



22 December 2025

Tēnā koe

### **Official Information Act request**

Thank you for your email of 20 October 2025, requesting information regarding the Simplification Programme.

On 23 October 2025, you refined your request to *Reports, memoranda, aide-mémoires, or other documents provided to Ministers or Cabinet between 2010 and 2014 that led to the establishment of the Simplification Programme.*

Please see the **Appendix** for a list of the reports provided in scope of your refined request. You will note we include two reports, from 2015 and 2016, that are in scope of your request but out of the time requested.

I will be publishing this decision letter, with your personal details deleted, on the Ministry's website in due course.

If you wish to discuss this response with us, please feel free to contact [OIA\\_Requests@msd.govt.nz](mailto:OIA_Requests@msd.govt.nz).

If you are not satisfied with my decision on your request, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or 0800 802 602.

Ngā mihi nui

Anna Graham  
**General Manager**  
**Ministerial and Executive Services**

**Appendix: A list of reports about the establishment of the Simplification Programme.**

<b>Title</b>	<b>Type of document</b>	<b>Report number, if known</b>
1. Simplification Project – Indicative Business Case	Report	REP-14-6-523
2. Simplification Project – Indicative Business Case from Hon Paula Bennett, Minister for Social Development to the Cabinet Committee on State Sector Reform and Expenditure Control	Cabinet paper	
3. Memo to Minister English - Simplification- Approval for implementation – Report to joint Ministers	Report to joint Ministers	REP-15-2-124
4. Simplification Project – Next Phase Business Case	Report	
5. Simplification Assurance Plan to December 2016	Report	



**MINISTRY OF SOCIAL  
DEVELOPMENT**  
TE MANATŪ WHAKAHIATO ORA

# **Simplification Project**

## **Indicative Business Case**

**In Confidence**  
**Final**  
**18 June 2014**



**SIMPLE IS  
SMARTER**



## Document control

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### Document history

Version	Issue date	Comment
0.1–0.6		Initial drafts
0.7	10/4/14	Strategic case revised
0.8	24/4/14	Draft for review by business case development lead
0.9	24/4/14	Draft for review by project (executive director, project advisor, stream leads, etc)
1.0	29/4/14	Draft for Simplification Steering Group feedback
1.1	8/05/14	Including Steering Group feedback, revised executive summary, reworked options assessment sections)
2.0	9/05/14	New draft for Steering Group (addressing feedback), central agencies, and other reviewers
2.1	23/5/14	New draft post-IQA, Treasury, GCIO, internal etc feedback
3.0	28/5/14	Version for re-circulation
3.1	29/5/14	Revised (internal feedback)
3.2	10/06/14	Revised
4.0	11/06/14	Version for OSEC
4.10	17/6/14	Minor changes post Osec
FINAL	18/6/14	Final version

### Document sign-off

Role	Name	Signature	Sign-off date
Executive Director	Marc Warner		18/6/14
Senior Responsible Owner	Debbie Power		19/6/14



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## Executive Summary

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### **Purpose**

The Simplification indicative business case summarises the Ministry of Social Development's proposal to simplify transactional services (all services relating to financial assistance) to reduce operational costs, make services more effective for the people with whom the Ministry works (whether beneficiaries, non-beneficiaries, seniors, students, or carers), and create opportunities to reinvest frontline resources in outcome services.

### **Recommendation**

This indicative business case recommends the Ministry proceeds with the detailed business case (within a tailored programme framework) to present the Simplification programme of work, seek approval for the implementation of confirmed components, indicate requirements for the next phases, and likely be followed by further specific project business cases for significant investments.

### **Ministry has an extensive and important mandate to help New Zealanders**

The Ministry of Social Development has an extensive and important mandate to serve New Zealanders and provides services to more than 1.1 million individuals (whether beneficiaries, non-beneficiaries, seniors, students, or carers) and 110,000 New Zealand families. The Ministry's purpose is to help New Zealanders to help themselves to be safe, strong, and independent.

### **Ministry delivers both outcome services and transactional services**

The services the Ministry delivers cover two important dimensions: outcomes and transactions. Outcome services address people's employment and child welfare issues. Transactional services address people's need for financial assistance.

Transactional services include assessing people's eligibility and entitlement to assistance to monitoring and managing their payments until their entitlement ends. The administrative aspects of monitoring obligations and changes in circumstance and managing fraud and debt are also transactional services.

### **Simplification of transactional services – simple is smarter**

Simplification is about reviewing the Ministry's transactional processing model and repositioning the Ministry to achieve more with limited resources. The aim is to streamline processes and systems so the right people receive the right support at the right time. Simplification will not change people's entitlements, eligibility, or social and work obligations; it will not dilute the focus on 'employment first'. Simplification is about clearing away unnecessary and costly tasks and administration, so more of the Ministry's effort is on improving outcomes for New Zealanders.

## **In Confidence**

Direct changes to outcome services (such as work-focused case management and protecting vulnerable children) are outside the scope of Simplification, but decreasing the effort needed to process straightforward transactions will allow the Ministry to redirect resources to working with people to improve their social outcomes.

### ***Transactional services make up a significant portion of the Ministry's work***

Transactional services are a significant portion of the Ministry's work in terms of transactional volumes and effort by staff and people receiving financial assistance. Each year, the Ministry processes more than 3.5 million applications for financial assistance and more than 5.6 million actions in relation to changes in circumstance and renewals. Last year, people came into Ministry frontline offices for more than 2 million appointments and made around 12 million calls to its contact centres. In total, the Ministry spends over \$200 million per year directly on transactional services, which represents almost 20% of its operating budget.

### ***Multiple non-integrated service lines cause duplication and fragmentation***

The Ministry delivers transactional services through multiple service lines, which results in duplicated processes and systems and fragmented information about people who interact across service lines.

People often have numerous interactions with the Ministry in relation to transactional services, having to repeat information, complete paper-based applications for most new requests, and engage face to face even when an online or phone-based interaction could have worked just as well.

### **Simplification of transactional services supports outcome services**

Simplification is about making business processes for transactional services more efficient and based on the needs of the people receiving the services (rather than Ministry or business unit needs). This will release capacity for frontline staff to deliver more outcome services, especially to high-priority and high-needs individuals and families. Simplification also creates a robust and comprehensive information asset that 'joins the dots' for individuals across Ministry services. This asset enables smarter and faster decision-making and targeted investment consistent with the government's investment approach to welfare.

Simplification of transactional services will further support outcome services by giving staff a complete picture of people's financial assistance, enabling them to intervene more quickly to address financial needs or work-related obligations.

### **Simplification aligns with government's Better Public Services priorities**

Simplification of transactional services aligns with the government's Better Public Services programme. In particular, Simplification contributes to two themes. It contributes directly to improving people's interaction with government by enabling more New Zealanders to complete their transactions with the Ministry easily in a digital environment (result 10). It also frees up resources to increase the Ministry's focus on outcomes such as reducing long-term welfare dependence (in particular result 1 – reducing the number of people on a working-age benefit for more than 12 months).

## Future state of transactional services – simple, transparent, with integrity

In the desired future state, transactional services would provide people with the financial assistance to which they are entitled through a process that is simple, transparent, and of high integrity. This future state has five core requirements.

**A simpler, experience at the front end of the business** that focuses on the needs of the people with whom the Ministry works requires:

- a single, integrated transactional service regardless of the type of assistance for which a person is applying
- core information to be collected and identity verified just once for each individual
- simplified applications, re-applications, and renewals that focus on the information needed to determine eligibility
- a service culture that puts the people the Ministry works with at the centre and enables them to take more responsibility for their role in transactional services.

**People needing or receiving assistance, staff, and third parties completing transactions easily in a digital environment** requires:

- a comprehensive digital service that encourages and supports people to interact with the Ministry online whenever and wherever it is convenient
- people to have greater ownership of their own record of financial transactions, being able to maintain it as their circumstances change.

**Smarter assessment and improved staff capability for expert human judgement** require:

- automating eligibility assessment and payment maintenance, where possible, using system-based rules, so staff can focus on complex, judgement-based decision-making
- simplifying the rules and processes involved in transactional services, so staff can focus on the areas where judgement is more important.

### New Zealanders' future experience of transactional services

"I have a job and three kids, so getting to the service centre every time I had to fill out a form was a real pain – it's great that I can now do things over the internet or the phone."

"When I first applied for assistance I went into an office to learn about my work obligations. While I was there I also got set up with My Account and had my photo taken – now when I go in to see my case manager we just talk about how I can get a job."

"I was worried about using computers, but when I went into the offices, the friendly staff helped me load all my information and even showed me how scanning worked. I saw my information go into the computer so I know they have it."

"The new website is simple and easy to use – I can access it on my phone, a computer, or from MSD's kiosks. I can see all my information and make changes when I need to. It's so much quicker to get answers when I need them – I can check my payments on my phone or through the web."

"Doing my New Zealand Super application on the computer was a breeze – I'm good with computers, and I was happy for MSD to use information it already had about me. I ticked a box on the website, and bingo it was done."

**Feedback loops across the business to tailor the Ministry's service and support the investment approach** require:

- business intelligence and analytics to inform risk- and need-based segmentation and support the management of business operations
- Ministry people and process capability built for the future so services are designed to support the investment approach.

**An accurate, dynamic, and consistent view of clients across transactional services** requires:

- each person's record to be integrated across transactional services to create an information asset for better decision making and targeting
- full use to be made of information available within the Ministry and gained through data matching to enable earlier and more accurate assessments of eligibility while ensuring privacy and security of all information about individuals.

By effectively using current and authoritative data from agencies such as Inland Revenue and the Accident Compensation Corporation, debt management and fraud identification would improve. For example:

- shortening the time between identifying a change in a client's earnings and adjusting their assistance, thus avoiding overpayments and debt creation
- identifying clients failing to disclose their true circumstances (such as being in receipt of long-term accident compensation), which affects the amount they are entitled to.

**Primary benefits of Simplification for the Ministry**

The primary benefits of Simplification for the Ministry are significant increases in operational efficiency and effectiveness, which enable a greater focus on outcomes and an improved experience for people using Ministry services.

***Increased operational efficiency – eliminate unnecessary rework, streamline***

Increased operational efficiency is achieved by eliminating unnecessary work and automating and streamlining processes. This allows a release of resources that will address the Ministry's \$61 million financial shortfall over the next four years, and create further capacity that can be reinvested to support outcome services. The benefit assessment indicates a release of up \$68 million per year or up to \$336 million in total by 2021/22.

***Increased effectiveness – join up service delivery, create single records***

Increased effectiveness is achieved by joining up service delivery and creating a single record for an individual's transactional services, which enables better decision-making in both transactional and outcome services. Increased automation and straight-through processing reduce error rates, and data matching reduces the likelihood of over- or under-payments caused by delays in people reporting changed circumstances. Having a comprehensive view of a person's transactions with the Ministry improves debt management and fraud prevention.



### ***Increased focus on outcomes – minimise effort on transactional activities***

By minimising the effort and time required for transactional activities by both staff and the people the Ministry works with, more resources and focus can be shifted to outcome services. This also supports the 'employment first' principle and the investment approach to welfare reform by allowing tailored and targeted services in the areas that matter. Evidence suggests that reducing compliance costs (for example, making it easier for people to update information when their circumstances change) increases compliance across both transactional and outcome services.

### ***Improved experience – eliminate unnecessary effort, enable choices***

An improved experience for people is achieved by eliminating manual processes and unnecessary effort and enabling people to make choices in their transactional interactions with the Ministry. This is particularly the case for non-beneficiaries, students, and seniors, who will be able to choose primarily digital means of interaction at times and places convenient to them.

### ***Simplification improves future flexibility – enhanced scalability***

Increased use of digital channels and more automated assessment and processing provide flexibility in terms of the scalability of transactional services. As economic cycles change, volumes of transactions will likely fluctuate. A digitally enabled service is able to cope with such fluctuations without requiring large increases in staffing costs.

A digital service is of particular benefit to non-beneficiaries, student, seniors, and carers. For example, supplementary payments and hardship assistance, including applications by non-beneficiaries, account for the largest volume of transactions, and superannuitants are the largest group receiving Ministry services and are increasing in number every year.

### ***Simplification increases digital uptake – more people interacting digitally***

Simplification lets more people interact with the Ministry online and take advantage of RealMe, directly supporting Better Public Services result 10 by enabling a significant proportion of New Zealanders to interact with government through digital channels. Easier online access will not dilute social or work obligations or requirements for face-to-face outcomes discussions.

### ***Simplification allows consideration of bolder options in future***

Until the transactional service is integrated and consistent, potentially bolder options for delivery cannot be considered. Future options for transactional services might include an even greater role for the private sector (for example, a public-private partnership) or third parties (such as non-governmental organisations) in delivering services instead of the Ministry.

Possibilities exist to build a platform for more partnerships across government, making greater use of all-of-government services, or for a cloud-hosted service where the Ministry delivers the 'rules and tools' to community providers that administer transactional services. These options are constrained by the current fragmented and duplicated service.

## Options development

The project, in consultation with the business, technical specialists, and people the Ministry works with, identified realistic solution options for delivering the potential business scope. Practical solutions were considered across the full spectrum of dimensions – solution scope, channel, implementation model, and project delivery – then combined into eight composite options.

An initial assessment of the eight options against the critical success factors and investment objectives culminated in four options (including a comparative base case) worthy of further consideration.

The **Do Minimum** (base case) option is based on the changes the Ministry needs to make even without a co-ordinated change approach. This option makes incremental improvements, driving efficiencies through business-as-usual initiatives in each service line. People complete more transactions by phone and some basic transactions online. Staff do less rework and double handling with the contact centre and central processing centre responsible for authorising and completing more transactions.

The **Efficient Sourcing** option explores ways to reduce cost by outsourcing components of the transactional process to specialist providers (eg, scanning, mail management, data entry, contact centre and central processing functions, and digital channels). Efficiencies may come through economies of scale and market innovations in processes and technology. Ministry staff can concentrate more on outcomes as other providers manage much of the administration and processing.

The **Integrated Front End** option focuses on redesigning the client experience by creating a single front-end transactional service, including digital channels. People have more options for interacting and completing tasks online and by phone and can receive assistance with digital transactions from staff. Specialised frontline staff provide dedicated assistance to people wanting to interact with the Ministry.

The **Integrated Transactional Service** option delivers integrated processes, information, and technology – from front to back: a redesigned experience for the people the Ministry works with *and* an integrated view of each individual's transactional services, automated eligibility assessment, payment maintenance, and business intelligence capabilities. People can 'do almost everything online', including applying for assistance, updating information, and tracking their applications in real time. Outcome-focused staff are significantly freed up to provide dedicated support to better outcomes for New Zealanders.

## Financial implications

### *Funding sources*

The Ministry's capital plan recognises simplification as a key priority. The total amount required for Simplification depends on the detailed design and the relative priority of this investment with other commitments. Capital funding for Simplification will be determined when the detailed business case is completed.

The Do Minimum, Efficient Sourcing, and Integrated Front End options are likely to be able to be funded from available funding. The Integrated Transactional Service option may not be able to be so funded, so some additional capital investment could be required (estimated at between \$50 million and \$70 million). Any additional capital investment is expected to be offset by future savings.

### *Estimated cost*

The Ministry's initial indicative estimates of the capital costs of the shortlisted options are between \$65 million and \$130 million. Indicative implementation costs are estimated to be between \$10 million and \$20 million, depending on the option. Implementation costs comprise project team costs and change management costs (including personnel, training, and redundancy, if applicable).

Additional operating costs may also be incurred. These costs comprise additional information technology support in all options and digital assistants in the Integrated Front End and Integrated Transactional Service options. These costs will be met from the expected benefits.

For the comparative Do Minimum option, the estimated capital cost is \$30 million and the estimated operating implementation cost is \$5 million.

The cost of taking the project through the detailed business case stage, including personnel, expert advice, and prototyping, is expected to be up to \$5 million. This cost is expected to be funded from available 2013/14 underspend in departmental appropriations.

### *Impact on the four-year plan*

In its four-year plan, the Ministry stated that the Simplification initiative would address the total operating shortfall of \$61 million. None of the options will meet the expected \$9 million shortfall in 2015/16. Simplification savings in core transactional processes are unlikely to be realised until 2016/17. However, the expectation is that efficiencies in other processes will be realised as the initiative progresses. These efficiencies will be implemented as 'quick wins' before the main benefits flow from the initiative.

Although the Do Minimum and Integrated Front End options return positive net present values, they are not expected to provide enough benefits to meet the entire shortfall.

The Integrated Transactional Service option is expected to provide enough benefits to address the funding gap and provide reinvestment benefits of up to \$20 million a year.

The benefits of the Efficient Sourcing option cannot be assessed until the market has been engaged with.

## **Approach to next stage – dual-speed, flexible, transparent, and assured**

The Ministry intends to take a 'dual-speed approach' to design and implementation. This approach means being cautious and careful in the redesign of core payment and processing engines while being agile, innovative, and fast when developing digital technologies for people's interactions with the Ministry. Organisations undertaking similar projects in New Zealand, Australia, Europe, and North America have taken such an approach.

To facilitate innovative and flexible delivery while ensuring proper assurance and transparency, Simplification will use a tailored Better Business Cases programme framework. The Ministry will work closely with Central Agencies to confirm the assurance and other requirements under this approach.

## **Next steps – market engagement, testing and prototyping**

### ***Early market engagement***

The Ministry plans to engage with the market early to seek innovative approaches to sequence, enable, and deliver solutions to the challenges faced in transactional services. Engagement will focus on explaining the current state and desired outcomes to the market and seeking ideas on possible solutions – rather than pre-specifying requirements that constrain market innovation.

### ***Testing and prototyping of concepts***

The Ministry also intends to thoroughly test concepts using prototypes and trials (for example, ways to help people use digital channels and to manage the transition between transaction services and outcomes services).

Engagement with frontline staff and the people the Ministry works with will ensure design focuses on their needs (rather than those of the Ministry or specific business units).

### ***Detailed business case by the end of 2014***

The next stage detailed business case will present (by 31 December 2014) the Simplification programme of work, seek approval for the implementation of confirmed components, and indicate requirements for the next phases. It will likely be followed by further specific project business cases for significant investments.

# 1 Introducing the Business Case – Simpler is Smarter

## 1.1 Purpose of this document

This document is the indicative business case for the Simplification Project. It presents the case for simplifying the Ministry's transactional services for the benefit of clients, staff, partners, other taxpayers, and government as a whole.

## 1.2 Decisions required

This business case supports Cabinet's consideration of the Simplification Project's preferred way forward. It enables Cabinet to:

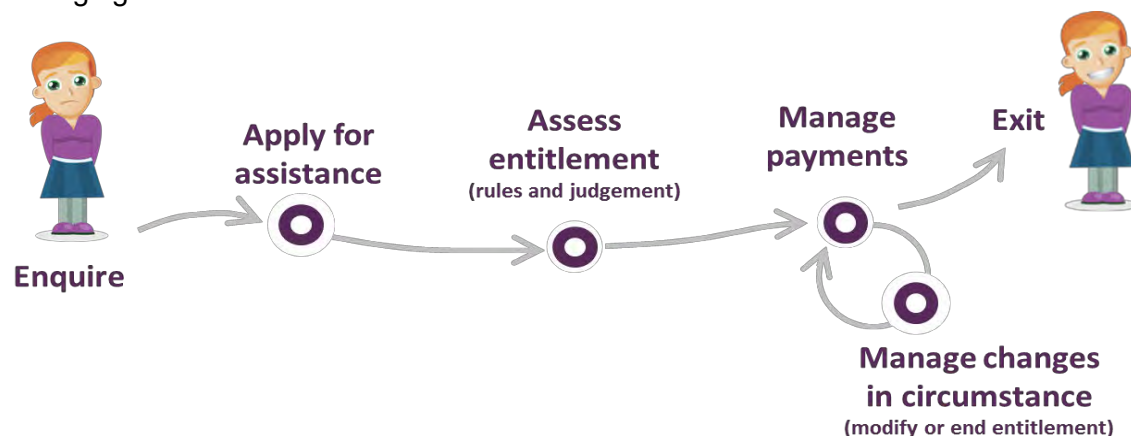
- note the case for change and the need for investment
- agree the Ministry proceeds with detailed design and investigation of the options identified in this indicative business case
- agree the Ministry develops a detailed business case (within a tailored programme framework as agreed with Central Agencies), including engaging with the market and prototyping
- note the cost of the detailed business case stage is expected to be funded from the 2013/14 underspend in departmental appropriations.

The Chief Executive's letter confirming his involvement in the business case's development and that the project is ready to proceed as described above (as per current Better Business Cases guidance) is in Appendix 1.

## 1.3 Scope and approach to the Simplification business case

The Ministry's four-year plan identified the simplification of transactional processing as one of the key enablers to achieve the Ministry's strategic direction.

Transactional processes are all services provided to a client seeking financial assistance and support. They are the processes associated with determining a client's eligibility and entitlement through to monitoring and managing the client's payments until their entitlement ends. Transactional processes also include the administrative aspects associated with monitoring obligations and changes in circumstance and managing debt.



*Transactional processes*

Transactional services should provide the client with the financial assistance they are entitled to through a process that is simple, transparent, and of high integrity.

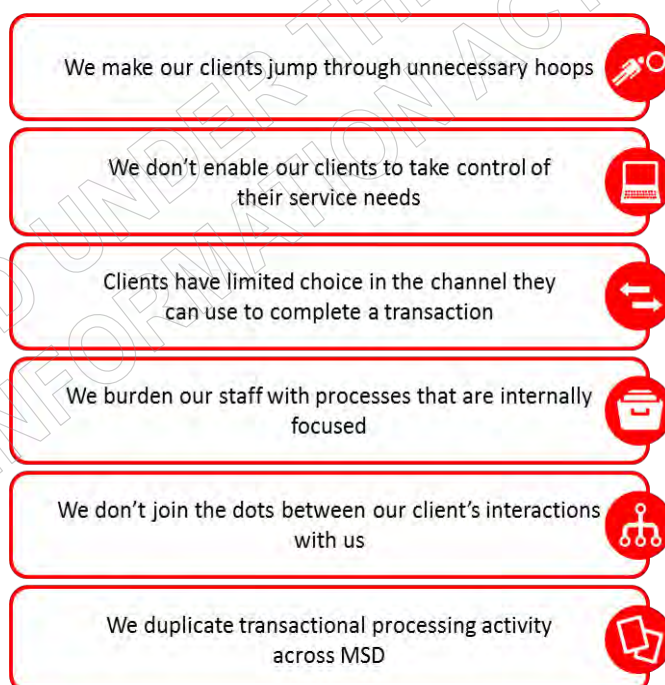
Simplification is about making business processes for transactional services more efficient and client-centric, releasing resources from transactional service provision to outcome-focused activities and by capturing the right data to support other processes.

### **Opportunity assessment – purpose, method, and findings**

An opportunity assessment established a reliable fact base on the current state and enabled evidence-based decision-making on the changes required.

The participants in the opportunity assessment used various methods, including:

- sitting alongside managers and staff at different sites to observe the process
- staff interviews and forums
- workshops with select Ministry frontline staff (termed 'Navigators' – see the box over the page) to test hypotheses and provide opportunities for active participation and innovation
- intensive qualitative research with clients to better understand their journeys and experiences
- analysis of a variety of data, including transaction volumes, activity times, and channel use
- research into best practices used in comparable jurisdictions and other industries.



*Problems with current transactional services*

The opportunity assessment identified six overarching problems with the current state.

### **Staff engagement throughout the process**

The project's engagement strategy acknowledges that the Ministry's staff are its greatest source of insight. Staff on the frontline are the direct interface with clients and systems, assessing client needs, processing, and making payments every day.

The project used the knowledge and experience of these staff to develop ideas that support simplification and identify the pain points in the current model.

'Navigators' are staff members from across the Ministry's service lines and regions. They are virtual members of the project team with an advisory and co-design role, helping to prioritise ideas generated through staff forums and develop solutions.

