the Programme.</p>
Legislative change	
<p>Due to wider pressure on the Government's legislative programme, the legislative changes to enable the Programme may be delayed or not progressed, resulting in investment objectives and benefits not being achieved.</p> <p>MEDIUM – (Moderate/Possible)</p>	<p>§ 9(2)(f)(iv)</p> <p>Ongoing work and integration with MSD Policy group for provision of advice to Ministers on legislative programme and programme enablers.</p>
§ 9(2)(f)(iv)	

APPENDIX G: Chief Executive Letter



4 December 2024

To whom it may concern

Business Transformation (Te Pae Tawhiti Programme) - Horizons Two and Three Detailed Business Case

The Ministry of Social Development (MSD) is undertaking a business transformation programme to fundamentally transform MSD's operating model and technology systems to ensure it is well-placed to meet future challenges and deliver better outcomes for all New Zealanders.

This Detailed Business Case is a significant deliverable for this initiative, to investigate value-for-money options to meet its future requirements.

I confirm that:

- I have been actively involved in the development of the attached investment proposal through its various stages
- I accept the strategic aims and investment objectives of the investment proposal, its functional content, size and services
- the cost and benefits estimates of the proposal are sound and based on best available information
- the financial costs of the proposal can be contained within the agreed and available budget
- the organisation has the ability to pay for the services at the specified price level
- 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

The Aurora Centre / 56-66 The Terrace / Wellington 6011
PO Box 1556 / Wellington 6140 / New Zealand
Phone: 64 4 916 3300 / Fax: 64 4 918 0099 / www.msd.govt.nz

APPENDIX H: Supporting Documents

The following table lists the key supporting documents that should be consulted for this business case.

Table 28 Supporting Documents

Document	Date	Description
Strategic Assessment for Investment in the Ministry of Social Development's Future	November 2021	Briefing report for Minister of Social Development and Employment
Te Pae Tawhiti Programme Business Case	28 April 2022	Original Programme Business Case
Te Pae Tawhiti Programme Horizon One Detailed Business Case	31 May 2023	Horizon One Detailed Business Case
Report on Critical policy and legislative issues to enable Te Pae Tawhiti	19 July 2023	Briefing report for Minister of Social Development and Employment
Report on Te Pae Tawhiti Programme	8 December 2023	Briefing report for Minister of Social Development and Employment
Gateway Review Report	December 2023	Report of Gateway Review Team for Te Pae Tawhiti Programme
Report on Future of Te Pae Tawhiti Programme	24 June 2024	Briefing report for Minister of Finance and Minister of Social Development and Employment
Gateway Review Report	November 2024	Report of Gateway Review Team for Te Pae Tawhiti Programme