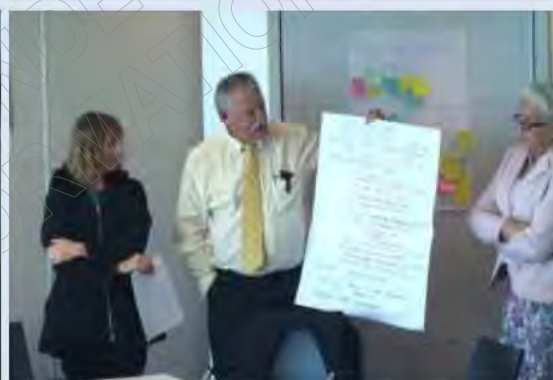


Chosen as experts in operational practice and innovative thinkers, the Navigators were challenged to come together not just to provide expert knowledge of their service line but to think strategically from a whole-of-ministry perspective. They have been critical in sparking the interest of others in their regions and sharing the tools and practices of the project. They will be an ongoing key resource throughout the project.

### **Navigating to better ways of doing things**

The project is working with 28 Navigators to develop the future-state client experience that will change how the Ministry delivers services and bring together duplicated activity from different parts of the Ministry.

The project reviewed current transactional business processes, involving staff from across the country to find better ways of doing things and encourage a supportive environment to innovate and share opportunities and ideas.



### **Learnings from overseas agencies and other industries**

The opportunity assessment also considered developments in international social development agencies (for example, in the United Kingdom, Australia, Canada, and the United States) and other industries (for example, banking and insurance) that might be usefully applied to the Ministry's transactional processes.

Many of the international social development agencies researched faced similar problems to those the Ministry is facing, including fragmented service delivery, a lack of integrated information and technology, and a heavy reliance on face-to-face interaction. In response to these challenges, the United States established an integrated self-service portal for clients, while Australia, Denmark, and Canada integrated their services across the social welfare sector.

## **In Confidence**

Research into other industries, particularly the finance and insurance industries, identified the following innovations that the project has incorporated into its design:

- proactive customer triggers to identify when a customer needs to apply for a financial product (for example, a loan when their account balance is low (bank, Poland))
- a fully cloud-based online service for insurance applications and issuing policies (insurance company, India)
- customer self-registration kiosks in multiple languages, including triaging, scheduling, registration, and billing (hospital)
- branchless ATMs allowing customers to do virtually everything from opening accounts and applying for loans, cards, and cashier's cheques and to see and speak with a customer service representative (bank, South East Asia)
- mobile video kiosk that allows salespeople to talk in real time to in-store shoppers (retailer)
- fully streamlined and co-ordinated handover process (hospital, UK, based on Formula One motor-racing pit-stop team changeover)

More information about the findings from this research is in Appendix 2.

### **1.4 Structure of this document**

The sections following this introduction are:

- Making the Case for Change (section 2)
- Establishing the Economic Case (section 3)
- Engaging with the Market to Develop the Detailed Case (section 4)
- Considering Affordability and Funding (section 5)
- Managing a Successful Project (section 6)
- appendices of supplementary information.

## 2 Making the Case for Change

### 2.1 Introduction

This section confirms the rationale for the Simplification investment proposal and makes the case for change. The section concludes with the desired future state for the Ministry's transactional processes.

### 2.2 Transactional services – significant component of Ministry services

The Ministry is the government's lead provider of services for children and young people, working-age people, older people, families, and communities. Its purpose is to help New Zealanders to help themselves to be safe, strong, and independent.<sup>1</sup>

The Ministry administers over \$20 billion in government expenditure, provides services to more than 1.1 million individuals and 110,000 families. As at 30 June 2013, the Ministry was supporting over 309,000 beneficiaries, 60,000 non-beneficiaries, 635,000 superannuitants and veterans, 186,000 students, and 3,434 carers (collectively 'clients'). (For more contextual information, see the diagram over the page.)

Transactional services are delivered separately through multiple service lines, depending on specific entitlements and types of assistance. Work and Income administers income support services, StudyLink administers student allowances and student loans, Senior Services administers New Zealand Superannuation, and Child Youth and Family administers carer reimbursements. Across the service lines, the Ministry has a physical presence at 325 sites.



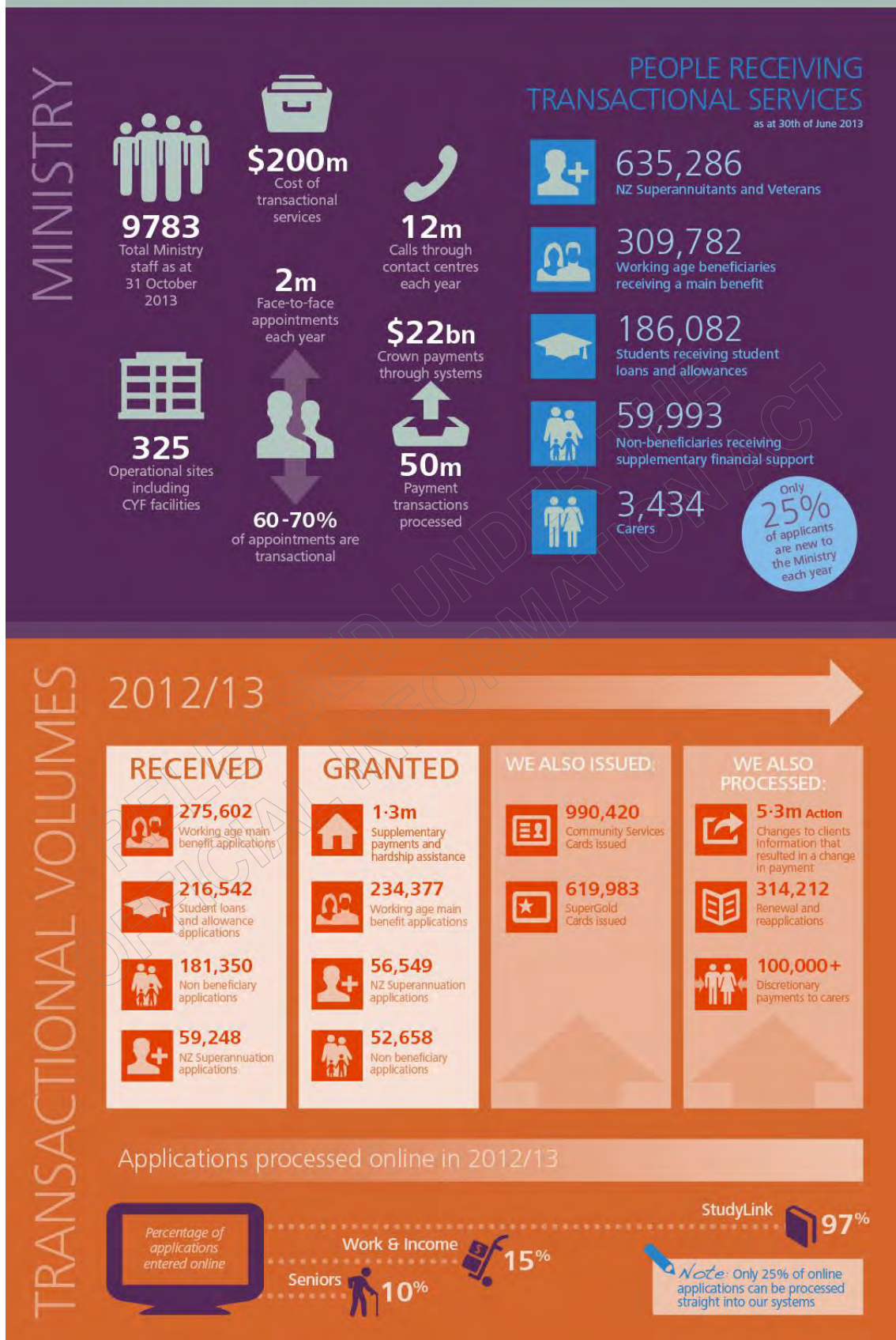
This approach to transactional service delivery has evolved as functions were transferred or expanded and service lines were established for specific time-based requirements. This historical evolution has resulted in a strong service line focus on results, but has led to interactions with New Zealanders being fragmented across service lines, reliance on ad hoc information-sharing processes, and clients having to join up services based on their needs. Processes and systems are duplicated across service lines, causing inefficiency.

Transactional services are a significant driver of Ministry work, in terms of transactional volumes, staff effort, and client effort.

<sup>1</sup> Ministry of Social Development (2013) *Budget 2014: Four-Year Plan* (draft version 1.1, Budget sensitive); Ministry of Social Development (2013) *Annual Report 2012/2013*, p 45. [www.msd.govt.nz/about-msd-and-our-work/publications-resources/corporate](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/corporate)



## Transactional Services in numbers



Transactional services in numbers, 2012/13

The Ministry annually processes over 2.7 million applications for financial support and assistance and issues over 1.6 million Community Services and SuperGold Cards. Transactional services are processed by the equivalent of over 2,250 full-time staff, including 60% of all case manager time in Work and Income.

The Ministry has nearly 2 million face-to face-appointments with clients each year, of which about three-quarters are for transactional services. This equates to about \$55 million of frontline staff time and nearly \$4 million of contact centre staff time to book appointments with clients over the phone.

Transactions require a high level of face-to-face and phone-based interaction. While this can support the outcome service for beneficiaries, it creates unnecessary burdens on non-beneficiaries, students, seniors, and carers. Operational efficiency is also affected – an average face-to-face appointment with a case manager costs more than an average phone-based interaction with a customer services representative while a digital transaction has no client–staff interaction.

Staff spend a disproportionate amount of time processing applications that account for a small proportion of assistance (for example, nearly half the processing time is spent on applications for supplementary assistance, which account for only 6% of total Crown payments).

## **2.3 Simplification of transactional services aligns to strategic priorities**

### ***Welfare reform and the investment approach***

Welfare reform is a programme to modernise the welfare system, making the benefit structure less complex (for example, with fewer different benefit types), and to promote independence. A stronger focus on paid work will ultimately reduce long-term welfare dependence. Reducing long-term welfare dependence is also about managing the future cost of the benefit system and supporting New Zealand's economy with a productive and skilled workforce.<sup>2</sup>

The new model for welfare reform is limited by the current transactional service model, in terms of both providing client-centric services and supporting outcomes. To make the most significant gains, the full potential of the Ministry *as a whole* must be leveraged with the removal of barriers created by an overly complex system.

The Simplification Project is a key enabler of these changes, by simplifying transactional services and releasing resources for outcome-focused services. Integrating and streamlining transactional processes also enables better management of client information, which supports better management of outcomes as well as transactions.

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2 The government has supported the extensive welfare reform programme that provides levers to achieve the Better Public Services targets, including legislative reform to increase the number of people obligated to be in paid work and create more levers and incentives to encourage beneficiaries to focus on paid work; an actuarial valuation of the future liability of the full benefit system, including profiling client segments at risk of ongoing dependency; a high level of accountability to achieve better client outcomes using an external key performance indicator framework that sets targets across a variety of performance measures; and a multi-category appropriation that, from February 2014, gives Work and Income more flexibility to apply expenditure to where it will support improved client outcomes.

### ***Direction in the four-year plan***

The Ministry's four-year plan sets out its strategic direction: to move to a client-centred operating model. The government has approved the four-year plan, and the Ministry is now implementing this strategic direction.

The four-year plan identifies Simplification as the key strategic initiative expected to deliver ongoing operational savings and free up resources for focusing on outcomes.

The Ministry is also developing approaches to enable joined-up service delivery across the Ministry – creating client-centred ways of working that provide services as a single organisation with one client base and a shared purpose and culture. Simplification is an enabler to this change as it supports the delivery of transactional services in an integrated way, so clients are not dealing with different administrative systems and processes depending on the assistance type they are seeking (or receiving).

### ***Addressing cost pressures***

The Ministry's four-year plan identified a funding shortfall of \$61 million over 2014/15 to 2017/18. The plan identified the Simplification Project as the initiative to address this shortfall and free up further funds for reinvestment in outcomes where possible.

Financial pressures, driven by operational demands and inflation, are expected to increase, making it a significant challenge for the Ministry to manage costs within existing baselines.<sup>3</sup> For example, the number of people receiving New Zealand Superannuation is expected to increase by 22,000 each year, reaching 715,000 by June 2017.

Since 2007, the Ministry has used its value for money programme to manage cost pressures through productivity and efficiency gains. However, opportunities for quickly realisable savings have all but been exhausted. Remaining options to further reduce costs are likely to lead to operational risks and degraded services, so more significant change is required.

The Ministry needs to reduce the amount it spends on transactional processing, so it can increase the amount directed at improving outcomes. Simplification is the key strategic initiative expected to deliver savings in the latter part of the forecast period, by eliminating unnecessary process, streamlining and automating necessary process, and improving efficiency through better tools and learning.

## **2.4 Simplification aligns with public sector change**

Not only does the Ministry need to realise savings to address its cost pressures, it must also focus more effort on achieving government's long-term targets for better public services and its priorities for welfare reform. The simplification of transactional services is clearly aligned with Better Public Services result 10 – increasing the number of people interacting with the Ministry in a digital environment – and will enable resources to be refocused on outcomes such as getting more people into paid work and out of welfare dependency (result 1).

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3 Ministry of Social Development (2013) *Ministry of Social Development Budget 2014: Four-year plan* (version 1.1, Budget sensitive).



## In Confidence

Simplification is also aligned with other pieces of work, including Inland Revenue's transformation programme, which is also responding to government goals of deriving better value from public services, including more integrated pan-government services. Together, there is an opportunity to radically change the way government services are delivered, enabling a more streamlined client experience when interacting with the government.

Potential also exists for significant sharing of digital platforms and information (for example, using RealMe verification) across agencies, including with Inland Revenue and the Accident Compensation Corporation.

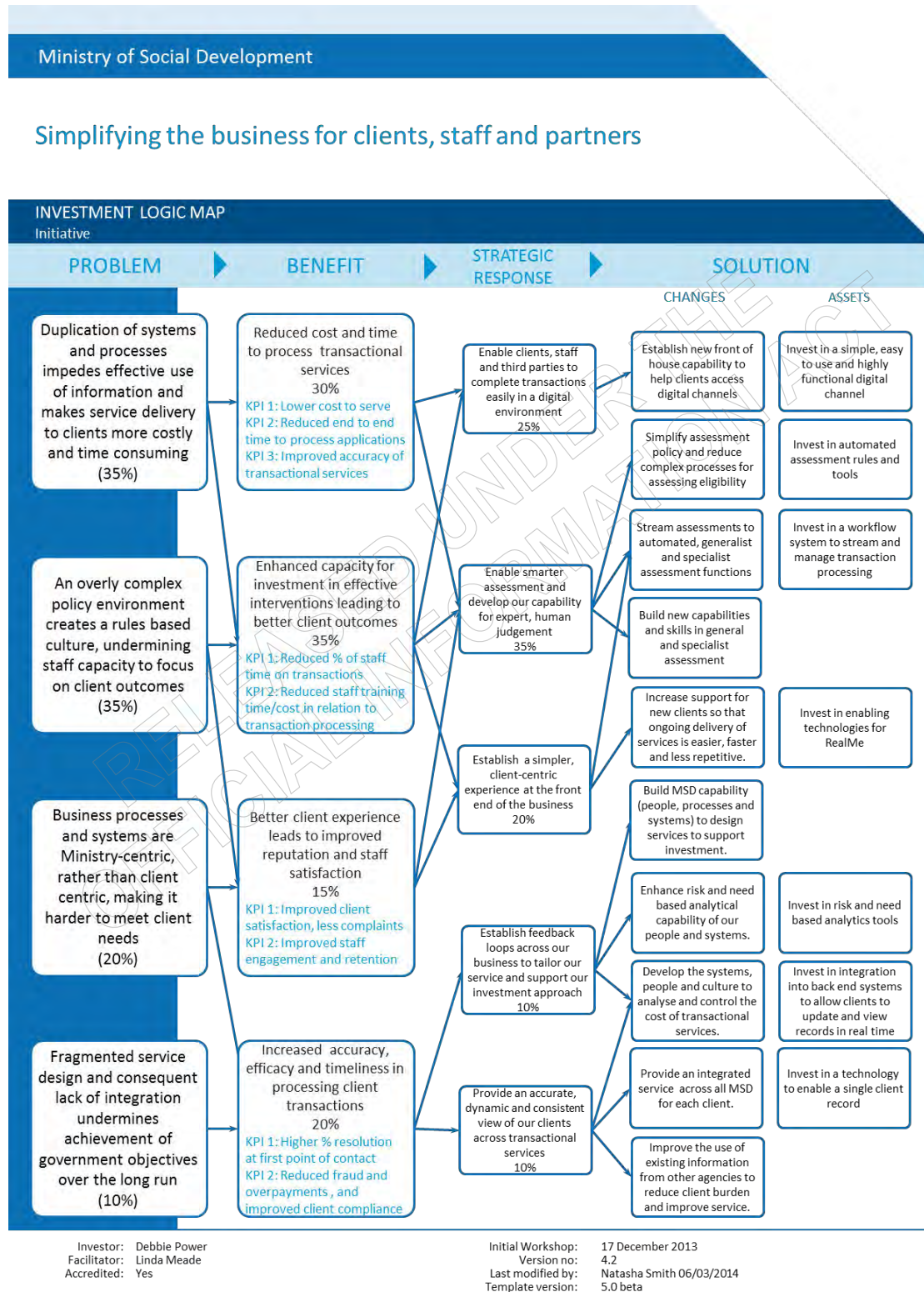
Delivering a more flexible and agile service will increase the opportunity for private sector or third-sector involvement to be considered in the future. By simplifying and integrating transactional services across the Ministry, a variety of future options are created, including much greater involvement from third-party providers, the private sector, and community and iwi organisations.

Delivering an integrated, consistent transactional service also enables consideration of bolder options in the future such as creation of a cloud service where the Ministry delivers the 'rules and tools' to community providers to administer transactional services.

While many of these options are being investigated through the Simplification Project, the extent of third-party involvement and all-of-government service delivery is limited because of the fragmentation, variability, and duplication of services.

## 2.5 Opportunities to deliver improvements through Simplification

The project team with its key stakeholders developed an investment logic map that was informed by the opportunity assessment, best practice research, and design principles (see section 2.6).



Investment logic map

### ***Client expectations are not being met***

The Simplification Project conducted focused qualitative research with clients and used the variety of client feedback and research the Ministry has to support an analysis of the 'voice of the client'. External client research experts designed and led the interview process to ensure a robust approach was followed. Each interview focused intensively on the client's needs, motivations, and experiences with the Ministry's services and with other services throughout their lives. (For more details, see Appendix 3.)

Important themes emerged from this work, supporting the conclusion that the current transactional service does not consistently meet client expectations, although positive aspects of the service should be preserved.

- Ministry people are a lifeline for clients with face-to-face interactions providing a human face to the Ministry.
- Benefits support clients financially, but disempower them emotionally. The complexity and lack of integration across services mean clients cannot self-serve to complete transactions and they have little choice about channels.
- Mutual trust and respect are important to clients. The system needs to position beneficiaries positively in society to mitigate the social stigma associated with being reliant on financial assistance from the Ministry.
- Clients, especially those experiencing negative life shocks, want Ministry staff to understand their situation before diving into complex processes and requirements.
- Clients want certainty about who is responsible for what and when in relation to maintaining their benefit. Non-beneficiaries need easier ways to update the Ministry of their ongoing situation.

### **Clients' current experience**

"When my marriage broke up, I let Work and Income know over the phone and asked for some emergency help with my food costs. It took a further 46 days and five appointments at the service centre until my assistance was granted."

"I had to visit the service centre three times to apply for help with my accommodation costs. The first time I waited in line for 20mins just to make an appointment, which ended up being for nine days later. On my second visit I was told I didn't have all the right documentation – I can't remember anyone telling me what I needed to bring."

"My job hours are different every week, and I need to let Work and Income know what they are. This is a real hassle as I need to fill in a form and send it to them every week. One of the nice ladies on the phone said I could email it to her instead. I'm not sure if she was allowed to do that."

"When I turned 65 my son helped me with the application form for NZ Super online. We were both surprised when after completing the form we then had to print it out, sign it, and bring it into the office along with my identity documentation. I found it very frustrating that I needed to come in, but I suppose that's just the way it needs to be."

"When I moved house, I rang Work and Income to let them know. I then needed to come into the service centre to see someone and get my files transferred to the office closest to my new house."

"I've been at uni now for a couple of years and you'd think applying for a loan would get easier. Every year I need to supply exactly the same information. Then I wait for weeks, not knowing if it's been accepted."

- Clients do expect to fill out forms, but complex and/or unnecessary forms are time-consuming to complete (for both clients and staff) and repetitive information collection is frustrating.
- Many clients live in an online world, so are frustrated by the Ministry remaining 'buried in paper'.

**Clients' current experience** *continued*

"When I was applying for a student loan I could pretty much do everything online, I'm now applying for job seeker support and everything seems to be done on paper or face-to-face."

***Overly complex policy environment undermines focus on client outcomes***

The rapid implementation of government's policy priorities has added layers of complexity to Ministry business processes and technology infrastructure. The result is a rules-based culture that undermines staff capacity to apply high-quality judgement and decision-making and to focus on client outcomes. For example, it takes 12 weeks' training for a new case manager in Work and Income to learn about the most common types of assistance and eligibility rules. Case managers are expected to be fast data processors and expert assessors, as well as outcome-based service providers.

***Duplication and fragmentation impede information (re)use and increase costs***

Each service line runs the same high-level process from when a person applies for support, is assessed, is paid, and their situation is maintained, until they are exited from the system. However, each service line has developed its own processes and systems to manage these activities. These duplicated Ministry systems and processes impede effective use of information and make service delivery to clients more costly and time-consuming than it should be.

***Business processes and systems are Ministry-centric***

Current transactional processes are designed around the needs and structure of the Ministry, which makes it harder to meet client needs. The proportion of effort directed at transactional processing instead of at improving outcomes varies across the Ministry's service delivery groups. Transactional services are processed by the equivalent of over 2,250 full-time staff, including 60% of all case manager time in Work and Income.

***Fragmented service design and no integration undermine government objectives***

Fragmented service design and the consequent lack of integration undermine achievement of government objectives over the long run. For example, reducing long-term welfare dependency requires taking a holistic look at client needs across the full spectrum of assistance and support available. Simplification of transactional services supports an integrated client view of financial support, and helps to create an information asset that can inform service design.

## **2.6 Future state of transactional services**

In developing the future state design for transactional services, the Ministry used 'voice of the client' techniques, engaged extensively with its frontline staff, and looked at practices across the public and private sectors (notably overseas jurisdictions such as Denmark, the Netherlands, and Australia and the insurance and retail banking sectors).

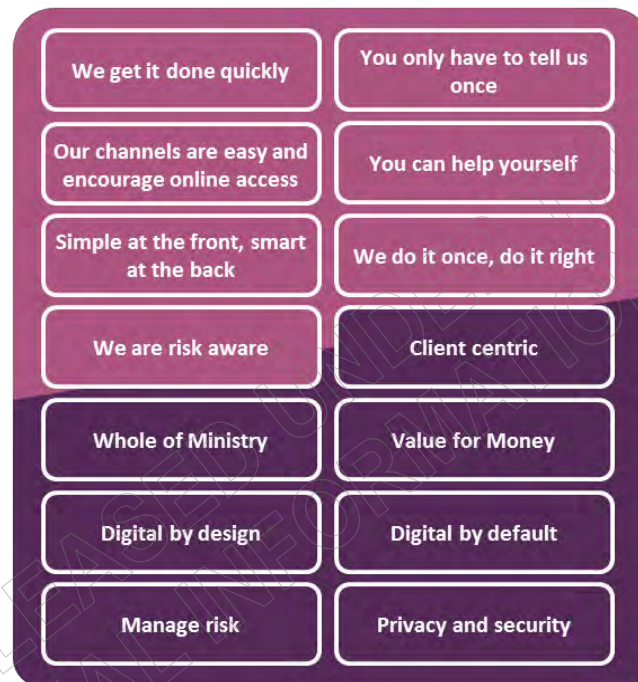
## In Confidence

These multiple sources of analysis have been brought together to create an integrated, consistent vision for transactional services that delivers an enhanced client experience and significant operational efficiencies.

### ***Transactional service design principles***

The service design principles for transactional services were developed from the issues identified in the Simplification opportunity assessment and incorporate ministry-wide design characteristics as well as client expectations. These principles form the base for the future state concepts for transactional services.

#### **Simplification design principles**



#### **Ministry design characteristics**

#### ***Service design principles***

### ***Tailoring transactional services to client profiles***

The Simplification Project built on extensive client feedback, forum-based research, and surveys that occur across the Ministry. The qualitative interviews provided a wealth of information from which researchers identified four client profiles: online transactors, channel traditionalists, option seekers, and support seekers.

These profiles are indicative rather than mutually exclusive, because individual clients will exhibit traits from multiple client profiles at the same time or at different times in their lives, depending on personal circumstance.

Each client profile has different needs and expectations for the transactional services it receives from the Ministry. With a clearer understanding of the needs of these groups, the Ministry can improve its services in ways that deliver on both client expectations and improved outcomes.



## In Confidence

This insight facilitates a change towards considering clients in terms of the ways they experience transactional services (a more client-centric approach), rather than by the financial support they receive (the Ministry-centric approach).

### Four client profiles

**Online transactors** are savvy online users, motivated, and proactive. They want to complete and submit their own applications and update their changes in circumstances. Online transactors do not want to waste time. They need accuracy, simplicity, efficiency, speed, and reassurance their transaction has been actioned



**Channel traditionalists** prefer to transact face to face – they may not trust or use online services. They are motivated and proactive and will go out of their way to make sure things are done. They need human contact. Channel traditionalists need trust, respect, reassurance, and certainty. They need to see their application or change in circumstance is being actioned.

**Option seekers** are often discouraged and disorganised. Their motivation can go up and down. They need encouragement, practical support, and reassurance. They need to be provided with structure, options, and guidance.



**Support seekers** may have undergone multiple life shocks and have physical or mental barriers to overcome. They may be withdrawn from friends and family and be in shock. They will often not ask for help and can be low in energy. They need to be listened to and given emotional support. Support seekers need reassurance, encouragement, and proactive identification of their needs.

### Key service requirements

The investment logic mapping exercise prioritised five service requirements for the future state in the following order.

**Smarter assessment and improved staff capability for expert judgement** requires:

- automated eligibility assessment and payment maintenance, where possible, using system-based rules, so staff can focus on complex, judgement-based decision-making
- simplified rules and processes involved in transactional services, so staff can focus on the areas where judgement is more important.



**Clients, staff, and third parties completing transactions easily in a digital environment** requires:

- a comprehensive digital service that encourages and supports clients to interact with the Ministry online whenever and wherever it is convenient
- clients having greater ownership of their own client record, so they can maintain it as their circumstances change.

**A simpler, client-centric experience at the front end of the business** requires:

- a single, integrated transactional service regardless of the type of assistance for which a person is applying
- core information to be collected and identity verified just once for each client
- simplified applications, re-applications, and renewals that focus on the information needed to determine eligibility
- a service culture that puts the client at the centre and enables them to take more responsibility for their role in their transactional services.

**Feedback loops across the business to tailor the Ministry's service and support the investment approach** require:

- using business intelligence and analytics to inform risk- and need-based segmentation and support the management of business operations
- building Ministry people and process capability for the future to design services to support the investment approach.

**An accurate, dynamic, and consistent view of clients across transactional services** requires:

- integrated client records across transactional services to create an information asset to better manage clients
- full use to be made of information available within the Ministry and gained thorough data matching to enable earlier and more accurate assessments of eligibility while ensuring privacy and security of all client information.

**How New Zealanders experience transactional services in the future**

"When I first applied for assistance I went into an office to learn about my work obligations. While I was there I also got set up with My Account and had my photo taken – now when I go in to see my case manager we just talk about how I can get a job."

"I have a job and three kids, so getting to the service centre every time I had to fill out a form was a real pain – it's great that I can now do things over the internet or the phone."

"I was worried about using computers, but when I went into the offices, the friendly staff helped me load all my information and even showed me how scanning worked. I saw my information go into the computer so I know they have it."

"The new website is simple and easy to use – I can access it on my phone, a computer, or from MSD's kiosks. I can see all my information and make changes when I need to. It's so much quicker to get answers when I need them – I can check my payments on my phone or through the web."

"Doing my New Zealand Super application on the computer was a breeze – I'm good with computers, and I was happy for MSD to use information it already had about me. I ticked a box on the website, and bingo it was done."

"I no longer have to fill out paper forms every time I need a new type of assistance – MSD [the Ministry] has my details and it can quickly figure out what I can get and when. Everything is much more hassle free."

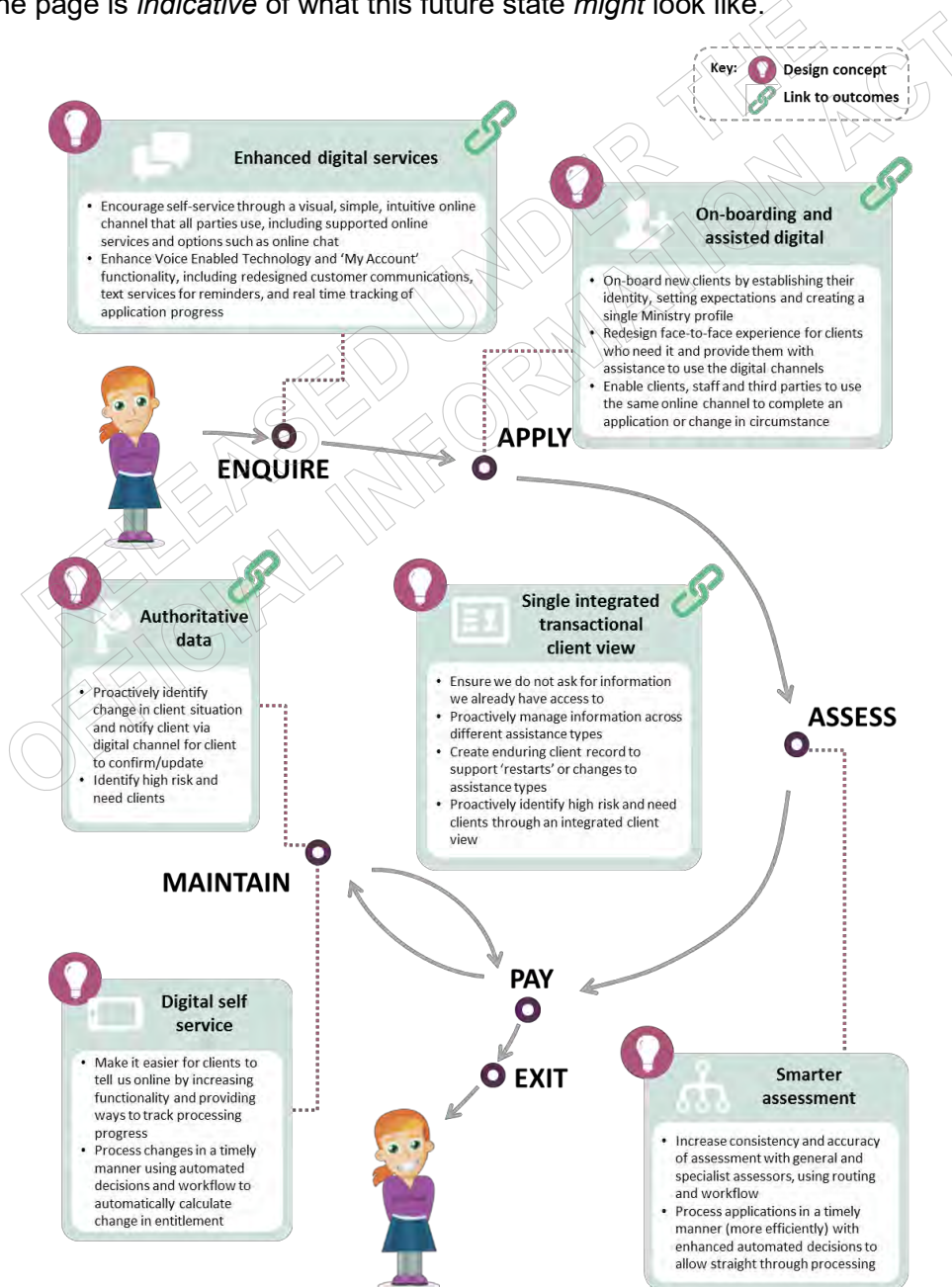
## In Confidence

By more effectively using current and authoritative data from agencies such as Inland Revenue and the Accident Compensation Corporation, debt management and fraud identification could improve:

- shortening the time between identifying a change in a client's earnings and adjusting their assistance, thus avoiding overpayments and debt creation
- identifying clients failing to disclose their true circumstances (such as being in receipt of long-term accident compensation), which would affect the amount they are entitled to.

### *Future state – improved client experience, operational efficiency, and flexibility*

This future state would deliver improvements to the client experience and operational efficiency, as well as a more flexible and agile service for the future. The illustration over the page is *indicative* of what this future state *might* look like.



*Indicative future client experience of transactional services*

## 2.7 Potential benefits

The opportunity assessment determined that significant tangible benefits could be achieved in transactional services by stopping or reducing unnecessary work, automating processing, enabling self-service, redirecting work to cheaper channels, and increasing efficiencies of the current process. This work provided input into the investment logic map (section 2.5), which formalised the benefits of the investment as:

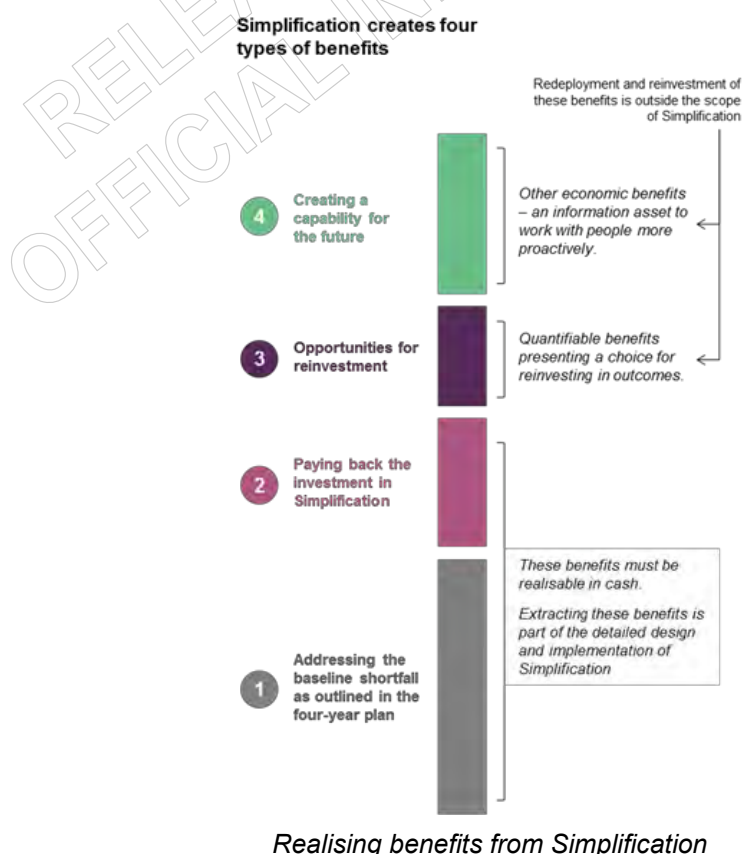
- reduced cost and time to process transactional services
- enhanced capacity for investment in effective interventions leading to better outcomes
- better client experience leading to improved reputation and staff satisfaction
- increased accuracy, efficacy, and timeliness in processing client transactions.

The solution options should achieve the above investment objectives.

The main components of these benefits are discussed in section 3.6, as are the other economic benefits (internal and external to the Ministry).

## 2.8 Realising the benefits from Simplification

Simplification will create both quantifiable and realisable benefits, as well as other economic benefits. These benefits could be used to address the baseline shortfall outlined in the four-year plan, pay back the investment in Simplification, provide opportunities to reinvest, and create capability for the future. The latter two benefits will be enabled by Simplification, but their redeployment and reinvestment are outside the scope of Simplification.





## 2.9 Strategic risk assessment

Achieving the benefits of the future state transactional service will require a significant change for the Ministry and the people with whom the Ministry works. Implementing a significant change to a high-volume transactional environment generates a variety of strategic risks that need to be carefully considered, managed, and mitigated.

The project has considered two sets of risks in relation to Simplification: project and business risks.

**Project risks** are risks to the project's successful delivery. These risks relate to the management of the project and are discussed in section 6.

**Business risks** are the risks to the successful operation of transactional services. These risks relate to the ongoing success of the service and are the consequential risks generated from changing the service.

Table 2.1 summarises the business risks identified for Simplification and the planned mitigations for those risks.

**Table 2.1:** Business risks (high and medium) for Simplification and mitigations

Risk event	Initial risk	Risk management (mitigation)	Residual risk
Simplifying transactional services results in increased demand for financial assistance	High	Model potential impacts to Crown spend robustly Involve policy specialists during service design Design monitoring and feedback loops so risks are identified early	Medium
Simplifying transactional services creates disconnects with the outcomes services for job seekers	High	Ensure the principles of 'employment first' and the 'investment approach' remain fundamental and uncompromised in the design Undertake integrated testing of the proposed design across transactional and outcomes services Design proactive controls and interventions to enhance the linkages to outcomes services	Low
People who the Ministry works with find the transition to more online services difficult	High	Engage with applicants, beneficiaries, non-beneficiaries, students, seniors, carers, and their support groups during service design Provide assisted digital services to support people to use online services Have continued availability of in-person and phone channels to support people who cannot use online services Communicate and educate the people the Ministry works with well in advance of planned implementation phases	Medium



## In Confidence

Risk event	Initial risk	Risk management (mitigation)	Residual risk
Staff find the transition difficult and workforce capability does not match future service requirements	High	Engage with frontline staff and unions in the design of the future service Invest in learning and development to support staff to make the transition Use a workforce capability assessment to inform the transition plan	Medium
Changes made through Simplification preclude future flexibility or large all-of-government changes	Medium	Engage with large agencies that are also changing transactional services Engage with the teams for Better Public Services results 9 and 10 Engage with the Government Chief Information Officer in service design Engage with external specialists and challengers to bring industry best practices and innovations to the design Consider future flexibility in service design	Low
Unintentional changes occur to the risk profile of services when processing steps that had been put in place to manage legal, safety, or other risks are removed to simplify	High	Involve risk and controls specialists throughout service design Conduct comprehensive risk assessment at set points during the project	Medium
Security and privacy breaches increase because of increased data matching and digital services	High	Ensure principle of 'privacy by design' remains fundamental and uncompromised in the design Involve security and privacy specialists throughout digital service design Focus data matching on the use of existing matches available to the Ministry Engage with the Government Chief Information Officer and Privacy Commissioner	Medium
Changes to the transactional service result in inaccurate assessments or errors in financial assistance payments	Medium	Test the transactional service design rigorously throughout the project Use well-established testing processes within the Ministry to test changes to payment calculation and generation systems Design monitoring and feedback loops so risks are identified early	Low



## 3 Establishing the Economic Case

### 3.1 Introduction

This section identifies the factors critical to the investment's success. It summarises the different dimensions across which practical solutions covering the spectrum of those dimensions were developed. Solutions were combined into eight composite options. An initial assessment of those options against critical success factors and investment objectives culminated in four options worthy of further consideration.

### 3.2 Critical success factors

Critical success factors are the attributes *essential* to the success of the investment. These factors and their measures (listed in Table 3.1) are based on commonly followed good practice in other government agencies and were developed in consultation with internal Ministry stakeholders.

**Table 3.1:** Critical success factors and measures – factors essential to success

	Description How well the option:	Measure		
		No	Partial	Yes
Strategic fit and business needs	Meets the Ministry's strategic objectives (from four-year plan) and obligations: • investment approach • vulnerable children • Investing in Services for Outcomes • helping New Zealanders be safe, strong, and independent • statutory obligations • a system flexible enough to deal with changing client volumes and types	The option is expected to have no impact or a negative impact on delivering the Ministry's strategic objectives	The option is expected to meet some of the Ministry's strategic objectives	The option is expected to make a significant contribution to the Ministry's strategic objectives
	Fits with government-wide strategic objectives: • Better Public Services result 10 (digital by design/default, better use of data, client-centricity) • Better Public Services result 1 (increased employment) • All of Government	The option is expected to have no impact or a negative impact on delivering government-wide strategic objectives	The option is expected to meet some government-wide strategic objectives	The option is expected to make a significant contribution to government-wide strategic objectives
Potential value for money	Optimises value for money for both departmental and Crown investment and expenditure (ie, the optimal mix of potential benefits and costs)  Optimises other economic benefits (eg, faster processing, fewer errors, increased client and staff satisfaction and improved debt management)	Estimated costs are approximately equal to or exceed likely benefits (payback > 7 years)  Option is expected to provide no economic costs or benefits, or to impose wider economic costs	Likely financial benefits are above estimated costs (payback < 5 years)  Other economic benefits are expected to provide some advantage	Likely financial benefits are greater than estimated costs (payback < 3 years)  Other economic benefits are expected to be significant
Potential affordability	Can be met from likely available funding and addresses the baseline shortfall as outlined in the four-year plan	Option is expected to be unaffordable from all available and additional funding options and will not meet the baseline shortfall	Likely to require some additional funding from government	Option is expected to be achieved using currently available funding and will address the baseline shortfall
Potential achievability	Is likely to be within the level of available skills required to successfully design and develop the proposed model, and will enable successful delivery of Ministry services given the Ministry's ability to respond to the changes required	The solution is expected to require skills and capability exceeding that available, and/or is expected to create a level of change that will fundamentally disrupt service delivery	Most aspects of the solution can be designed and developed within the likely level of available skills with some disruption expected to service delivery	The solution can be designed and developed within the likely level of available skills, and is not expected to create any consequential disruption to service delivery
Supplier capacity and capability	Matches the capacity and capability of potential suppliers to design, develop, and deliver the solution, and is likely to result in a sustainable arrangement over the term of the contract	Suppliers do not have the likely capacity or capability to design, develop or deliver the solution, and a sustainable arrangement is not expected to be developed with suppliers	Suppliers are expected to have most of the required capacity and capability to design, develop, and deliver the solution, and is expected to result in a sustainable, but complex, arrangement with suppliers	Suppliers have established the likely capacity and capability to design, develop, and deliver the solution, and there are established examples of sustainable working arrangements for the delivery of the solution in the market
Risk acceptability	Meets Ministry risk acceptability for project delivery	Risk to project delivery is expected to be high and there are no significant perceivable options to mitigate the risk	Risk to project delivery is expected to be high and there are some options to mitigate the risk	All risks to project delivery are expected to be able to be mitigated
	Meets Ministry risk acceptability for service delivery	Risk to Ministry service delivery is expected to be high and there are no significant perceivable options to mitigate the risk	Risk to Ministry service delivery is expected to be high and there are some options to mitigate the risk	All risks to Ministry service delivery are expected to be able to be mitigated

### 3.3 Investment objectives

The investment objectives also form part of the options assessment and are based on the likely impact on each of the key performance indicators. The option has been ranked using the scale shown in Table 3.2.

**Table 3.2:** Scale for measuring impact of option on each key performance indicator

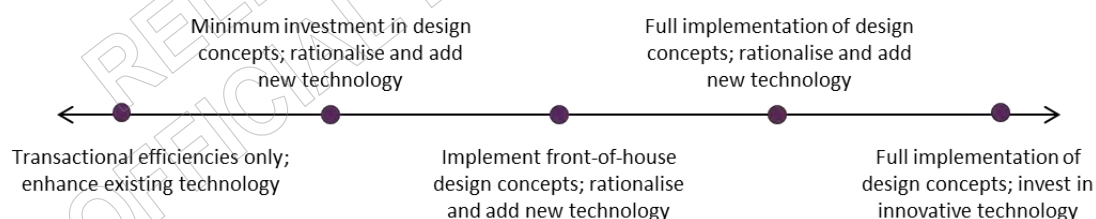
Measure		
No	Partial	Yes
The option is expected to have no impact or a negative impact on any of the Key Performance Indicators	The option is expected to have a positive impact on at least one Key Performance Indicator	The option is expected to have a positive impact on all of the Key Performance Indicators

### 3.4 Determining the scope of the solution options

The project identified realistic solution options for delivering the potential business scope. Consultation with the business, clients, and technical specialists informed this scope. Possible solutions were considered across the spectrum of four dimensions (solution scope, client channel, implementation model, and project delivery).

#### **Solution scope**

The solution scope dimension covers the level of change and the level of investment in design concepts and technology solutions. The spectrum ranges from creating transactional efficiencies with enhancements to existing technology to implementing changes across transactional services and design concepts, including investing in innovative technology.

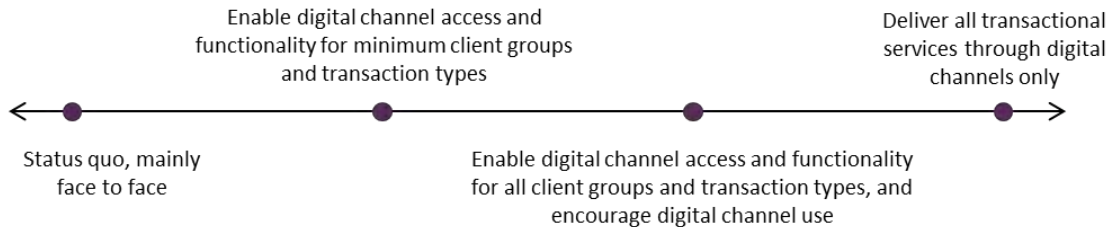


The scope for Simplification encompasses all service lines, including students, seniors, beneficiaries, non-beneficiaries, and Child, Youth and Family carers. This is to align the project to the Ministry's objective to be 'One MSD', so has not been included as a variable at this stage.<sup>4</sup>

<sup>4</sup> Note prototyping, simulation modelling, and cost-benefit analysis will include assessment of transaction types and client groups as a variable to ensure value for money while not deflating the One MSD approach.

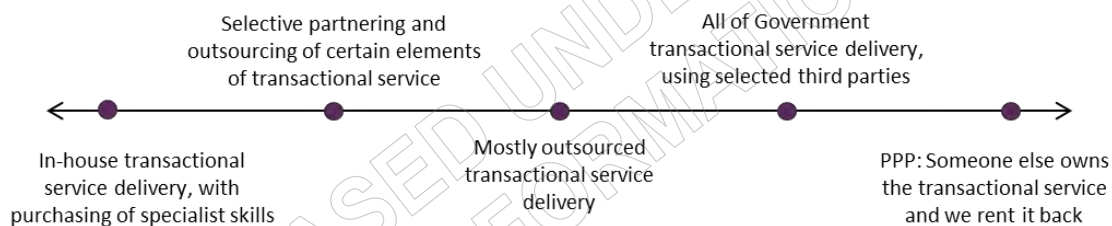
### Client channel

The client channel dimension covers the enablement and encouragement of digital compared with face-to-face channels for people using the Ministry's transactional services. The spectrum ranges from the current situation of predominantly face-to-face interactions to providing transactional services digitally only (that is, making all clients, no matter the type of transaction, interact online).



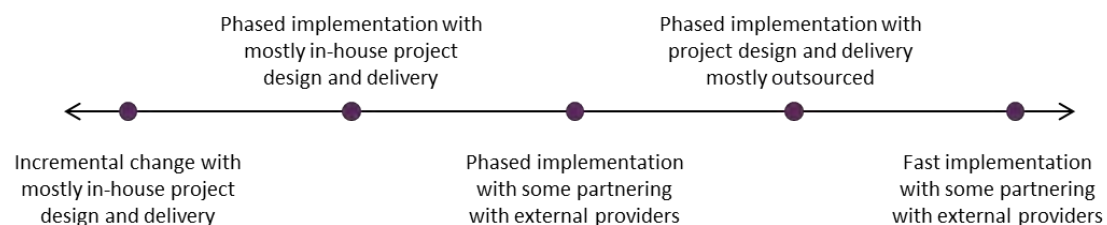
### Implementation model

The implementation model dimension covers how transactional services will be provided on an ongoing basis. The spectrum ranges from in-house Ministry delivery (using specialist skills as needed) to a full public-private partnership (PPP).



### Project delivery

The project delivery dimension covers the timing and delivery of designing and delivering the project solution. The spectrum ranges from an incremental roll out of an in-house-delivered project to a much faster implementation using external providers. Detailed analysis of project options will be done as part of implementation planning in the development of the detailed business case. This will include options for phasing deployment and be aligned with findings from engagement with the market.



### Dimensions combined into eight options

The dimensions have then been combined into eight practical options. The relative scope of these options across the dimensions is illustrated in Appendix 4.



### **3.5 Evaluation against investment objectives and critical success factors**

This section summarises the components of each of the eight options and the outcome of each option's evaluation against the critical success factors and the investment objectives to determine the options that should be progressed to the next phase.

The eight options evaluated are:

- 1 Do Minimum (comparative base case)
- 2 Tidy Up Technology
- 3 Efficient Sourcing
- 4 Integrated Front End
- 5 Integrated Transactional Service
- 6 Client Driven
- 7 Digital Transactional Service
- 8 All-of-Government Driven.

A detailed assessment of each option against these measures is in Appendix 5, including the known current state values for the key performance metrics.

Further analysis of the impact of each option on the different key performance indicators will be done during the development of the detailed business case, and will include quantification of current and target states. This work will be done as part of cost-benefit analysis and benefit realisation planning.

For detail on the benefit assessment, see section 3.6.

For more information about the components of each option, see Appendix 6.

**Do Minimum option (base case)****What will the future look like?**

The **Do Minimum** option makes incremental improvements, driving efficiencies through business-as-usual initiatives in each service line.

Clients complete **more transactions** by **phone** and some **basic transactions online**.

Staff do less **rework** and **double handling** with the **contact centre** and **central processing centre** responsible for authorising and completing more transactions.

**People**

Transactional work is transferred to more efficient settings such as the contact centre and central processing centre.

Annual renewals, 13-week reviews of temporary additional support, and hardship assistance could be processed centrally or by phone.

**Process**

Non-client-facing process steps are simplified and centralised.

**Property**

The Ministry's property footprint is rationalised as leases expire.

**Technology**

Some investment in self-service functionality to enable the Ministry to drive online uptake, reducing manual staff workload.

Solution scope	Client channel option	Implementation model	Project delivery
Transactional efficiencies only, enhance existing technology	Enable digital channel access and functionality for minimum client groups and transaction types	In-house transactional service delivery, with purchasing of specialist skills	Incremental change with mostly in-house project design and delivery

**How well does this option meet the Simplification objectives?**

The **option is low cost**, requiring minimal investment in technology, and is achievable within available capital funding. It generates a positive return on investment, and only limited other economic benefits.

Savings generated **do not address the funding shortfall**. Addressing the shortfall requires an additional savings strategy such as targeting overheads by restructuring regional and national offices – a strategy outside the scope of Simplification.

**Main driver is cost reduction** – this option marginally reduces the cost and time to process transactions, with minimum investment in the online channel, so unlikely to improve client or staff satisfaction or other strategic objectives.

**Current service delivery issues are not addressed** – without a focus on strategic objectives, the option puts at risk the Ministry's service delivery in the long term. There is a risk that benefits will not be realised without aggressive project management.

**Critical success factors**

Ministry strategic fit	No
Government strategic fit	No
Value for money	Yes
Other economic benefits	Partial
Potential affordability	No
Potential achievability	Yes
Supplier capacity and capability to develop and deliver	Yes
Ministry project risk acceptability for delivery	Partial
Ministry service risk acceptability	Partial

**Investment objectives**

Reduction in cost and time to process transactional services	Partial
Enhanced capacity for investment in outcomes	Partial
Better client experience and staff satisfaction	No
Increased accuracy, efficacy, and timeliness in transaction processing	No

This option does **not generate better client experience or enough savings** to meet the funding shortfall.

This option is **progressed as a value-for-money** comparison only.



## Tidy Up Technology option

### What will the future look like?

The **Tidy Up Technology** option invests in key technology enhancements to deliver savings across service lines.

Clients find it **easier to complete more transactions themselves** by using enhanced online services and voice-enabled technology.

Staff do less **rework and rekeying** because clients enter their own information online.



#### People

The contact centre and central processing centre can complete more transactions centrally or over the phone, increasing efficiency.



#### Process

Centralisation and simplification of non-client-facing process steps where feasible.



#### Property

Creates opportunity to rationalise some of the Ministry's property footprint.



#### Technology

Investment in end-user technology with clients steered to the online channel (greater incentive due to technology and digital enhancements). Automated support for transactions is improved.

Solution scope	Client channel option	Implementation model	Project delivery
Minimum implementation of proposed model; rationalise and add new technology	Enable digital channel access and functionality, and encourage digital channel use	In-house service delivery, with purchasing of specialist skills	Phased implementation with mostly in-house project delivery

### How well does this option meet the Simplification objectives?

The **option is cost effective**, requiring additional investment in technology, but **is achievable within available capital funding**. It generates a positive return on investment, and generates some other economic benefits, particularly to end-users.

A higher return is delivered for the increased investment than with the Do Minimum option, and **savings generated could potentially address most of the funding shortfall**, but not enough to reinvest in the outcomes side of the business.

The **main driver is technology to enhance low cost channels**. This option provides better channels and better technology to improve client and staff experiences. Because the machine does a bit more of the processing, accuracy is improved.

Improved digital access contributes to the Ministry's strategic objectives, in particular result 10 for Better Public Services.

#### Critical success factors

Ministry strategic fit	Partial
Government strategic fit	Partial
Value for money	Yes
Other economic benefits	Partial
Potential affordability	Partial
Potential achievability	Yes
Supplier capacity and capability to develop and deliver	Yes
Ministry project risk acceptability for delivery	Yes
Ministry service risk acceptability	Partial

#### Investment objectives

Reduction in cost and time to process transactional services	Yes
Enhanced capacity for investment in outcomes	Partial
Better client experience and staff satisfaction	Partial
Increased accuracy, efficacy, and timeliness in transaction processing	Partial

This option delivers value for money but **does not generate significant savings**.

This option is **possible**, but **not progressed**, as other options deliver more against the investment objectives.



## Efficient Sourcing option

### What will the future look like?

The **Efficient Sourcing** option reduces the cost to serve by sourcing parts of the transactional process to specialist providers.

Clients may receive a **simpler and more focused service** from specialist providers.

Staff are **able to concentrate more on outcomes-focused work** because other providers now manage much of the administration and processing.



### Partnering

The cost to serve is reduced by outsourcing parts of the transactional process to specialist providers that can maximise existing people, processes and technology and economies of scale to deliver a lower cost service, including scanning and OCR, mail management, and data entry.

Other services for efficient sourcing include identity management, contact centre and central processing functions, digital channels, and eligibility assessment.



### People

The Ministry's workforce is made up primarily of those delivering professional support for client outcomes, including complex needs.

Solution scope	Client channel option	Implementation model	Project delivery
Partial implementation of proposed model; rationalise and add new technology	Enable digital channel access and functionality, and encourage digital channel use	Mostly outsourced service delivery	Phased implementation with project design and delivery mostly outsourced

### How well does this option meet the Simplification objectives?

The **main driver is cost reduction**. This option sources services from providers who can deliver at a lower cost than the Ministry can while at least achieving the same level of service. Economic benefits include alignment with government's objective for increased commercial partnering, and potentially creating a positive return to shareholders. Since providers would most likely rely on more innovative service provision, the client experience may improve.

A large scope of services would need to be sourced to ensure savings generated **are sufficient to address the funding shortfall**.

### New skills are required to develop and manage contracts.

The way the Ministry operates its service will change extensively.

The complexity and uniqueness of Ministry transaction and information flows will increase the capability required from suppliers and the Ministry. Some risk exists to project and service delivery as areas are separated from the Ministry.

Critical success factors	
Ministry strategic fit	Yes
Government strategic fit	Yes
Value for money	Yes
Other economic benefits	Yes
Potential affordability	Partial
Potential achievability	Partial
Supplier capacity and capability to develop and deliver	Partial
Ministry project risk acceptability for delivery	Partial
Ministry service risk acceptability	Partial

Investment objectives	
Reduction in cost and time to process transactional services	Yes
Enhanced capacity for investment in outcomes	Yes
Better client experience and staff satisfaction	Partial
Increased accuracy, efficacy, and timeliness in transaction processing	Partial

This option has potential to **deliver significant benefits**, including some improvements for clients.

This option **will be progressed** to determine the services that can be delivered more cost-effectively.



## Integrated Front End option

### What will the future look like?

The **Integrated Front End** option redesigns the front end client experience, by creating a single transactional service, including digital channels.

Our clients will have a **greater variety of options** for interacting and completing tasks online and by phone, and can receive **assistance with digital** transactions from staff.

Frontline staff have more specialised roles to **provide dedicated assistance** to clients.



#### People

New roles: general and specialist assessors, and new front-of-house roles for assisted digital.

Current roles will be reviewed with a focus on future tasks and competencies.



#### Process

Increased simplification and centralisation of transactions that do not require client interaction.



#### Property

Change to local service centre layout to allow for a redesigned front-of-house which would include facilities for assisted digital service and self-service for clients.



#### Technology

Enhanced digital front end – redesign of online channel for consistent, user-friendly experience, including mobile. One 'transactional' face for the Ministry.

Information entered digitally is automatically populated into back-end systems.

Solution scope	Client channel option	Implementation model	Project delivery
Partial implementation of proposed model; rationalise and add new technology	Enable digital channel access and functionality, and encourage digital channel use	In-house service delivery, with purchasing of specialist skills	Phased implementation with some partnering with external providers

### How well does this option meet the Simplification objectives?

The **option provides a faster and cheaper transactional service**. It requires a sizeable investment in technology and is achievable within available capital funding. It generates a positive return on investment, and significantly reduces resource requirements as transactions are automated or eliminated.

Savings generated **address most of the funding shortfall**.

The enhanced digital channels generate other economic benefits, including improving digital uptake across government, contributing to Better Public Services result 10, and reducing cost and time for clients to transact with the Ministry.

**Improved accuracy and efficacy** results from technology improvements, but without the full investment in back-end risk and need analysis tools and service design capability, overall benefits are limited.

The **option improves the Ministry's core service** with enhanced transactional services. The significant IT build means there is some risk in project delivery.

#### Critical success factors

Ministry strategic fit	Yes
Government strategic fit	Yes
Value for money	Yes
Other economic benefits	Yes
Potential affordability	Partial
Potential achievability	Yes
Supplier capacity and capability to develop and deliver	Yes
Ministry project risk acceptability for delivery	Partial
Ministry service risk acceptability	Yes

#### Investment objectives

Reduction in cost and time to process transactional services	Yes
Enhanced capacity for investment in outcomes	Partial
Better client experience and staff satisfaction	Yes
Increased accuracy, efficacy, and timeliness in transaction processing	Partial

This option is **aligned to the investment objectives**.

This option is a **preferred** option and will be **progressed** for further investigation.



## Integrated Transactional Service option

### What will the future look like?

The **Integrated Transactional Service** option delivers integrated processes, information and technology – from front to back.

Clients can ‘do almost everything online’, including applying for assistance, updating information and tracking their applications **in real time**.

**Outcome-focused staff** are significantly freed up to **provide dedicated support to better outcomes** for clients.



#### People

Increased automation significantly reduces transactions completed by frontline staff. Workflow tools stream complex decisions to centralised general and specialist assessors.



#### Information

An integrated single transactional client record uses internal information and authoritative data. Smart technology automatically assesses risks and needs to ensure clients receive full and correct entitlements.



#### Technology

Redesigned, intuitive online and mobile channels allow clients, staff and third parties to complete most transactions themselves. Most transactions that clients complete online are processed straight through by systems.

Additional functionality includes automated messaging, live chat and real time tracking.

Solution scope	Client channel option	Implementation model	Project delivery
Full implementation of proposed model; rationalise and add new technology	Enable digital channel access and functionality, and encourage digital channel use	In-house service delivery, with purchasing of specialist skills	Phased implementation with some partnering with external providers

### How well does this option meet the Simplification objectives?

In this option, a **significant reduction in cost and time** to process transactions results from of increased investment. Net benefits will take longer to achieve, but are in **significant excess of the funding shortfall**. This option generates a substantial positive return on investment, and maximises other economic benefits.

The **capacity to invest in outcomes** is enhanced as the savings generated allow significant freeing up of resource for reinvestment in outcome-focused activities.

**Additional capital funding** – is expected to be required for the increased investment in information and technology.

A **significant contribution to Ministry and Government strategic objectives** is achieved by improving digital channels to deliver a client-centred service, and by reinvesting in outcomes.

**Improved ability to manage integrity risks** – investment in risk and need based intelligence increases the Ministry's ability to manage risks to on going service delivery. Some risk exists to project delivery due to the large scope and complexity of the option.

#### Critical success factors

Ministry strategic fit	Yes
Government strategic fit	Yes
Value for money	Yes
Other economic benefits	Yes
Potential affordability	Partial
Potential achievability	Partial
Supplier capacity and capability to develop and deliver	Yes
Ministry project risk acceptability for delivery	Partial
Ministry service risk acceptability	Yes

#### Investment objectives

Reduction in cost and time to process transactional services	Yes
Enhanced capacity for investment in outcomes	Yes
Better client experience and staff satisfaction	Yes
Increased accuracy, efficacy, and timeliness in transaction processing	Yes

This option **meets all investment objectives**.

This option is a **preferred** option and will be **progressed** for further investigation.



**Client Driven option****What will the future look like?**

The **Client Driven** option provides service delivery excellence through all channels, and puts the people who use the Ministry's services first.

Clients **can choose when, where and how** they work with the Ministry – online, in person or on the phone.

Staff are expected to have **wider business knowledge** to maintain the expected level of service excellence. **More staff will be required** to serve clients through the multitude of channels.

**People**

Staff will have more and enhanced tools at their disposal to deliver a significantly improved transactional service for clients. They will continue to actively manage outcomes at the same time as transactions are processed.

**Process**

Clients can transact with the Ministry through a variety of channels: online, phone, face-to-face, and mobile. Each channel will incorporate process improvement.

**Technology**

Each channel incorporates technology enhancements to ensure it is more efficient and is more available to clients. Technology investment includes enhanced online, mobile, and voice channels across user experience and functionality.

Solution scope	Client channel option	Implementation model	Project delivery
Full implementation of proposed model; invest in innovative technology	Enable digital channel access and functionality for all client groups and transaction types	In-house service delivery, with purchasing of specialist skills	Phased implementation with some partnering with external providers

**How well does this option meet the Simplification objectives?**

This **option is not cost effective**, requiring significant investment in technology. Keeping face-to-face applications available for clients will not reduce the cost and time to process as much as other options. As clients are not directed to the most cost efficient channels, so benefits are marginal and **are not achievable within available capital funding**.

Savings generated **are not sufficient to address the funding shortfall**.

The main driver is **optimising the client experience**, which also maximises staff satisfaction. It is inconsistent with the investment approach to tailor services to clients. This option is less commercially viable than other options, but does still contribute to Better Public Services result 10 as clients increase their digital uptake.

**Service delivery would be muddled** without a clear strategy for tailoring client services, and a risk exists that benefits would not be able to be realised.

**Critical success factors**

Ministry strategic fit	Partial
Government strategic fit	Partial
Value for money	Partial
Other economic benefits	Yes
Potential affordability	Partial
Potential achievability	Partial
Supplier capacity and capability to develop and deliver	Yes
Ministry project risk acceptability for delivery	Partial
Ministry service risk acceptability	Partial

**Investment objectives**

Reduction in cost and time to process transactional services	Partial
Enhanced capacity for investment in outcomes	Partial
Better client experience and staff satisfaction	Yes
Increased accuracy, efficacy, and timeliness in transaction processing	Partial

This option is **client-centric**, but **does not generate significant savings**.

This option is **possible**, but not **progressed**, as other options are both stronger and more affordable.



## Digital Transactional Service option

### What will the future look like?

The **Digital Transactional Service** option invests in digital technology to enable all transactional processes to be processed offsite.

Clients **no longer come into offices** for transactional processes. They **can do everything they need online**, over the phone, or on their mobile device.

Staff in frontline offices are dedicated to outcome focused activities – all **transactional work is automated**.



### People

Staff would no longer need to meet clients face to face for transaction processing; Transactional services would be provided through a single digital service, across all service lines.



### Property

Local branches would become outcome-only centres, allowing significant property rationalisation



### Technology

Substantial investment in technology would be required to fully support all transactions and client types digitally. This includes the additional need to provide digital services in other languages, and providing real-time tracking and updates to clients to ensure their needs are met.

Solution scope	Client channel option	Implementation model	Project delivery
Full implementation of proposed model (except assisted digital); invest in innovative technology	Deliver all transactional services through digital channels only	Selective partnering and outsourcing of certain elements of service	Phased implementation with some partnering with external providers

### How well does this option meet the Simplification objectives?

This **option reduces cost of transactions as much as possible**. It requires substantial investment in technology and additional capital funding. It generates a positive return on investment, and generates other economic benefits.

**Main driver is reducing long run average cost to serve** – Transactional services are completely delivered through digital channels, enabling significant savings at the frontline. Large financial benefits **are sufficient to address the funding shortfall**.

This **option achieves Better Public Services result 10** for the government and would move towards 'One MSD', by delivering a single transactional service. However it is not client-centric, and goes against the Ministry's purpose to help New Zealanders help themselves be safe, strong and independent.

This **option puts vulnerable New Zealanders at risk** by disrupting service delivery and causing a big transition for clients. This option would result in high need New Zealanders falling through the cracks through the lack of a human-facing channel.

### Critical success factors

Ministry strategic fit	No
Government strategic fit	Yes
Value for money	Yes
Other economic benefits	Yes
Potential affordability	Partial
Potential achievability	Partial
Supplier capacity and capability to develop and deliver	Yes
Ministry project risk acceptability for delivery	Partial
Ministry service risk acceptability	No

### Investment objectives

Reduction in cost and time to process transactional services	Yes
Enhanced capacity for investment in outcomes	Yes
Better client experience and staff satisfaction	No
Increased accuracy, efficacy, and timeliness in transaction processing	Yes

This option would **create a faster and cheaper transactional service**, but would cause **significant service risk for vulnerable New Zealanders**.

This option is **discounted**.



**All-of-Government Driven option****What will the future look like?**

The **All-of-Government Driven** option establishes a transactional processing capability for a variety of Crown agencies.

Clients have access to a **one-stop-shop** for **all-of-government services** across a range of innovative channels.

Staff are spread across a variety of sites and **focus on assisting clients** using the online channels.

**Partnering**

Transactional services are redesigned to be delivered for a variety of Crown agencies as an all-of-government initiative. Third-party providers are used to deliver components of transactional support. For example, the Department of Internal Affairs' .govt.nz and Australia's delivery of CentreLink and Medicare.

The complexity of providing services for clients with a variety of needs requires this option to be a phased implementation, as agencies progressively come on line.

**Technology**

The technology investment is similar to that in the Integrated Transactional Service option, with the opportunity to use more innovative technology to incorporate the all-of-government needs.

Solution scope	Client channel option	Implementation model	Project delivery
Full implementation of proposed model; invest in innovative tech	Enable digital channel access and functionality, and encourage digital channel use	All of Government transactional service delivery, using selected third parties	Phased implementation with project design and delivery mostly outsourced

**How well does this option meet the Simplification objectives?**

**Establishing an all-of-government service** requires a large investment, but could be affordable as additional funding is made available across multiple votes. Payback would be over a longer period as more agencies come on board. However, it is likely to generate a positive return on investment, as well as other significant economic benefits.

Savings generated **would not be realised in time to address the funding shortfall.**

This option **significantly contributes to government strategic objectives**. Focusing on client experience is more difficult as more clients are added to the service. There is potential for an increase in efficacy as information is integrated across different agencies.

This option creates **significant risk to service delivery** and requires a series of complex arrangements that would put both service and project delivery at risk. The Ministry needs to simplify its transactional services first or face an unacceptable level of project and service delivery risk. This option may be feasible in the future.

**Critical success factors**

Ministry strategic fit	Partial
Government strategic fit	Yes
Value for money	Yes
Other economic benefits	Yes
Potential affordability	No
Potential achievability	Partial
Supplier capacity and capability to develop and deliver	Partial
Ministry project risk acceptability for delivery	No
Ministry service risk acceptability	No

**Investment objectives**

Reduction in cost and time to process transactional services	Yes
Enhanced capacity for investment in outcomes	Partial
Better client experience and staff satisfaction	Partial
Increased accuracy, efficacy and timeliness in transaction processing	Partial

This option has the **potential for large benefits across the public sector** but services need to be simplified first.

We are **not ready** for this option.

### 3.6 Indicative financial benefits

This section sets out the core benefit components and their respective logic for the overall Simplification Project.

Each benefit has two or three key performance indicators (KPI) identified against it to measure the extent to which the benefit has been realised. These KPIs can all be measured using a combination of existing and custom metrics. In this indicative business case, some have been initially assessed *qualitatively* (Table 3.5), but will be *quantified* in the detailed business case.

#### **Core benefit components**

The core benefit components, all of which are monetary, direct, and quantifiable, are:

- **transactional processing savings from straight-through processing** – reduction in processing costs from moving clients to the digital channel
- increase in **automated decision-making** to assist processing
- **efficiency savings** from improved workflow management
- reduced contact centre time by increasing the functionality of the digital channel (for example, online **appointment bookings**)
- **digital correspondence** – reduced expenditure on paper-based correspondence by increasing use of the digital channel
- **overhead savings** from reduced resource demand for delivering transactional processing.

#### *Transactional processing savings from straight-through processing*

The largest benefit component is savings from straight-through transactional processing, which goes to the heart of the Simplification Project. The aim is to move clients to digital channels, thus transferring simple data capturing and processing work to the client and systems.

**Lower cost to serve:** As clients move to transacting with the Ministry through digital channels, the cost to serve will decrease, primarily by saving case manager time. Currently, face-to-face case manager time is used to discuss options with clients as well as to capture the application information into the relevant systems for processing, approving, and granting. Providing the right information to the client through a digital channel as well as a mechanism for them to digitally capture their application would reduce the workload on current case managers.

**‘Assisted digital’ support:** To drive uptake of the online channel, the Ministry will provide ‘assisted digital’ support – front-of-house staff to help and support clients to transact digitally. The switch to digital channels is critical to realise the benefits, so this transition will be monitored carefully and managed to ensure target uptake is reached as planned. The Ministry has had some experience and success transitioning clients to digital channels, most notably with students using StudyLink and in Canterbury following the earthquakes.

**Automation of back-end processes:** Using technology, many back-end processes can be automated. For example, automatic population of data across different systems eliminates the need for manual re-keying data. This will have a significant impact on the resource demand for processing applications.

**Potentially more applications, but not necessarily more approvals:** A risk exists that the number of applications will suddenly increase once the digital channel is available and clients are guided towards it. However, when StudyLink implemented its online channel, the increase in applications did not translate into increased grant volumes. It is expected Simplification would have a similar experience.

Because the technology automates many processing tasks and a significant proportion of the savings is from clients capturing their own data into the system (rather than case managers doing so), it is unlikely additional resources would be needed to manage any potential increase in applications. (This also relates to the scalability of the future model – section 2.7.)

The new digital processes will also mean the system can automatically notify applicants that they are unlikely to be eligible for benefits given the information they have provided in their online application; in effect, 'rejecting' the application before a person needs to investigate.

This risk will be managed and monitored during any implementation phase.

**Automating some centralised work:** A portion of current centralised work will be automated (for example, booking appointments and making client details available online), reducing the demand on the staff. However, other processing work will be channelled to the centre and be absorbed by this excess capacity generated.

At this stage, it is not possible to feasibly and reliably estimate the overall net impact. This impact will be planned and calculated during the detailed design phase. Given this position, and to remain prudent, no reduction in full-time equivalents is recognised for the centralised processing team at this stage.

**Adoption rate is the main driver:** The key driver to achieving this benefit component is the adoption rate and ultimate online uptake that each option is expected to achieve. These are determined by the final design for each option and the effort invested to move applicants to the new channel: directly by deploying the 'assisted digital' resource to encourage and support applicants and indirectly by the ease of use of the system as well as enhanced digital assistance tools. The transition and uptake approach will be assessed during the prototyping phase.

#### *Automated decision-making*

Technology will be implemented to automate decision-making that is rules based and non-discretionary. Based on the application information, this technology will use programmed logic to process the application as far as possible before intervention by a person is required. The efficiency of automated decision-making will depend on the level of rules that are programmable given the usual constraints of budget, time, and complexity. Only those components of the process that require decision-making can be realised as benefits through this automation and must be viewed separately from the savings from the other transactional processes that are not decision-making in nature.

### *Efficiency savings*

Workflow management tools will be used as part of the information technology strategy, which will enable more accurate routing of workflow to resources, reduced waiting, and allow resource optimisation planning. This saving is extended to the many maintenance activities undertaken to support the benefit process. This solution is similar to the tool Inland Revenue adopted, which showed significant processing efficiency gains.

### *Appointment bookings online*

Currently, about 40% of calls to the contact centre are to book an appointment. Through digital channels, clients can be automatically prompted to book an appointment as and when required. By directing these clients to the online booking tool, the number of these calls made to the contact centre will decrease. This saving is driven by the online uptake; as more clients switch to the digital channel, the higher this saving is likely to be.

### *Digital correspondence*

Part of the client-centric solution being proposed will include digitising, where possible, correspondence with clients. This solution was reviewed as a standalone project as part of the initial Straight-Through Processing and Enhanced Online Services Projects. However, it is highly likely Simplification will deliver the intended functionality as part of its overall solution, so the related savings are included in this business case. The saving estimates are as per *Work and Income: Correspondence and Income Online Business Case*.<sup>5</sup>

### *Overhead savings*

Simplification will significantly reduce the number of FTEs required to process transactions, so it is prudent to include a savings component for direct and indirect overhead related to these resources.

Under the Integrated Transactional Service option, a higher estimate is used because of the larger component of organisational restructuring that will reduce direct and indirect resource overhead.

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5 Ministry of Social Development, Document Objective ID A5810515.



### ***Other economic benefits***

Other economic benefits may be external or internal to the Ministry.

#### ***Other external economic benefits***

Other economic benefits external to the Ministry also likely to accrue include:

- increased client satisfaction – opening and enhancing digital channels will enable clients to interact with the Ministry when and where they wish, making the whole transactional process easier for them to complete
- reduced cost to the client – allowing clients to interact digitally will reduce the need for them to travel and spend time in Work and Income offices; when compliance costs decrease for clients, they are more likely to comply with Ministry requirements
- increased visibility of the client record – clients will be able to view their up-to-date information digitally, which will reduce the number of calls to the contact centre
- increased digital uptake – by supporting clients to transact digitally, the Ministry supports Better Public Services result 10, enabling a significant proportion of New Zealanders to interact with government through digital channels.
- improved debt management (Crown benefit) – by improving processes and leveraging data sharing, over- and under- payments due to client circumstances not being maintained in a timely way should reduce.

#### ***Other internal economic benefits***

Other economic benefits internal to the Ministry are also likely to accrue.

- Improved future scalability – digital channels and more automated assessment and processing provide flexibility in terms of the ease of scalability of transactional services. As economic cycles influence the number of clients, a digitally enabled service will be better placed to cope with these changes without requiring large changes in staff costs.
- Fewer errors – automated processing will reduce the number of human errors and the costs associated with remedying those errors.
- Less auditing of people's work – related to the above benefit, less effort will be needed to monitor and control people's work for errors and omissions.
- Increased employee satisfaction – the new processes will allow employees to focus on the outcomes aspect of their job by reducing the amount of manual processing currently required.
- Faster speed of processing – by leveraging technology the Ministry will reduce the time taken to process applications and be able to respond more quickly to clients' applications.
- Smaller property footprint – it is possible the footprint required by the Ministry will reduce as the staffing for transactional services reduces. However, this benefit is being treated as an opportunity for sharing premises or gradual downsizing (rather than as a financial saving) because of the broader context of the outcomes-based service that is likely to continue using the facilities.

## In Confidence

### Relationship of core benefit components with shortlisted options

Each of the four shortlisted options achieves varying degrees of benefits from each of the core benefit components. Table 3.3 summarises the benefit profile for the eight options.

A 'partial' rating indicates a possibility of obtaining the benefit, but it is unlikely to be a fundamental element of the option's benefit profile. This table does not attempt to quantify the available benefit and significant quantitative differences are estimated for the selected options in Table 3.5.

**Table 3.3:** Benefit profile

		Do Minimum	Tidy Up Technology	Efficient Sourcing	Integrated Front End	Integrated Transactional Service	Client Driven	Digital Transactional Service	All of Government Driven
Benefit component									
Quantified	Transactional processing savings	Yes	Partial	Yes	Yes	Yes	No	Yes	Yes
	Automated decision making	No	No	No	No	Yes	Yes	Yes	Yes
	Workflow management	No	No	Yes	Yes	Yes	Yes	Yes	Yes
	Online appointment bookings	Partial	Partial	Partial	Yes	Yes	Partial	Yes	Yes
	Digital correspondence	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Overhead savings	Partial	Partial	Yes	Yes	Yes	No	Yes	Yes
Other economic	Client debt reduction	No	No	Partial	Yes	Yes	Yes	Yes	Yes
	Increased client satisfaction	No	Partial	No	Yes	Yes	Yes	Partial	Yes
	Reduced cost to the client	Partial	Partial	Partial	Yes	Yes	Yes	Yes	Yes
	Increased visibility of client record	No	No	Partial	Yes	Yes	Yes	Yes	Yes
	Increased digital uptake	Yes	Yes	Yes	Yes	Yes	Partial	Yes	Yes
	Error reduction	Partial	Partial	Yes	Yes	Yes	Yes	Yes	Yes
	Reduction in auditing human work	Partial	Partial	Partial	Yes	Yes	Yes	Yes	Yes
	Increased employee satisfaction	No	Partial	Partial	Yes	Yes	Partial	Yes	Partial
	Speed of processing	Partial	Partial	Yes	Yes	Yes	Yes	Yes	Yes
	Reduced property footprint*	Enabler	No	Enabler	Enabler	Enabler	No	Enabler	Enabler

\* Certain options enable the Ministry to consider reducing its property footprint. The execution of such a project would not be part of Simplification.

\* These options enable the Ministry to consider reducing its property footprint. The actual execution of such a project would not be part of Simplification.

**Options assessment – four options for further investigation**

Table 3.4 summarises the options assessment. The options worthy of further investigation are:

- Do Minimum (base case for comparison)
- Efficient Sourcing
- Integrated Front End
- Integrated Transactional Service.

**Table 3.4:** Option assessment summary

	Do Minimum	Tidy Up Tech	Efficient Sourcing	Integrated Front End	Integrated Service	Client Driven	Digital Service	All of Govt Driven
<b>Critical success factors</b>								
Ministry strategic fit (Investment approach, Vulnerable children, One MSD, ISO)	No	Partial	Yes	Yes	Yes	Partial	No	Partial
Government strategic fit (BPS, AoG, Commercial partnerships)	No	Partial	Yes	Yes	Yes	Partial	Yes	Yes
Value for money (costs compared to expected benefits)	Yes	Yes	Yes	Yes	Yes	Partial	Yes	Yes
Other economic benefits (benefits to clients, business, taxpayers, government etc.)	Partial	Partial	Yes	Yes	Yes	Yes	Yes	Yes
Potential affordability (funding available and meets the shortfall)	No	Partial	Partial	Partial	Partial	Partial	Partial	No
Potential achievability (skills available to design and develop, change readiness)	Yes	Yes	Partial	Yes	Partial	Partial	Partial	Partial
Supplier capacity and capability to develop and deliver (with a sustainable arrangement)	Yes	Yes	Partial	Yes	Yes	Yes	Yes	Partial
Ministry risk acceptability for project delivery	Partial	Yes	Partial	Partial	Partial	Partial	Partial	No
Ministry risk acceptability for service delivery	Partial	Partial	Partial	Yes	Yes	Partial	No	No
<b>Investment objectives</b>								
Reduction in cost and time to process transactional services	Partial	Yes	Yes	Yes	Yes	Partial	Yes	Yes
Enhanced capacity for investment in effective interventions leading to better client outcomes	Partial	Partial	Yes	Partial	Yes	Partial	Yes	Partial
Better client experience leads to improved reputation and staff satisfaction	No	Partial	Partial	Yes	Yes	Yes	No	Partial
Increased accuracy, efficacy and timeliness in processing client transactions	No	Partial	Partial	Partial	Yes	Partial	Yes	Partial
	↓		↓	↓	↓			
<b>Summary</b>	<i>Progress for VfM</i>	<i>Possible</i>	<i>Progress to DBC</i>	<i>Progress to DBC</i>	<i>Progress to DBC</i>	<i>Possible</i>	<i>Discount</i>	<i>Discount</i>



### Assessment against the key performance indicators

The four options worthy of further consideration were evaluated against the KPIs. The purpose of this evaluation is to estimate the potential gain, given the current level of analysis completed, for each identified KPI.

Where the quantitative information is available, this has been estimated. However, where the KPI aims to measure components of the options that are at a too detailed level for this indicative business case, these will be taken forward to the detailed design phase and incorporated into the solutions.

**Table 3.5: Assessment of shortlisted options against key performance indicators**

Key performance indicator	Do Minimum	Efficient Sourcing	Integrated Front End	Integrated Transactional Service
<b>Investment objective: Reduced cost and time to process transactional services</b>				
<b>Lower cost to serve</b>	Reduction in cost for transactional processing of about 15%	<i>To be determined with sourcing supplier (detailed design)</i>	Reduction in cost for transactional processing of about 20%	Reduction in cost for transactional processing of about 35%
<b>Reduced end-to-end time to process applications</b>	Address during detailed design to reduce end-to-end processing time	<i>To be determined with sourcing supplier (detailed design)</i>	<i>To be addressed during detailed design to reduce end-to-end processing time</i>	<i>To be addressed during detailed design to reduce end-to-end processing time</i>
<b>Improved accuracy of transactional services</b>	No change expected	Reduce errors, to be defined during detailed design	Reduce errors, to be defined during detailed design	Reduce errors, to be defined during detailed design
<b>Investment objective: Enhanced capacity for investment in effective interventions leading to better client outcomes</b>				
<b>Reduced % of staff time on transactions</b>	Limited to no impact as work is shifted to lower-cost areas (that is, contact centre)	<i>To be determined with sourcing supplier (detailed design)</i>	35% reduction in staff time allocated to processing transactions	45% reduction in staff time allocated to processing transactions
<b>Reduced staff training time/cost in relation to transaction processing</b>	No change expected	Less training demand due to work being outsourced; to be quantified during detailed design	No change expected	Reduced training because of automated decision-making; to be quantified during detailed design



## In Confidence

Key performance indicator	Do Minimum	Efficient Sourcing	Integrated Front End	Integrated Transactional Service
<b>Investment objective: Better client experience leading to improved reputation and staff satisfaction</b>				
<b>Improved client satisfaction, less complaints</b>	No change expected	Fewer complaints because of enhanced processes	Fewer complaints because of enhanced processes	Fewer complaints because of enhanced processes
<b>Improved staff engagement and retention</b>	No change expected	Limited impact once implemented	<i>To be planned and quantified by change management</i>	<i>To be planned and quantified by change management</i>
<b>Investment objective: Increased accuracy, efficacy and timeliness in processing client transactions</b>				
<b>Higher percentage resolution at first point of contact</b>	No change expected	No change expected	Fewer interactions with client per application; dependent on detailed design	Fewer interactions with client per application; dependent on detailed design
<b>Reduced fraud and overpayments, and improved client compliance</b>	No change expected	Controls and checks to be enhanced; address during detailed design	Enabled by data sharing with other government agencies; quantified during detailed design	Enabled by data sharing with other government agencies; quantified during detailed design

### *Do Minimum option*

The Do Minimum option will not realise enough benefits to meet the funding shortfall. Benefits will be predominately from transactional processing savings with an element of straight-through processing, but automated decision-making is not used. Efficiency savings will be limited and likely to materialise through the centralisation of processes. Digital correspondence does not form part of this solution, so no benefit will accrue from this component.

### *Efficient Sourcing option*

The benefits from the Efficient Sourcing option will be determined alongside the services under consideration for outsourcing. At this stage, it is not possible to detail the benefits that will accrue. However, the outsourcing agreement would need to provide a certain level of savings to the Ministry, otherwise it would not be considered viable. The most likely impact will be within transactional processing component of the business. The benefit profile will be confirmed once it is understood what suppliers could offer the Ministry and at what cost and in what framework.



*Integrated Front End option*

Enough functionality will be implemented so benefits can start accruing in 2016/17. The benefit profile is expected to be as shown in Table 3.6 for each benefit component given the following assumptions.

- Online channel uptake will reach about 80% within two years for all benefit products.
- A 5% processing efficiency saving can be made from the new workflow management solution, which includes the benefit maintenance areas.
- A direct resource overhead savings of 10% can be achieved per FTE reduced.
- The reduction in calls to book appointments will increase at the same rate as online take up.

**Table 3.6: Benefit profile – Integrated Front End option, 2016/17–2021/22**

Benefit component	2016/17 (\$m)	2017/18 (\$m)	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)
Transactional processing	8.4	20.8	28.4	28.4	28.4	28.4
Automated decision-making	0.0	0.0	0.0	0.0	0.0	0.0
Efficiency savings	4.8	4.2	3.8	3.8	3.8	3.8
Overhead savings	0.4	1.6	2.3	2.3	2.3	2.3
Appointment booking	0.2	0.8	1.2	1.2	1.2	1.2
Correspondence	0.7	1.5	1.8	1.9	1.9	1.9
<b>Total benefits per year</b>	<b>14.5</b>	<b>28.9</b>	<b>37.6</b>	<b>37.7</b>	<b>37.7</b>	<b>37.7</b>
Cumulative benefits	14.5	43.4	81.0	118.7	156.3	194.0
Marginal FTE savings	87	234	144			
Cumulative FTE savings	87	321	465	465	465	465

*Integrated Transactional Service option*

By investing further in technology and changing the workforce structure, higher benefits can be reached by achieving higher online uptake and improved automated decision-making.

Restructuring the workforce would allow for additional resource overhead to be saved.

Assuming all functionality is available at the beginning of 2016/17, the benefit profile shown in Table 3.7 is expected for each benefit component given the following assumptions.

- Online channel uptake will reach about 85% within two years for all benefit products.
- A 5% processing efficiency saving can be made from the new workflow management solution, which includes the benefit maintenance areas.
- A direct resource overhead savings of 15% can be achieved per full-time equivalent reduced.



## In Confidence

- The reduction in calls to book appointments will increase at the same rate as online take up.
- Automated decision-making will perform some of the decision-making currently undertaken by people (that is, decision-making that does not require judgement).

**Table 3.7: Benefit profile – Integrated Transactional Service option, 2016/17–2021/22**

Benefit component	2016/17 (\$m)	2017/18 (\$m)	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)
Transactional processing	9.0	22.0	30.1	30.1	30.1	30.1
Automated decision-making	6.2	12.4	18.6	21.7	21.7	21.7
Efficiency savings	4.8	4.1	3.7	3.7	3.7	3.7
Overhead savings	1.7	4.4	6.5	7.0	7.0	7.0
Appointment bookings online	0.4	2.2	3.3	3.3	3.3	3.3
Digital correspondence	0.7	1.5	1.8	1.9	1.9	1.9
<b>Total benefits per year</b>	<b>22.7</b>	<b>46.6</b>	<b>63.9</b>	<b>67.6</b>	<b>67.6</b>	<b>67.6</b>
Cumulative benefits	22.7	69.3	133.3	200.8	268.4	336.0
Marginal FTE savings	221	369	275	62		
Cumulative FTE savings	221	590	865	927	927	927

### **Approach to savings**

Straight-through processing is expected to realise the following benefits:

- reduced number of transactional face-to-face interactions, because clients will be transacting online
- reduced time of remaining transactional face-to-face interactions (if any)
- work shifted to more cost-effective channels
- increased staff productivity because of workflow management tools.
- savings in both direct and indirect overhead costs

The expected financial benefit to be realised from each of these activities was determined by reviewing the current cost of all transactional interactions and estimating the level of change the proposed solutions would deliver.

Estimated savings are based on the direct savings from fewer full-time equivalent staff, administration costs relating to correspondence, and an overhead cost of 10% for the Do Minimum and Integrated Front End options and 15% for the Integrated Transactional Service option.

### ***Sensitivity of benefits to assumption parameters***

The parameters in the benefits model that have the most impact are:

- degree of online uptake
- pace of online uptake
- quality of the automated decision-making.

Online uptake has the highest sensitivity to the benefits. A change in uptake of 10% increases benefits 13% in 2021/22. As a result, a failure to reach the uptake target or delayed uptake will have a sizable impact on benefits.

If online uptake is set back by 6 months, it is estimated the impact to benefits is in the region of \$10 million over the first two years (\$3 million in 2016/17 and \$7 million in 2017/18).

The quality of the automated decision-making has less impact on benefits than online uptake has. If the sophistication of the solution is improved 10% (that is, automated decision-making can process 10% more application content without human intervention), then benefits would increase 5%.

### **3.7 Impact on Crown spend**

Simplification of transactional processing is likely to have an impact on Crown spend in relation to the amounts paid. This impact may be a reduction or an increase.

#### ***Potential reduction***

Part of the Simplification solution is to leverage data matching using data from other government agencies, notably Inland Revenue and the Accident Compensation Corporation. Data matching works in two significant ways to reduce Crown spend.

**Timing** – When beneficiaries fail to notify the Ministry in time about a change in their circumstances, especially an increase in earnings, an overpayment of financial assistance can result. To correct this error, a debt is raised against the beneficiary, which they settle over time. However, a data match with Inland Revenue can alert the Ministry earlier of a potential change in earnings, thus avoiding the overpayment and creation of debt. Simplification will automate such matching (thus decreasing the time between the change in circumstances and payment) and extend it across all people receiving financial assistance from the Ministry.

**Fraud** – Some people do not disclose their true circumstances such as being in receipt of long-term accident compensation, which affects the amount they are entitled to. Inland Revenue data matches have proved useful in establishing the actual earnings of beneficiaries and combating fraudulent behaviour. Simplification will extend this data matching to all people receiving financial assistance from the Ministry.

#### ***Potential increase***

A key pillar of the Simplification Project is to make it less onerous in terms of time and effort for a person to apply for and maintain the financial assistance to which they are entitled.



## In Confidence

Evidence from the client insights work suggests some people choose not to apply or reapply for benefits or additional support because the current transactional process is so cumbersome and frustrating. It is reasonable to assume some people, especially non-beneficiaries whose entitlement is relatively minor, choose to forego the financial assistance for which they are eligible because the effort required outweighs the financial value of the assistance.

Simplification will remove much of the complexity from the transactional process as well as open up channels so people can engage with the Ministry digitally at a time of their choosing. As a result, Crown spend may increase for three reasons.

**Easier to apply** – By opening up digital channels and otherwise removing administrative barriers, people who have been discouraged from applying might now choose to apply, although only some will be entitled to financial assistance, thus increasing Crown spend.

**Easier to renew entitlements** – Simplifying the renewal process and opening up digital channels will eliminate much of the frustration with the reapplication process, so people who have chosen to forego assistance for which they are eligible may now renew their applications, thus increasing Crown spend.

**Less incentive to move off benefit** – Because the reapplication process would be less onerous, clients would have less incentive to change their circumstances so they could stop receiving a benefit. This could result in clients remaining on benefits longer than they might otherwise, thus increasing Crown spend.

### **Potential net impact**

At this stage, it is not possible to determine the magnitude of the impacts discussed above or, more importantly, the overall net impact, so only the general expected impact for each shortlisted option is shown in Table 3.8.

Work is under way to estimate the net impact, but it depends on the detailed design. Therefore, no reliable quantitative estimate can be made for this business case, but will be quantified in the detailed business case.

**Table 3.8:** General expected impact on Crown spend by shortlisted option

Crown spend impact	Do Minimum	Efficient Sourcing	Integrated Front End	Integrated Transactional Service
Decrease	Partial	Yes	Yes	Yes
Increase	No	Yes	Yes	Yes
Net impact	Decrease	*	*	*

\* The net impact cannot be estimated at this stage, but will be quantified in the detailed business case.

## 4 Engaging with the Market to Develop the Detailed Case

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### 4.1 Introduction

This section describes how the Simplification Project will engage with external providers to ensure the detailed business case:

- reflects a full range of innovative approaches to delivery
- includes a solid plan for procurement with the right mix of services to ensure successful implementation.

This section also outlines initial commercial considerations for the shortlisted options: Do Minimum, Efficient Sourcing, Integrated Front End, and Integrated Transactional Service.

### 4.2 Market engagement for innovation

The Ministry intends to take a proactive and innovative approach to market engagement. The focus will be on engaging the market to co-design and develop innovative solutions to the challenges faced within transactional services.

The Ministry will call for expressions of interest from third parties that might be willing and capable to provide any or all of the Ministry's transactional services. The Ministry will identify existing providers on the government panel for the relevant services as well as make an expression of interest available through the Government Electronic Tenders Service.

The expression of interest will contain the scope of service described in the Integrated Transactional Service option as this reflects the widest scope for service delivery of the four shortlisted options. The Simplification Project will work with respondents to understand the innovations third parties could expect to deliver under the Integrated Transactional Service option as well as the three more modest options.

The market engagement process will not seek to stipulate detailed requirements at an early phase to ensure the Ministry:

- receives alternative approaches to the project
- is not constrained by an internal view of the optimal solution.

Responses will be evaluated to produce a long list of potential providers, who will then be offered follow-up meetings to explore their expressions of interest and clarify the likely service offerings on both sides. Where feasible, short prototyping or demonstration-based exercises will be used to increase the understanding of possible solutions while keeping the cost of engagement for vendors as low as possible.

The Ministry will supplement its procurement expertise with specialist external assistance to ensure the best possible recommendations on third-party delivery of Ministry transactional services will be included in the detailed business case.

### 4.3 Partnership opportunities in the shortlisted options

This section sets out potential partnership opportunities in the four shortlisted options (outlined in section 3 and Appendix 6).

#### ***Do Minimum option***

The Ministry already operates with a high level of outsourcing in information technology functions. This will continue even in the Do Minimum option. In addition, further outsourcing will be explored under this option, primarily as a means to increase efficiency and ensure the Ministry can operate within a reduced baseline in out-years.

Candidate areas could include mail opening, scanning, and data entry across all Ministry service lines. Outsourcing could also be explored for aspects of the centralised processing and contact centre work that are features of this option.

#### ***Efficient Sourcing option***

The Efficient Sourcing option explores increased delivery by third parties to create efficiencies and as a means to lift service levels within the available baseline. Under this option, any of the following could be outsourced:

- enhanced digital channels for clients, including voice services, enabling them to complete high-volume transactions digitally
- completion of transactional processes that can be centralised currently
- contact centre functions, including an expanded role in completing transactions
- mail management, including opening, distributing, sending, and digitising mail
- scanning and optical character recognition (OCR) with interfaces to document management systems
- data entry for transactional processing activity
- identity management services, including initial identity verification and ongoing identity maintenance
- eligibility assessment for highly rules-based transaction types.

To meet the full savings required in the Ministry's four-year plan, a significant proportion of transactional support would need to be outsourced. The option could achieve the financial target by one or both of:

- enabling a net reduction in full-time equivalent staff and associated costs currently consumed by transactions
- completing transactions at a lower cost to the Ministry than can be achieved in-house.

A large scope would be needed to achieve reductions in full-time equivalent staff to achieve cost savings. However, third-party capability is established for some of the services outlined, and contracts, although extensive, would not be novel. Third parties could capture sensitive client information and exchange it with core Ministry systems. Any contractual arrangements would include adequate incentives for private providers to safeguard this information and provide an acceptable level of service to the Ministry and its clients.



The Ministry would also need to be assured the transaction costs associated with managing the commercial arrangements would be manageable over time.

### ***Integrated Front End and Integrated Transactional Service options***

The Integrated Front End option focuses on the development of online and digital channels and shared support for processing. In addition to the specialist support during the development of new channels (online and mobile), there may also be opportunities to pursue ongoing delivery by third parties of aspects of centralised support for online activity.

The Integrated Transactional Service option fully enables, as well as enhances, the Ministry's digital channels, and strengthens the business by reorganising the back end for integration and efficiency. This will increase the amount of specialist third-party support required to develop and implement the options and will provide more opportunity to consider whether centralised aspects of the transactional service can be delivered by one or more partners.

## **4.4 Potential for a public–private partnership**

In the context of this indicative business case, establishing a full scope public–private partnership (PPP) would require a significant investment in Ministry transaction processing by a private organisation. That organisation would receive an income stream in exchange for providing transaction processing services.

The project conducted an initial assessment of the feasibility of a full PPP for all of the Ministry's transaction services, in the context of the current high levels of complexity, duplication, and lack of integration in this part of the Ministry's business.

Developing a full service PPP (where the entire transactional service is outsourced) without first simplifying and rationalising core transactional processes would almost certainly result in an arrangement with:

- excessively high or unpredictable transaction costs between the provider and the Ministry because of a lack of consistency of services
- higher implementation costs, because the provider sets prices to account for high complexity and uncertainty of service provision
- higher transition and implementation risks, because of the complexity of transitioning from a highly fragmented service to a single service
- risks of service failure to clients because of current levels of process, rules, and system complexity not being addressed
- the contract between the Ministry and the provider being insufficiently stable or enforceable over the longer term.

The longer-term feasibility of a full service PPP is improved significantly by pursuing the Simplification Project options. Importantly, the project does not propose any changes that preclude a full service PPP option in the future; in fact, it enhances future flexibility as the service is simplified, made consistent, and is integrated. The options developed in this business case create a platform for significant opportunities for partnerships between the Ministry, private sector, and wider non-government sector.

## 5 Considering Affordability and Funding

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### 5.1 Introduction

This section sets out indicative financial implications for the four shortlisted options: Do Minimum, Efficient Sourcing, Integrated Front End, and Integrated Transactional Service.

### 5.2 Funding sources

The Ministry has \$317 million of available capital from 2014/2015 to 2017/18 to fund all expenditure on:

- information technology (IT) business improvements
- IT core assets
- core IT Strategic Action Plan enablement
- motor vehicles
- property, including National Office relocation and Child, Youth and Family residential facilities.

The Ministry's current capital plan recognises simplification as a key priority. The total amount required for Simplification depends on the detailed design and the relative priority of this investment with other commitments. Capital funding for Simplification will be determined when the detailed business plan is completed.

#### ***Additional funding required***

The project has estimated that the Do Minimum, Efficient Sourcing, and Integrated Front End options can be funded from available funding. The Integrated Transactional Service option may not be able to be funded within the Ministry's current baseline, so some additional capital investment could be required (between \$50 million and \$70 million). This investment would be based on an invest-to-save case and able to be offset by future savings.

#### ***Project funding available from current operating budget***

The cost of taking the project through the detailed business case stage (including personnel, expert advice, and prototyping) is expected to be up to \$5 million.

This cost is expected to be funded from available 2013/14 underspend in departmental appropriations

#### ***Estimated cost***

The Simplification Project is proposing a model that differs significantly from that used in the Ministry's previous business improvement and IT projects. The Ministry intends to take a proactive and innovative approach to market engagement (as discussed in section 4). The focus will be on engaging the market to co-design and develop innovative solutions to the challenges faced within transactional services.

## **In Confidence**

The market has not yet been approached, so it is not possible to provide definite costs. The Ministry's initial indicative estimates of the capital costs of the shortlisted options are between \$65 million and \$130 million. Indicative implementation costs are estimated to be between \$10 million and \$20 million, depending on the option. Implementation costs comprise project team costs and change management costs (including personnel, training, and redundancy, if applicable).

Additional operating costs may also be incurred. These costs comprise additional information technology support in all options and digital assistants in the Integrated Front End and Integrated Transactional Service options. These costs will be met from the expected benefits.

For the comparative Do Minimum option, the estimated capital cost is \$30 million and the estimated operating implementation cost is \$5 million.

### **Approach to costs**

This indicative business case has taken a macro-level view to estimating costs. The proposed solutions have been compared with previous IT projects and scaled, depending on the size and complexity of the solution. The detailed business case would take a 'bottom up' approach to cost estimation, costing each component of the solution.

### **Assumptions**

The following assumptions have been used during the cost estimation.

- The estimation method assumes the use of current technology platforms such as Curam and SWIFTT and alignment with system retirement plans that are in flight (see the discussion of project dependencies in section 6.3).
- Implementation costs have been included for all options and include a project team.
- Change management costs have been included in the implementation costs and include personnel costs, training, and redundancy.
- Redundancy costs have been included where there is an expected full-time equivalent change of more than 12% per year in a position. This has been calculated at the average cost of redundancy per frontline position.
- Ongoing operating costs include ongoing IT support for all options. This is based on IT support costs for current projects and calculated at an individual component level.
- The Integrated Front End and Integrated Transactional Service options include the costs of staff to provide 'assisted digital' functions. These positions are expected to decrease by an attrition rate of 12% each year after go live once Ministry clients become more comfortable with the new environment.

## **5.3 Benefits**

Benefits include savings made from a reduction in personnel, administration savings, and overhead savings. Benefits realised will be the financial benefits, reinvestment benefits, and other economic benefits outlined in section 3.



### **Two types of benefits – financial and reinvestment**

**Financial benefits** are the real savings realised by a reduction in staff and overhead costs. These savings address the baseline shortfall outlined in the four year plan, and pay for the ongoing operation of the solution.

Savings over and above those required to balance the four-year-plan and pay for the ongoing costs of the programme have been identified separately as **reinvestment benefits**. These savings will be used to enhance capacity to deliver effective interventions leading to better outcomes for New Zealanders.

The Do Minimum and Efficient Sourcing options are expected to realise financial benefits. The Integrated Transactional Services option expects to realise reinvestment benefits of up to \$20 million a year in addition to financial benefits.

Benefits from projects on which Simplification is dependent (see section 6.3), including other IT projects, service delivery improvement projects, and value-for-money strategies, have been excluded from the calculation of benefits for Simplification.

### **5.4 Funding constraints in the four year plan**

In its four-year plan, the Ministry stated that the Simplification initiative would address the total operating shortfall of \$61 million (Table 5.1).

**Table 5.1:** Operating shortfall, 2014/15 – 2017/18

2014/15 (\$m)	2015/16 (\$m)	2016/17(\$m)	2017/18 (\$m)	Total (\$m)
-	(9)	(13)	(39)	(61)

None of the options will meet the expected \$9 million shortfall in 2015/16 Simplification savings in core transactional processes are unlikely to be realised until 2016/17.

However, the expectation is that efficiencies in other processes will be realised as the programme progresses. These efficiencies can be implemented as quick wins earlier than the main benefits that will flow from the programme. Although the Do Minimum and Integrated Front End options return positive NPVs, they are not expected to provide enough benefits to meet the entire shortfall in 2017/18 and beyond.

The operating shortfall remaining after Simplification is estimated to be between \$5 million and \$50 million in the period to 2017/18 depending on the chosen solution.

The Integrated Transactional Service option is expected to provide enough benefits to address the funding gap, pay for ongoing operating costs, and provide reinvestment benefits of up to \$20 million a year. The benefits of the Efficient Sourcing option cannot be assessed until the market has been engaged.

### **5.5 Net present value**

The estimated net present value (NPV) by 2021/22 of the Integrated Front End option is \$26 million and of the Integrated Transactional Service option is \$60 million. It is not possible to calculate the NPV of the Efficient Sourcing option at this stage. The estimated NPV by 2021/22 of the Do Minimum option is \$5.5 million.

All NPVs are calculated using a discount rate of 9.5%.

## 6 Managing a Successful Project

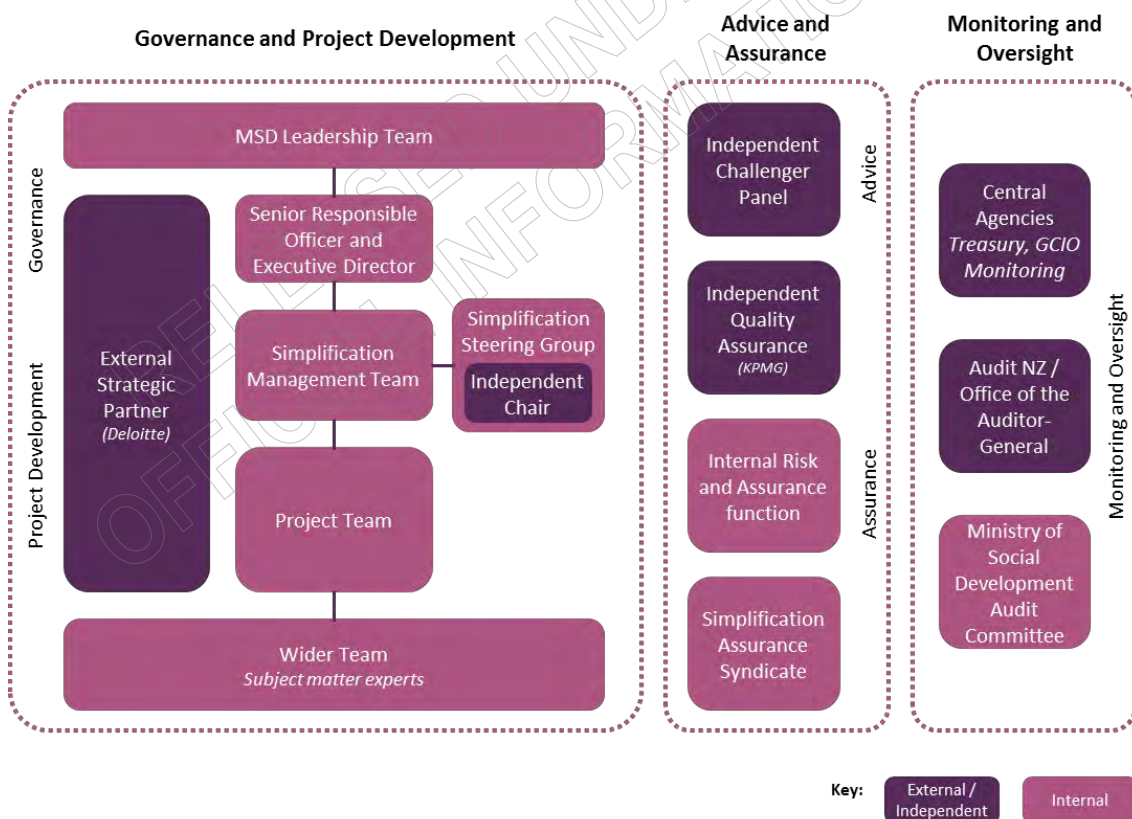
### 6.1 Introduction

This section outlines how the Simplification Project will be managed to ensure successful delivery of the detailed business case in the next phase.

### 6.2 Project management framework

The Senior Responsible Officer, who is the Deputy Chief Executive of Work and Income, is leading the Simplification Project. The Executive Director reports to the Senior Responsible Officer and oversees project development through to implementation.

The Executive Director is supported by a multidisciplinary project team. A core team drives and runs the project with the assistance of a wider team contributing with critical specialist skills and insight, such as from the legal and information technology fields. External experts provide the project with capability, skills, and experiences that the Ministry does not have.



*Project governance and assurance*

## In Confidence

The Simplification Steering Group drives overall strategic direction and provides guidance and support to ensure the project's development and implementation. The group has a clear decision-making and reporting framework with the Chief Executive and Leadership Team.

The group comprises:

- an independent chair
- the Senior Responsible Officer, who is also the Deputy Chief Executive, Work and Income
- the Executive Director Simplification
- the Deputy Chief Executive, Social Policy and Knowledge
- Deputy Chief Executive, Child, Youth and Family
- Deputy Chief Executive, People, Capability and Resources.

Meetings are conducted at least monthly to ensure the project is appropriately aligned, prioritised, sequenced, and valued to the best overall interest of the Ministry and its role as a public services organisation.

### ***Project methodology***

The project is following a methodology developed in collaboration with external and internal experts, and aligned with the Ministry's accepted methodology (MSP). The methodology focuses on developing high-quality service design, robust cost-benefit and risk analyses, structured engagement with the market, and robust assurance and implementation planning. The detailed business case will capture the outputs of these work streams.

To facilitate innovative and flexible delivery while ensuring proper assurance and transparency, Simplification will use a tailored Better Business Cases programme framework. This will allow the Ministry to take a 'dual-speed approach' to design and implementation. This approach means being cautious and careful in the redesign of core payment and processing engines while being agile, innovative, and fast when developing digital technologies for people's interactions with the Ministry. The Ministry will work with Central Agencies, including the Government Chief Information Officer, to confirm the assurance and other requirements under this approach.

The project is placing a high degree of emphasis on innovation and design thinking. External expertise will be used to deliver techniques and tools to ensure innovation and design thinking throughout the detailed design. Other essential elements are collaboration and co-design. The project will continue to use the Navigators (see section 1.3) and will work to include clients in the design process.

The Ministry intends to take a proactive and innovative approach to market engagement. The focus will be on engaging the market to co-design and develop innovative solutions to the challenges faced within transactional services. This approach is set out in section 4, and will be a critical input to the detailed design and detailed business case.



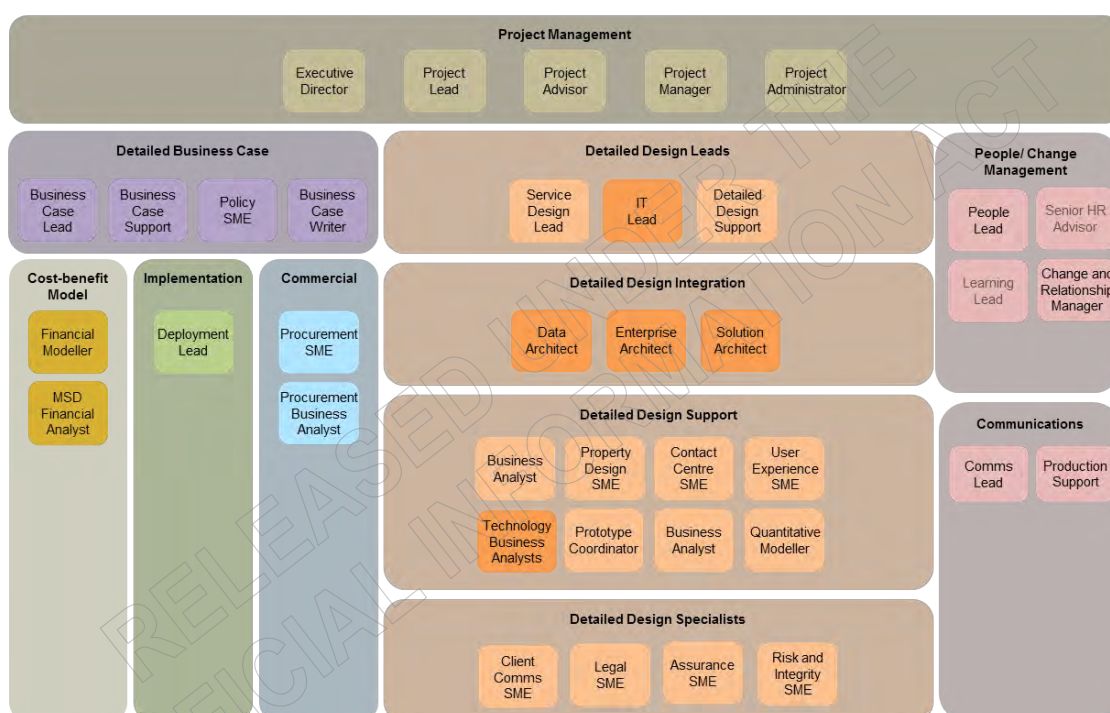
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Prototypes and trials will test and refine the designs, as well as building momentum with staff and clients by demonstrating collaboration and successes. These prototypes and trials may disprove concepts; this will not be regarded as failure.

The project will align with the internal Service Delivery Learning Initiative, which is establishing a learning environment in Christchurch and has established design principles for successful learning initiatives (see further section 6.3).

### Project structure

The project's proposed structure for the detailed business case phase is based on a high degree of integration and collaboration between the functional domains involved in service design – people, process, technology, information, and controls.



*Simplification project resourcing structure*

### Project cost

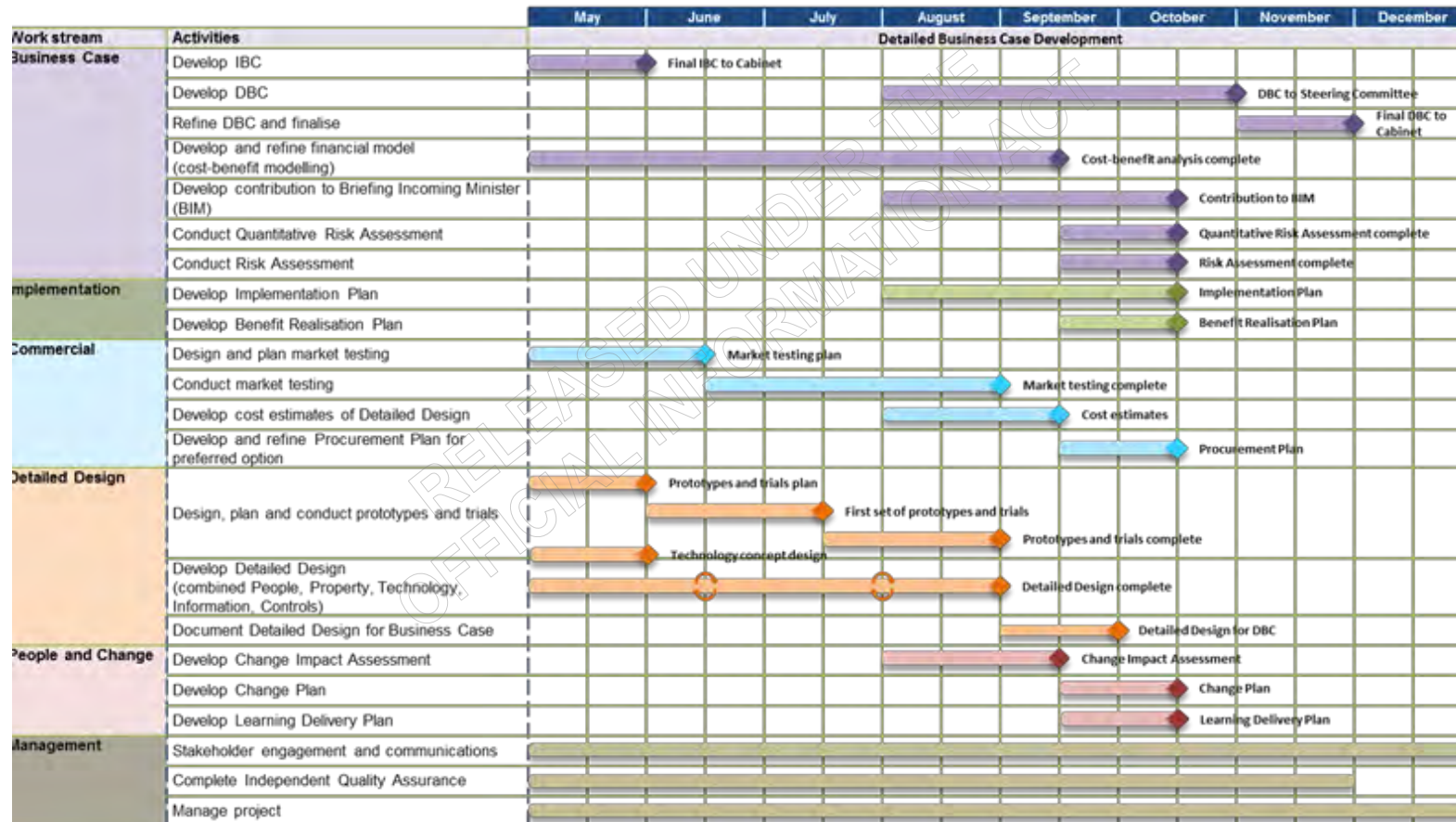
The cost of taking the project through the detailed business case stage (including personnel, expert advice, and prototyping) is expected to be up to \$5 million.

This cost is expected to be funded from available 2013/14 underspend in departmental appropriations.

### Project plan

The high-level project plan is shown over the page.

## In Confidence



High-level project plan for Simplification

## 6.3 Dependencies

The Simplification Project has relationships with other projects to improve Ministry service delivery and depends on the completion of various IT projects.

### *Relationships with other projects to improve service delivery*

The Simplification Project, Rewrite of the Social Security Act, and Service Delivery Learning Initiative are all aiming to improve the delivery of Ministry services to New Zealanders, by modernising and making improvements to better support the needs of clients and provide efficiencies for the Ministry.

As part of the Simplification Project, the Acting Deputy Chief Executive, Social Policy and Knowledge is overseeing the development of the indicative and detailed business cases. This Acting Deputy Chief Executive is also overseeing the Rewrite of Social Security Act and ensures the two work streams are co-ordinated and complementary.

### *Rewrite of the Social Security Act*

In June 2013, Cabinet agreed that work should commence on rewriting the Social Security Act 1964 (CAB Min (13) 21/6). The rewrite would completely revise the Act, modernise its language, address structural issues and consistency, and renumber the provisions, re-enacting it in a more accessible and understandable form, but without changing most of its substance.

Cabinet has also instructed the Ministry to work on policy proposals to remove legislative barriers to enable greater productivity at the frontline. Several suggested changes for Simplification have legislative implications that have been fed through to the Act rewrite team.

The Rewrite of the Social Security Act and the policy work on simplification both report to the same senior Ministry manager who ensures the two streams of work are co-ordinated and complementary.

### *Service Delivery Learning Initiative*

The Service Delivery Learning Initiative is trialling new ways of working over the next six months to support joined-up services and outcomes for New Zealanders. The initiative is intended to augment the work of the Simplification Project. The Durham Street site in Christchurch will host the initiative.

The scope of the initiative includes:

- all matters relevant to face-to-face client engagement and provision of services by the Ministry
- all systems and processes the Ministry uses to support the delivery of services to clients
- infrastructure initiatives to support the purpose of the initiative
- the identification of specifications to ensure transactional services support integrated service delivery by the Ministry.



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The Service Delivery Learning Initiative is co-located with the Simplification Project, so lessons can be shared and co-ordination is maximised between the two projects.

- The high-level and detailed design for Simplification has been occurring concurrently with the design and implementation of services for social housing assessment.
- The Simplification project team is working with policy and operational areas to ensure new housing functions are incorporated in the design for simplification
- The Ministry's Leadership Team is working to ensure sufficient resources and capability exist to design and implement simplification alongside the Ministry's new housing functions.

### ***Relationship with information technology projects***

The Ministry's ability to implement a large IT programme depends on the work programmes already in place. Simplification depends on the completion of the following.

- **Curam V6 upgrade:** Curam is the Ministry's core client management system. This project is upgrading Curam to its latest version and is expected to be completed by November 2014. To mitigate risks and costs, significant Ministry development on Curam should start after the upgrade has been completed.
- **Single Client Management:** The project aims to retire the UCVII legacy system and make its information viewable in Curam. The business case is progressing through the approval process. Retirement of this legacy system will reduce the number of interfaces required for transactions, which will lower future development and support costs. Having client information centralised in Curam will provide the framework for a single client view.
- **SOLO retirement:** The project aims to retire this legacy system and make its information viewable in Curam. The business case is expected to be completed in October 2014. Retirement of this legacy system will reduce the number of interfaces required, which will lower future development and support costs.
- **Centralisation – Technology for Business Strategy:** The business case for this project is going through the approval process. This project will build the foundations for workflow routing, which will deliver productivity efficiencies.
- **Adoption of the Verified RealMe Identification:** The Ministry is committed to supporting RealMe. A business case is expected to be completed by August 2014, with the first implementation of Verified RealMe for students in late 2015, followed by beneficiaries, non-beneficiaries, and seniors.
- **Overseas Pension Fund:** This project is taking processes done manually (using spreadsheets) and putting them into a 'business rules engine', so rules can be configured and managed centrally rather than codified in programming languages across multiple (decentralised) applications.
- **Mobility:** This research and development initiative is assessing Ministry-wide mobility strategy and platforms. The project's findings are expected in mid 2014.
- **Information Analysis Platform (IAP) refresh:** This project is upgrading the infrastructure and technology platform for the business analytics function. The project is expected to be completed by January 2015.

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These interdependencies are being managed by formally involving key IT stakeholders with the project and ensuring Simplification management is involved in wider IT strategic decisions. This includes:

- seconding the Ministry's Chief Information Officer into the Simplification Project
- having the Executive Director a member of the IT Strategy Group
- establishing a Service Design Forum that includes key service delivery general managers and the Chief Information Officer.

These initiatives aim to ensure co-design, alignment, prioritisation, and sequencing of the Simplification Project with existing projects in the IT roadmap.

### 6.4 Risk management

The Senior Responsible Officer is responsible for ensuring arrangements for managing risk are in place and appointing a risk manager. The Simplification Project held risk workshops to identify and categorise risks as business, project, or implementation risks. Treatment plans were developed, and all risks are under active review and monitoring. Table 6.1 shows the highest risks. The project risk register will continue to be reviewed and updated throughout the project.

**Table 6.1:** Initial risk assessment – risks initially assessed as high

Risk event	Initial risk	Risk management(mitigation)	Residual risk
<b>Business risk</b>			
External events constrain appetite to change transactional processes	High	Establish cross-Ministry DCE Steering Group with independent chair reporting directly to Ministry Leadership Team Ensure alignment with Ministry governance arrangements Develop critical communications and engagement points across all stakeholders Align steering group meetings to critical points, seek clear agreement to progress each stage Establish bilateral engagements with other large agencies undertaking similar programmes Incorporate best practices from other agencies, industries, and jurisdictions	High
<b>Project risks</b>			
Project is unable to sustain senior management commitment to the project	High	<i>First four activities to address the business risk above</i> Keep tier 3 and 4 managers updated and engaged Establish regular, structured meetings with the Chief Executive	High



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Risk event	Initial risk	Risk management(mitigation)	Residual risk
Cabinet approval is not gained early enough in 2014 to progress the business case	High	<p>Discuss with Chief Executive and Minister</p> <p>Develop critical communications and engagement points across all stakeholders</p> <p>Brief Minister regularly</p> <p>Establish cross-Ministry DCE Steering Group with independent chair reporting directly to Ministry Leadership Team</p>	High
<b>Implementation risks</b>			
Staff and clients find it harder to transition than expected	High	<p>Develop detailed workforce capability plan</p> <p>Conduct targeted learning and development as well as upscale delivery and commit to redeployment and retraining</p> <p>Conduct discussions and engagement with key stakeholders as appropriate</p> <p>Develop critical communications and engagement points across all stakeholders</p> <p>Release communications at least 9–12 months before a change to prepare staff</p> <p>Use client focus groups to run trials and test prototypes</p> <p>Use well-planned and tailored client communications</p>	High
Changes made preclude future flexibility or large all-of-government changes	High	<p>Establish bilateral engagements with other large agencies undertaking similar programmes</p> <p>Consult regularly with Department of Internal Affairs and Inland Revenue</p> <p>Support participation in the Digital Services Council (by the Executive Director) and related forums</p>	High
Too much reliance is placed on information technology development and it is not aligned with the broader needs of the business	High	<p>Consult Chief Information Officer as necessary</p> <p>Resource a dedicated project stream from across the Ministry and externally</p> <p>Establish Challenger Panels to provide independent advice</p> <p>Ensure Ministry governance followed for oversight, ownership, and assurance across all information technology activity</p> <p>Use modified Agile techniques with investment funding structured into iterations</p>	High



## 6.5 Project and business assurance arrangements

The investment proposal was assessed as medium risk using the Gateway Risk Profile Assessment tool of the State Services Commission (SSC). However, Central Agency reviewers considered the project inherently high risk, despite the medium rating. SSC acknowledged the “earned autonomy” the Ministry had achieved through a “sustained period of successful delivery” and considered “the independent assurance structures that [the Ministry] is putting in place around this work”. Therefore, SSC considered the “project should come under Major Projects Monitoring ... and does not currently require Gateway reviews” (email from SSC to the Executive Director Simplification Project, 9 October 2013). The Ministry will review its risk profile assessment to ensure it is accurate for the next stage.

To confirm thoroughness in the project, the Simplification project team sought, and will continue to seek, independent advice and assurance. For more information about the planned assurance throughout the development of the detailed business case, see Appendix 7.

### ***External strategic partner – Deloitte***

The Ministry selected Deloitte as the external strategic partner for Simplification following a competitive tender. The strategic partner provides advice, support, and structure to the project through the business case phases.

The key activities of the strategic partner include advising the Steering Group, Senior Responsible Officer, Executive Director, and Project Management team and providing resources and expert input to the project work streams.

### ***Independent advice – Simplification Challenger Panel***

The Simplification Challenger Panel was created to provide independent advice to test and challenge Ministry thinking and, ultimately, inform Ministry decision-making at critical stages in the project’s development. The panel advises the Chief Executive, Leadership Team, and Simplification Steering Group.

Panel members are a small number of executives and senior change leaders with experience in driving successful enterprise transformation initiatives with a focus on client experience, digital services, and transaction service delivery excellence.

### ***Independent quality assurance – KPMG***

Independent quality assurance was commissioned from KPMG following a competitive tender. This assurance assesses the project management tools and techniques used and how project management has been implemented to ensure project success, the Ministry’s capability and capacity, as well as development outcomes at critical stages of the project.

The outcome of assessments will be reported to the Chief Executive, Project Sponsor, Simplification Steering Group, Executive Director, Director Strategic Leadership and Projects, People, Capability and Resources, and Director Assurance Services.

This business case reflects some of the feedback from KPMG’s independent quality assurance review of earlier drafts of this indicative business case.

## Appendix 1: Chief Executive's Letter

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18 June 2014

Hon Paula Bennett  
Minister for Social Development

Dear Minister

### **Simplification Project: Indicative business case**

This indicative business case is a significant deliverable of the Simplification Project by the Ministry of Social Development to investigate value for money options to simplify Ministry transactional processes, freeing up resources to be reinvested in outcomes-focused work.

I confirm:

- I have been actively involved in the development of the indicative business case
- I accept the strategic aims and investment objectives of the investment proposal, its functional content, size, and services
- the project is ready to proceed with detailed design and the detailed business case stage (within a tailored Better Business Cases programme framework), including market engagement, prototyping, costs, and benefits realisation, assurance, and implementation planning
- the cost of taking the project through the next detailed business case stage is expected to be up to \$5 million funded from available 2013/14 underspend in departmental appropriations.

This letter fulfils the requirements of the current Better Business Cases guidance. Should these requirements or the key assumptions on which this case is based change significantly, revalidation of this letter of support should be sought.

Yours sincerely



Brendan Boyle  
Chief Executive

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## Appendix 2: Research – Overseas Agencies and Industry

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### What overseas social development agencies are doing

#### ***Integrated self-service portals (United States)***

Integrated self-service portals in the United States:

- provide services outside traditional business hours
- make benefit information more accessible
- reduce worker time spent answering questions and entering data, allowing more time for solving problems for clients
- mean fewer face-to-face customer visits, which reduce costs, improve accuracy, and reduce errors.

#### ***Integrated case management system (British Columbia, Canada)***

The integrated case management model in British Columbia, Canada focuses on a no wrong-door approach to service citizens, co-ordinating services and optimising the allocation of limited resources. This model resulted in a lower cost to serve and a lower cost of achieving an optimal outcome for citizens.

#### ***Integrated service and systematic needs assessment (Denmark)***

Denmark faced problems similar to those facing the Ministry, including a lack of systematic screening and needs assessment of citizens applying for services and a lack of integrated information technology (IT) systems.

Denmark streamlined social welfare by establishing a new integrated agency called Payment DK. This agency now handles all applications for pensions, housing support, maternity support, and family support, and most applications are carried out online.

This resulted in a systematic needs assessment tool and integrated IT systems.

### **Innovation in other industries**

Research into other industries, particularly finance and insurance, identified the following innovations that have been incorporated into the project's design.

**Proactive customer triggers (bank, Poland)** – developed customer relationship management (CRM) software that responds to predefined customer events and proactively identifies when a customer needs to apply for a financial product (for example, a loan when an account is running low). This proactive system reduces the number of queries and applications that come through to the bank.

**Web-based systems (insurance company, India)** – built a fully cloud-based platform to issue insurance policies. This allowed the company to issue these policies with ease, from almost anywhere and any device. Because the platform was cloud-based, customers could complete applications, including document scanning, straight on to the platform, without any face-to-face interaction.

**Customer self-service (hospital practice)** – self-registration kiosks in many hospitals allow patients to self-triage, so they can complete administrative processes themselves. This frees up registration personnel to help patients with more-complicated needs. One of the most valuable features is multiple language access for those not fluent in English. The kiosks come with scheduling, registration, and billing systems, so staff do not have to deal with back-end paperwork. Healthcare organisations are using health kiosks to minimise errors and waiting time for patients and to improve efficiency. This satisfies both patients and staff.

**Branchless ATMs (bank, South East Asia)** – introduced a new kind of ATM designed to help customers do virtually all their banking without visiting a branch. Users can open accounts and apply for loans, cards, and cashier's cheques using the device. The ATM also allows users to see and speak with a customer-service representative on one screen while conducting business on the other.

**Virtual salespeople (technology company)** – created a mobile video kiosk that allows salespeople to talk to in-store shoppers using a computer with a wireless connection. Shoppers can see the clerk's face on a video screen and talk with her in real time. One clerk can cover multiple stores at once. Features such as screen sharing allow for greater uses.

**Voice authentication (telecommunications company, Turkey)** – created Voice Signature, a service that uses a customer's voice to verify her identity in just five seconds, eliminating the Q&As usually required to authenticate a caller. As a result, each employee can now support more callers, and customers get faster access to the information they seek.

**Customer centric innovation (online retailer, United States)** – announced a futuristic plan for robots to deliver goods in 30 minutes (delivery drones that drop off packages gently on the customer's front doorstep).

**Fully streamlined process (hospital, United Kingdom)** – in Formula One motor racing, the pit-stop team completes the task of changing tires and fuelling the car in about seven seconds. The process is extremely streamlined. Doctors saw areas of similarity to their surgical team during transfers from the operating room to intensive care unit. From the analysis of Formula One pit stops came a new handover protocol with streamlined procedures and better choreographed team work. Doctors also saw the importance of the role of the 'lollipop man', the one who calls the car in and co-ordinates the pit stop. Under the new process, the anaesthetist was given overall responsibility for co-ordinating the team until the end. They were charged with the responsibility of regularly stepping back to look at the big picture and to make safety checks during the handover.

## **Learnings to incorporate into the project**

Table A2.1 summarises the learnings from those organisations and industries with experience and expertise that might usefully be applied through the Simplification Project.

In Confidence

Table A2.1: Lessons learned from other industries and organisations

Implementation	Customer	Physical space	Processes	Technology	People
Key implementation and sequencing principles should be specified and adhered to	Use the customer throughout the process to gain further insights and to test and refine ideas	New centres should have private and semi-private areas available	Process improvement or redesign should be done before transferring the process to new people or systems	Keep the overall technology landscape as simple as possible	Continue to communicate with staff and provide continuous training (not just one-off)
Implement in an 'Agile' way with frequent small realises to better engage the business and receive more rapid feedback from clients	Recruit a 'chief customer officer' as an advocate for customers and to emphasise the customers' importance	Physical space should be flexible and remove barriers of access between staff and clients	Be agile in thinking, process improvement, and delivery	Use internal and external client information (for example, social media) to better understand client needs	Staff must be trained on the new technology being implemented before it is rolled out to clients
Simplification should not do everything and scope needs to be managed throughout	Changes need to be new or better for the customer	WiFi should be made available in centres	Consider 'Sprint' development processes (2-4 week development for sub-projects)	Build mobile first to ensure the online design is as simple and easy to use as possible	Staff may be upskilled and trained into new roles; shared performance key result areas can build motivation
Pilots or prototypes can give quick wins early on	Map client channel journeys to determine maximum impact	Encourage online use even when the client is in the service centres	Incorporate client needs into process improvement		Understand that staff can handle only a certain level of change
Get as much done as possible before 'go-live'	Consider incentivising customer behaviour in order to change it				Do not underestimate the capabilities of staff



## **In Confidence**

In terms of the way forward for the project, the learnings suggest:

- incorporate the implementation principles 'plan everything' and 'de-risk conversion'
- recruit a panel of clients for ongoing user-experience testing throughout the prototyping and implementation phase
- use experts in the design and rationalisation of physical spaces
- use 'sprint' processes for prototyping and piloting
- ensure work streams are established around people, change, and learning.

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## Appendix 3: Research – Client Experiences and Expectations

### Introduction

The Simplification Project conducted focused qualitative research with clients and used the variety of Ministry client feedback and research to support an analysis of the 'voice of the client'. External client research experts designed and led the interview process to ensure a robust approach. Each interview focused intensively on the client's needs, motivations, and experiences with the Ministry's services and with other services throughout their lives.

Important themes emerged from this work, supporting the conclusion that the current transactional service does not consistently meet client expectations, although positive aspects of the service exist and should be preserved.

The interviews drew out the following themes and insights about how the Ministry's clients experience its services, and their needs and expectations, across the four client types. The insights described here are taken directly from the project's client research, and the project recognises these client expectations and desires must be balanced with a broader context of government priorities, taxpayer expectations, and operational effectiveness.

### 'Ministry people are a lifeline to me'

Clients need consistent face-to-face interactions because those interactions provide a human face to the Ministry and emotional encouragement and support for those who do not get that support elsewhere. In particular, Option Seekers and Support Seekers need structure and routine in their lives to give them a purpose in their day. They may need contact with other people, because they can become isolated from family, community, and paid work networks. An opportunity exists for the Ministry to make better use of its staff, because they are its strength.



*Sometimes I think ... is it worth it? I don't feel like looking for work ... But my appointment with my case manager really motivates me.*

### 'A benefit supports me financially, but disempowers me emotionally'

*After so many knock-backs you start to lose your confidence a bit and think I'm not going to be good enough.*



Clients can experience a reduced level of confidence and self-worth because the system takes away their independence and disempowers them.

Job seekers need guidance and encouragement; they are often unable to motivate and promote themselves because they lack confidence and self-worth.



### ‘Mutual trust and respect are important to me’

Beneficiaries want to feel their story is in safe hands because they open up their lives to the state when they receive a benefit. All clients want to feel trusted and respected – the current process treats everyone as though they will try to rip off the system. Clients feel the benefit system needs to position beneficiaries positively in society to mitigate the social stigma associated with being a beneficiary.



*I expected to be treated like someone sponging off the government.*

### ‘Understand my situation first and foremost’

*I was nervous and stressed, I'm probably not getting what I'm entitled to, I haven't asked.*



Beneficiaries suffering from emotional or economic shock need to be identified and managed because they are often not operating at what society would deem as normal. Beneficiaries in crisis want to be supported first and processed second; diving straight into process and requirements is overwhelming.

Beneficiaries want to feel the system is flexible and recognises their circumstances, but the system does not suit outliers. The Ministry needs to recognise that many people consider family of greater importance than themselves and paid work (money), so many are caught between their role maintaining the family unit and paid work obligations.

### ‘Who does what? Clarify responsibilities’

Beneficiaries need payment certainty because many are living week to week and a missed payment can create a crisis. All clients want the system to clearly identify who is responsible for what and when.

Non-beneficiaries want an easier way to inform Work and Income of their ongoing situation. Some find this so hard, that they do not reapply for support, which causes financial stress.

Clients also expect to hear the same story from all touch-points across Ministry services; contradictory information is stressful and frustrating.

*I felt frustrated with inconsistent advice and service, I don't trust WINZ.*



### ‘Repetitive information gathering and form filling is a burden’

Clients expect to fill out forms, seeing them as a ‘necessary evil’ when dealing with government agencies. However, the level of complexity in the forms means applicants generally need face-to-face help and forms often need reworking by staff. Clients find it frustrating and a considerable waste of their time being asked for information that does not change or is available through other departments.

*You're all the government, why can't you talk to each other and get the info?*





## In Confidence

Clients want the Ministry to respect their time because not doing so results in frustration and annoyance. They want confidence and reassurance that phone, online, and postal interactions provide all the right information and are actioned appropriately, – many clients go into a service centre ‘to be on the safe side’, as they know their case manager will action their transactional request.

### ‘I live in an online world but the Ministry is buried in paper’

*I don't fit the norm so  
My Account doesn't work ... can't  
seem to update my hours online,  
because they vary each week, so I  
need to call up.*



People who are computer savvy expects an online service that meets their needs and complements necessary face-to-face interactions; the current online service is not user-friendly. Clients want to see a demonstrated benefit of My Account, which they do not currently. The Ministry needs to acknowledge the digital world in which some

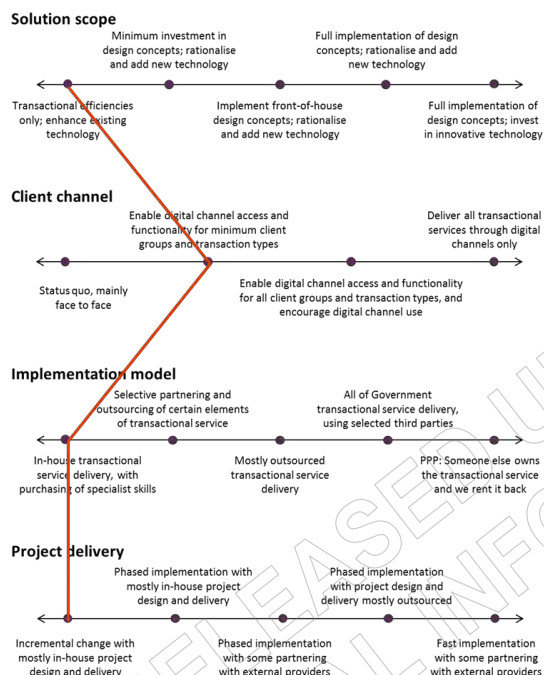
clients live and leverage technology and systems already available. The current processing system is paper-based and time-consuming. Jobseekers need access to the internet to do tasks required of them by Work and Income, but kiosks do not provide access to this functionality, pushing clients without access in their homes to public libraries or other facilities with limited access to the internet.

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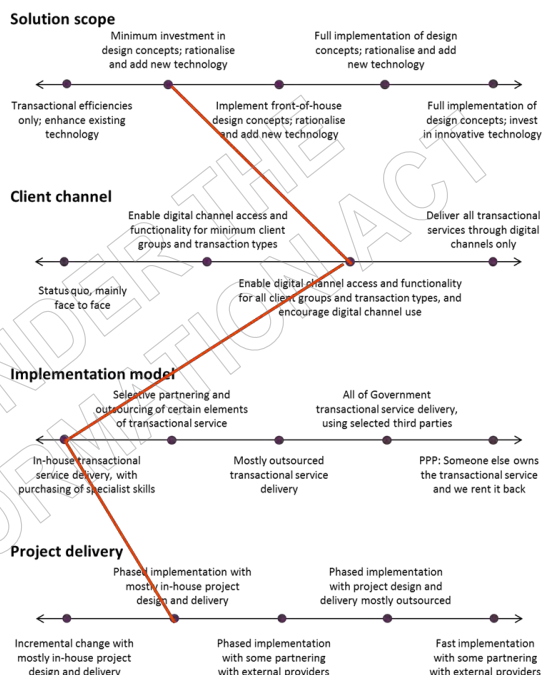
## Appendix 4: Solution Option Combinations

The Simplification project identified realistic solution options for delivering the potential business scope. Consultation with the business, clients, and technical specialists informed this scope. Possible solutions were considered across the spectrum of four dimensions – solution scope, client channel, implementation model, and project delivery. The solutions were then combined into practical options. The relative scope of the subsequent eight options are illustrated in this appendix.

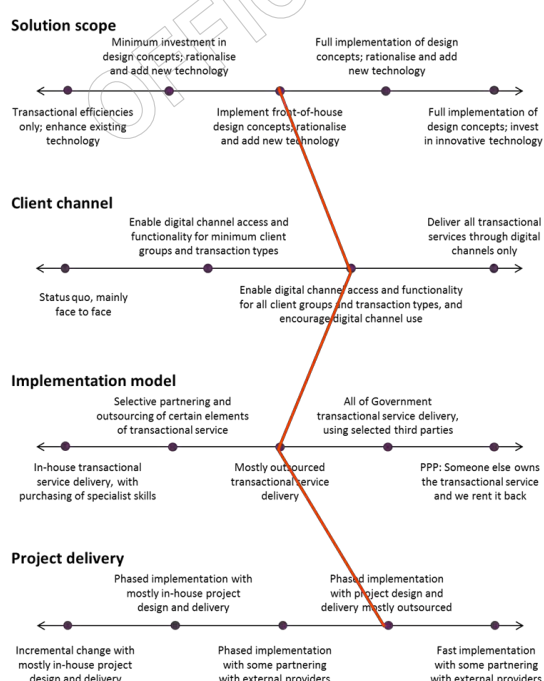
### Do Minimum option



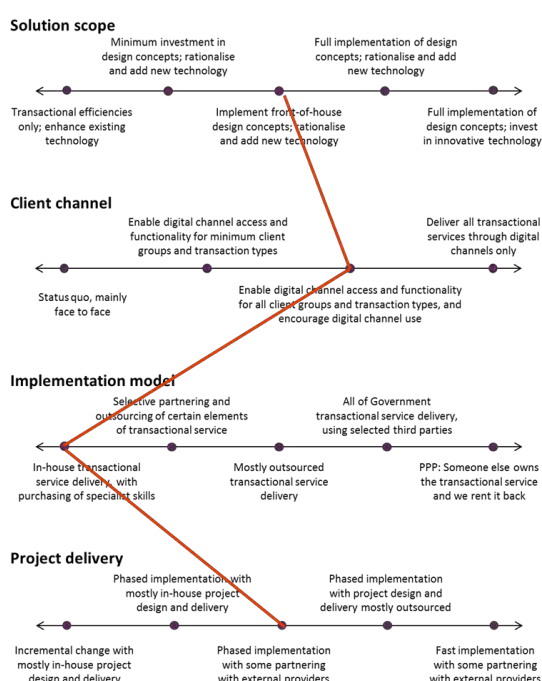
### Tidy-up Technology option



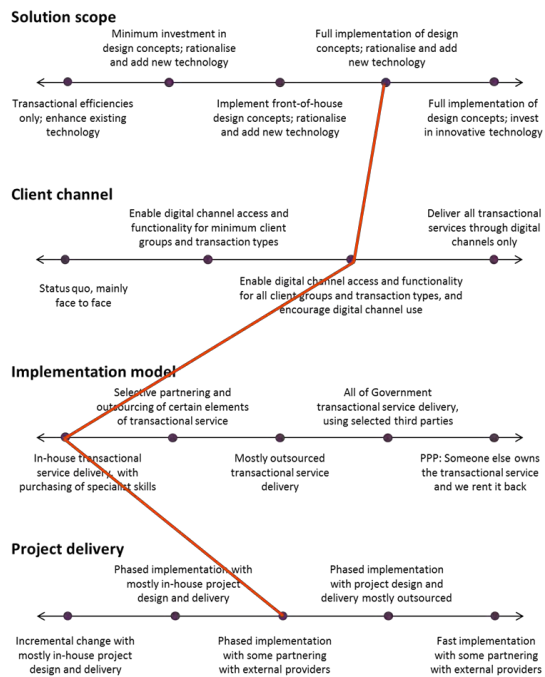
### Efficient Sourcing option



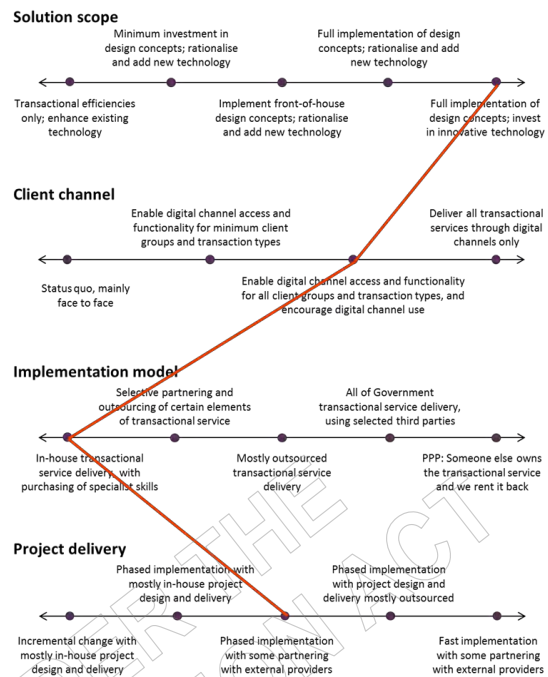
### Integrated Front End option



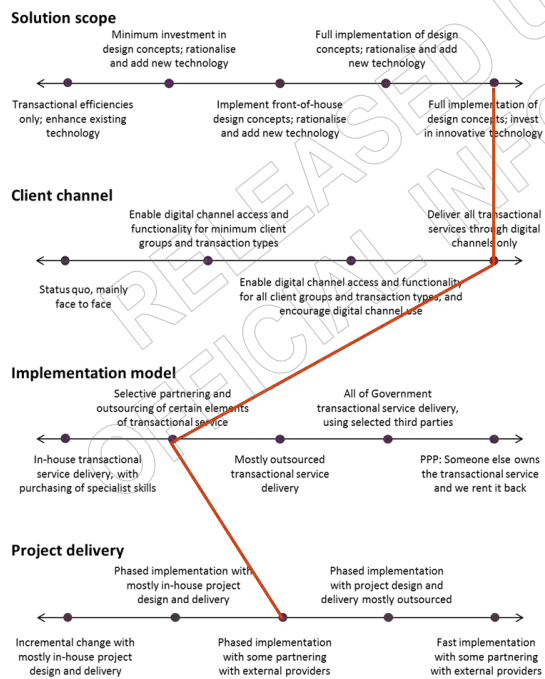
### Integrated Transactional Service option



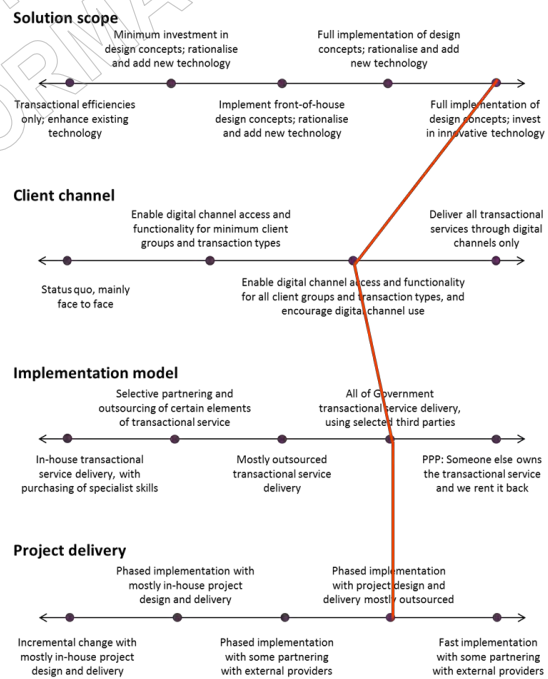
### Client Driven option



### Digital Transactional Service option



### All-of-Government Driven option





## Appendix 5: Key Performance Indicators – Likely Impact of the Eight Options

Each option was assessed against the likely impact of the changes on each key performance indicator, where known current state values were detailed. Yes (y) means a positive impact expected as a result of implementing the option, and no (n) means no impact or a negative impact expected.

Investment objective	Key performance indicator	Option assessment									
		Do Minimum	Tidy Up Technology	Efficient Sourcing	Integrated Front End	Integrated Transactional Service	Client Driven	Digital Service	All of Government Driven		
Reduce cost and time to process transactional services	Lower total transactional cost to serve (under \$200 million)	y	y	y	y	y	n	y	y	y	y
	Reduced end to end time to process applications	y	Partial	y	Yes	y	y	y	Partial	y	Yes
	Improved accuracy of transactional services	n	y	y	y	y	y	y	y	y	y
Enhanced capacity for investment in effective interventions leading to better client outcomes	Reduced % of staff time on transactions (less than 25%)	y	Partial	y	Yes	y	y	y	Partial	y	Partial
	Reduced staff training time/cost in relation to transaction processing	n	n	y	n	y	n	y	Yes	n	Partial
Better client experience leads to improved reputation and staff satisfaction	Improved client satisfaction, fewer complaints	n	y	y	y	y	y	n	No	n	Partial
	Improved staff engagement and retention	n	n	n	y	y	y	n	No	y	Partial
Increased accuracy, efficacy, and timeliness in processing client transactions	Higher % resolution at first point of contact	n	y	n	y	y	y	y	Partial	n	Partial
	Reduced fraud and overpayments, and improved client compliance	n	n	y	n	y	n	y	Yes	y	Partial

## Appendix 6: Detailed Description of the Eight Options

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### Do Minimum option – incremental improvements in service lines

#### *Solution scope (including channel options)*

<i>Clients and channels</i>	<p>Clients complete more transactions by phone and some basic transactions online. Digital channel access and functionality are enabled for some client groups and transaction types.</p> <p>Some improvements are made to the online channel (as currently planned) – the client enters data digitally, which is auto-populated into back-end processing for some basic transactions.</p> <p>A more complete telephony service is available – particularly with scripted interviews as a means of collecting information and the ability to complete transactions by phone.</p>
<i>People and organisation</i>	<p>Transactional work (including annual renewals, 13-week reviews of temporary additional support, and hardship assistance) is transferred to the contact centre and central processing centre, where possible.</p> <p>There is no direct change to staff roles. Frontline staff are freed up from some low-value processing. Although roles do not change, the relative mix of full-time equivalents (FTEs) across contact centres, service centres, and centralised processing changes.</p> <p>The proportion of staff delivering transactional support centrally increases, including at contact centres. Some changes occur to contact centre support roles and processes, because these roles are authorised to complete more transactions.</p> <p>The number of frontline FTEs devoted to transactional processing decreases. There are savings in salary costs because the centralised positions are in a lower band. A corresponding marginal reduction in higher-skilled FTEs is achieved by attrition.</p>
<i>Process</i>	<p>Non–client-facing process steps are simplified and centralised.</p> <p>The option requires a critical review of individual transactional processing rules, challenging assumptions that face-to-face delivery is essential.</p>
<i>Information and technology</i>	<p>Existing technology is enhanced. Some investment in self-service functionality enables the Ministry to drive online uptake, reducing manual staff workload.</p> <p>Technology support involves basic contact centre support for simple application processing (possibly e-forms, support scripting, and information collection); online support for end-to-end processing (as currently planned).</p>
<i>Property</i>	The Ministry's property footprint is rationalised as leases expire.
<i>Partnering</i>	This option does not vary current partnering arrangements.

### ***Implementation model and project delivery***

This option involves incremental change, with mostly in-project design and delivery. It would result in in-house transactional service delivery with specialist skills purchased. This option does not require a fully supported Simplification Project, but initiatives would need to be co-ordinated to ensure benefits are realised.

### ***Delivering against investment objectives***

***Reduction in cost and time to process transactional services*** Transactional cost to serve decreases because of an increase in clients using digital channels and some process reengineering. However, the overall time to process may not decrease without greater investment in straight-through processing and rules automation.

Staff do less rework and double handling with the contact centre and central processing centre responsible for authorising and completing more transactions, which reduces the end-to-end time to process applications

Cost savings are achieved with:

- fewer FTEs
- lower-cost FTEs completing selected transactions
- a marginal reduction in the Ministry's geographical footprint.

The accuracy of transactional services is expected to remain the same.

***Enhanced capacity for investment in effective interventions leading to better client outcomes*** Savings are limited to reducing the current deficit in the Ministry's four-year plan, so there is no enhanced capacity for investment in outcomes. Savings are driven by less staff time on transactional services from the redesigned processes and enhanced channels.

***Better client experience leads to improved reputation and staff satisfaction*** This option is not particularly client-centric. Clients preferring phone-based support can get that preference met, but clients preferring face-to-face support may be steered to the telephony channel. All clients are encouraged to use the online channel and face-to-face interactions would need to be shorter.

This option makes progress in improving the ability to meet client preferences with some improvement to the online channel and a more complete telephony service.

Some clients will be dissatisfied with the changes to service delivery, because they will not get face-to-face support for, for example, application processing.



## In Confidence

*Increased accuracy, efficacy and timeliness in processing client transactions*

Efficiencies are made by changing how some transactional processing is completed, but without a significant information technology development component; for example, by:

- extending the role of contact centres to complete transactions currently transferred to a service centre
- redesigning processes to reduce the time required to complete them
- centralising processes that do not require client contact – processes can be completed more efficiently and at a lower cost
- enabling more transactions to be completed online.

The key initiative delivering efficiencies is the time reduction for face-to-face interactions.

Client compliance and fraud detection are likely to remain the same under this option.

### **Assessment against critical success factors**

*Ministry strategic fit (investment approach, Vulnerable children, One MSD, Investing in Services for Outcomes)*

Cost reduction is the main driver in this option. This option marginally reduces the cost and time to process transactions with minimum investment in the online channel, so is unlikely to improve client or staff satisfaction or other strategic objectives.

This option makes improvements within existing service lines, changing how and where staff process transactions. However, this option makes no progress in addressing:

- siloed service lines
- the need for more automation of simple transactions
- inconsistent service delivery of similar or the same business processes across service lines
- the need to support clients with complex needs that cut across service lines.

*Government strategic fit (Better Public Services, All of Government, commercial partnerships)*

This option is driven by saving costs to reduce the four-year deficit, and is not focused on achieving the Ministry's strategic objectives. This option is not 'One MSD', as it still has the same service line structure.

This option might contribute to Better Public Services result 10, because there would be some enhancements to encourage greater digital uptake, but it would not allow additional investment in outcomes (which is required to contribute to Better Public Services result 1).

## In Confidence

<i>Value for money (costs compared with expected benefits)</i>	<p>The option is low cost, requiring minimal investment in technology, and is achievable within available capital funding. It generates a positive return on investment.</p> <p>This option's return on investment is equal to the baseline deficit. It could be achieved for less than the available baseline, with minimal capital expenditure required to invest in technology. There would no other noticeable economic benefits.</p>
<i>Other economic benefits (eg, benefits to clients, business, taxpayers, and government)</i>	<p>Other economic benefits are limited.</p>
<i>Potential affordability</i>	<p>Savings generated do not address the funding shortfall. Addressing the shortfall requires an additional savings strategy such as targeting overheads by restructuring regional and national offices – a strategy outside the scope of Simplification.</p>
<i>Potential achievability (skills available to design and develop, change readiness)</i>	<p>This option would be delivered through business-as-usual initiatives in each service line, minimising all change impact on staff. Minimal additional capability to design and develop a solution is required.</p>
<i>Supplier capacity and capability to develop and deliver (with a sustainable arrangement)</i>	<p>Existing suppliers in the competitive market could design and develop this option.</p>
<i>Ministry risk acceptability for project delivery</i>	<p>A high risk exists that benefits would not be realised without aggressive project management.</p>
<i>Ministry risk acceptability for service delivery</i>	<p>Current service delivery issues are not addressed. Without a focus on strategic objectives, the option puts at risk the Ministry's service delivery in the long term. A risk exists that benefits will not be realised without aggressive project management.</p>

## Outcome

This option does not generate a better client experience or enough savings to meet the funding shortfall. This option should be progressed as a value-for-money comparison only.

## Tidy Up Technology option – develop efficient service lines

### ***Solution scope (including channel options)***

<i>Clients and channels</i>	This option makes it easier for clients to interact with the Ministry using online and digital channels. For simple high-volume application and maintenance transactions, clients can enter data digitally. Digital channels are enhanced to improve the experience for clients who prefer to interact online, encouraging online uptake.
<i>People and organisation</i>	<p>Service line changes are similar to those in the Do Minimum option: more processing is transferred to the contact centre and central processing centre. The centres complete more transactions centrally or over the phone. When transactions need human intervention, that intervention is completed through a contact centre or local service centre, depending on complexity.</p> <p>Staff do less rework and rekeying, because clients enter their own information online. Job descriptions for frontline and processing staff change because their responsibilities and type of workload change.</p>
<i>Process</i>	Non-client-facing process steps are centralised and simplified where feasible. Centralisation of transactional processes is expanded within current fragmented service lines (as per the Do Minimum option).
<i>Information and technology</i>	<p>The main driver is technology to enhance low cost channels. More transactions can be initiated online or by phone using enhanced online and voice-enabled technology. These transactions are auto-populated into the back-end Ministry system. A small proportion of transactions is assessed and processed automatically.</p> <p>Current technology is rationalised as per the current IT roadmap. There are some improvements in accessibility and integration between systems (for example, SAL talks more to SWIFTT). This option does not completely redesign online support; for example, the StudyLink channel and Work and Income online channel are retained, but enhanced.</p>
<i>Property</i>	This option creates an opportunity to rationalise some of the Ministry's property footprint.
<i>Partnering</i>	This option does not vary current partnering arrangements.

### ***Implementation model and project delivery***

This option will have a phased implementation with mostly in-house project design and delivery. The transactional service would be delivered mostly in-house once implemented, with some specialist skills purchased.



## In Confidence

### ***Delivering against investment objectives***

<i>Reduction in cost and time to process transactional services</i>	This option creates an additional reduction in cost and time to process. However, with minimal changes to the way transactional services are delivered across the Ministry, the cost to serve is unlikely to change materially (time, cost, and FTE demand). The new technology will shorten the end-to-end time to process and improve the accuracy of transactional services.
<i>Enhanced capacity for investment in effective interventions leading to better client outcomes</i>	The proportion of staff time on transactions is lower, but because of the forecast shortfall, this reduction is not enough to reinvest in outcome services. The staff training commitment is expected to remain the same.
<i>Better client experience leads to improved reputation and staff satisfaction</i>	This option provides better channels and better technology to improve client and staff experiences.
<i>Increased accuracy, efficacy and timeliness in processing client transactions</i>	<p>Because a machine does a bit more processing, accuracy is improved and a higher proportion of transactions are resolved at first point of contact.</p> <p>Client compliance and fraud detection are likely to remain the same.</p>

### ***Assessment against critical success factors***

<i>Ministry strategic fit (investment approach, Vulnerable children, One MSD, Investing in Services for Outcomes)</i>	This option increases capacity for investment in outcomes, improves client satisfaction, and improves digital uptake to contribute to the Ministry's strategic objectives and to Better Public Services results 10 and 1.
<i>Government strategic fit (Better Public Services, All of Government, commercial partnerships)</i>	Improved digital access contributes to the Ministry's strategic objectives, in particular Better Public Services result 10.
<i>Value for money (costs compared with expected benefits)</i>	<p>The option is cost-effective and generates a positive return on investment.</p> <p>A higher return is delivered for the increased investment compared with Do Minimum.</p> <p>This option is more expensive than Do Minimum, but it delivers an increased return and can be funded within the baseline.</p>

## In Confidence

<i>Other economic benefits (eg, benefits to clients, business, taxpayers, and government)</i>	<p>This option generates some other economic benefits, particularly to end-users.</p> <p>Clients find it easier to complete more transactions themselves, using enhanced online services and voice-enabled technology.</p>
<i>Potential affordability</i>	<p>This option delivers improved automated support for transactions (compared with the Do Minimum option where this is achieved by transferring functions to contact centres without the technology support). Therefore, this option requires greater investment because it is more IT dependent, but is achievable within available capital funding, and savings generated could address most of the funding shortfall.</p>
<i>Potential achievability (skills available to design and develop, change readiness)</i>	<p>This option is not expected to cause consequential disruption to service delivery.</p>
<i>Supplier capacity and capability to develop and deliver (with a sustainable arrangement)</i>	<p>Suppliers within the competitive market can design and deliver this option.</p>
<i>Ministry risk acceptability for project delivery</i>	<p>The low scope of change means project risks are low and can be mitigated.</p>
<i>Ministry risk acceptability for service delivery</i>	<p>This option does not address the fragmented service delivery, so a risk exists to service delivery.</p>

### Outcome

This option delivers value for money but does not generate significant savings.

This option is possible, but is not progressed, because other options deliver more against the investment objectives.

## Efficient Sourcing option – third-party delivery of transactional services within current funding

### ***Solution scope (including channel options)***

<i>Clients and channels</i>	Clients receive a simpler and more focused service from specialist providers. Digital channel access and functionality are enabled, and clients are encouraged to use digital channels.
<i>People and organisation</i>	<p>Staff can concentrate more on outcomes-focused work because other providers manage much of the transaction processing. The Ministry's workforce would be made up primarily of those delivering professional support for client outcomes, including those with complex needs. The composition of the Ministry's workforce would change because the residual role would be to deliver professional support for client outcomes, including for clients with complex needs.</p> <p>The number of FTEs within Ministry service lines could be significantly reduced where functions are outsourced, in particular, contact centre and centralised processing functions.</p>
<i>Process</i>	Because functions and processes are provided externally, all affected Ministry processes significantly change to incorporate the handoffs and changed responsibilities.
<i>Information and technology</i>	<p>Each element of the service that is outsourced has different demands for technology support. More substantial services require providers to access current Ministry platforms, and changes would be required as per the Integrated Front End option for efficiencies to be made.</p> <p>The main technology investment would integrate external providers with Ministry systems, particularly for contact centre and centralised processing services and the design and delivery of enhanced digital channels.</p>
<i>Property</i>	This option enables significant rationalisation of the Ministry's property footprint, given the level of work provided externally.
<i>Partnering</i>	<p>This option outsources selected transactional services to third-party providers where they can be completed more cost-effectively. The service scope would be considered on a case-by-case basis during detailed design. Services with the potential to be outsourced include:</p> <ul style="list-style-type: none"><li>• data entry, mail management, scanning, OCR</li><li>• identity management</li><li>• completion of transactional processes that can be centralised currently</li><li>• enhanced digital channels for clients, including voice services, enabling them to complete high-volume transactions digitally</li><li>• contact centre functions, including an expanded role in completing transactions</li><li>• eligibility assessment.</li></ul>



### **Implementation model and project delivery**

This option would have a phased implementation with largely outsourced project design and delivery. The transactional service would also be largely outsourced once implemented to third-party providers.

### **Delivering against investment objectives**

<i>Reduction in cost and time to process transactional services</i>	The transactional cost to serve is reduced by outsourcing parts of the transactional process to specialist providers that can maximise existing people, processes, and technology and economies of scale to deliver a lower cost service, including for scanning and OCR, mail management, and data entry. Speed of processing is improved through service level agreements as is the accuracy of processing.
<i>Enhanced capacity for investment in effective interventions leading to better client outcomes</i>	A large scope is needed to achieve the FTE reductions required for increased capacity for investment in outcomes. Fewer Ministry staff would be committed to transactional services, and training and upskilling needs would reduce with services outsourced.
<i>Better client experience leads to improved reputation and staff satisfaction</i>	The client experience would improve if more innovative service could be provided from outsourcing. The client experience would be a condition in contract negotiation with third parties.
<i>Increased accuracy, efficacy and timeliness in processing client transactions</i>	Technology enhancements would improve accuracy and timeliness, but the complexity of sharing transactional information across parties would not significantly improve efficacy. Fraud detection is likely to improve.

### **Assessment against critical success factors**

<i>Ministry strategic fit (investment approach, Vulnerable children, One MSD, Investing in Services for Outcomes)</i>	This option provides capacity for investment in outcomes, and enables the structural changes required to move to One MSD in the future.
<i>Government strategic fit (Better Public Services, All of Government, commercial partnerships)</i>	Government objectives achieved through this option include commercial partnering and Better Public Services result 10, and, providing significant benefits are generated, a contribution towards Better Public Services result 1

## In Confidence

<i>Value for money (costs compared with expected benefits)</i>	<p>The main driver in this option is cost reduction. This option sources services from providers that can deliver at a lower cost than the Ministry can deliver while achieving at least the same level of service. Providers must work to a cost-plus business model, but it is not yet known which services could be delivered more cost-effectively.</p> <p>To meet the minimum requirements for the project, a significant proportion of transactional support would need to be outsourced. This option could achieve the financial target by one or both of:</p> <ul style="list-style-type: none"><li>• enabling a net reduction in FTEs and associated costs currently consumed by transactions</li><li>• completing transactions at a lower cost to the Ministry than can be achieved in-house.</li></ul>
<i>Other economic benefits (eg, benefits to clients, business, taxpayers, and government)</i>	<p>Economic benefits include alignment with government's objective for increased commercial partnering and creating a positive return to shareholders.</p>
<i>Potential affordability</i>	<p>A large scope of services would need to be sourced to ensure the savings generated were sufficient to address the funding shortfall.</p>
<i>Potential achievability (skills available to design and develop, change readiness)</i>	<p>New skills would be needed to develop and manage contracts. The way the Ministry operates its service would change extensively.</p>
<i>Supplier capacity and capability to develop and deliver (with a sustainable arrangement)</i>	<p>The complexity and uniqueness of Ministry transaction and information flows would increase the capability required from suppliers and the Ministry.</p>
<i>Ministry risk acceptability for project delivery</i>	<p>Some risk exists to project and service delivery as areas are separated from the Ministry.</p>
<i>Ministry risk acceptability for service delivery</i>	<p>The overall service scope would be the same as under the Integrated Front End option (depending on supplier capability), with a higher risk to project and service delivery because areas are separated from the Ministry.</p>

## Outcome

This option has potential to deliver significant benefits, including some improvements for clients. This option should be progressed to determine the services that could be delivered more cost-effectively.

## **Integrated Front End option – develop online and digital channels and shared support for processing**

### ***Solution scope (including channel options)***

***Clients and channels*** This option delivers streamlined front-end support for transactions initiated by clients (online and by phone), enabling these transactions to be completed without clients needing to engage with frontline staff.

Clients have a greater variety of options for interacting and completing tasks online and by phone and can receive assistance with digital transactions from staff in frontline offices. These enhancements would encourage clients to use these channels.

***People and organisation*** This option retains current service lines internally, but clients would see what appears to be 'One Ministry'. Roles delivering transactional support at service centres would change significantly with:

- more specialised transactional support required from front-of-house staff – documentation, identity verification, steering to online channel
- new front-of-house roles for assisted digital activities
- less overall frontline effort as clients shift to digital channels and transaction processing moves to the back office
- more FTEs assigned to centralised processing, including two new roles established (general and specialist assessors)
- more FTEs assigned to contact centres.

Further analysis of the workforce impact, including job descriptions and capability requirements, will be done during detailed design.

***Process*** Transactions not requiring client interaction are simplified and centralised.

***Information and technology*** A single, integrated front-end transactional service is created, including digital channels. Online, including mobile, channels are redesigned for a consistent, user-friendly experience, giving the Ministry one 'transactional' face. The online channel supports clients to lodge applications for main benefits, receive ongoing support, and notify compliance with obligations. Transactions can also be completed using enhanced voice-enabled technology.

Information entered digitally is automatically populated into back-end systems.

Users receive feedback from the system on progress with their lodgement, and the system performs simple rules-based checks. Some transactions can be completed fully online with some eligibility rules automated.

Compared with the Integrated Transactional Service option, this option does not deliver back-end smart technology such as risk and need based analysis tools.

## In Confidence

<i>Property</i>	Changes to local service centre layout include facilities for assisted digital services and self-service for clients. Service centre layout changes accommodate separate support for transactional processing and an expanded front-of-house team that steers and utilises online support.
<i>Partnering</i>	This option does not include vary current partnering arrangements.

### **Implementation model and project delivery**

This option will have a phased implementation with some partnering with external providers to design the solution and deliver the project. The transactional service will be delivered mostly in-house once implemented, with some specialist skills purchased.

### **Delivering against investment objectives**

<i>Reduction in cost and time to process transactional services</i>	Investment in technology allows for a faster and cheaper transactional service. Accuracy will also be improved by the new processes
<i>Enhanced capacity for investment in effective interventions leading to better client outcomes</i>	Automation allows more capacity for outcome-focused activities from saved staff time on transactions. The option requires a back-end redesign to fully realise benefits.
<i>Better client experience leads to improved reputation and staff satisfaction</i>	The client experience and staff satisfaction are partially improved, resulting in fewer complaints and higher staff retention.
<i>Increased accuracy, efficacy and timeliness in processing client transactions</i>	Accuracy and efficacy improve because of the technology improvements, but without the full investment in automation, a rules engine, and risk and needs analysis tools, there will be no meaningful reduction in fraud detection and client non-compliance.

### **Assessment against critical success factors**

<i>Ministry strategic fit (investment approach, Vulnerable children, One MSD, Investing in Services for Outcomes)</i>	This option is a step towards 'One Ministry', and benefits generated will allow dedicated outcome-focused staff. Benefits generated are not enough to allow additional investment in outcomes, but changes would align to the investment approach for tailoring services to client profiles.
<i>Government strategic fit (Better Public Services, All of Government, commercial partnerships)</i>	Significant savings in transactional processing cost and time will result in a large contribution for Better Public Services result 1. The improved digital channel will also significantly contribute to Better Public Services result 10.



## In Confidence

<i>Value for money (costs compared with expected benefits)</i>	This option generates a positive return on investment and significantly reduces resource requirements as transactions are moved to lower cost channels, automated or eliminated.
<i>Other economic benefits (eg, benefits to clients, business, taxpayers, and government)</i>	Enhanced digital channels generate other economic benefits: improving digital uptake across government, contributing to Better Public Services result 10, and reducing cost and time for clients to transact with the Ministry.
<i>Potential affordability</i>	This option requires a sizeable investment in technology, but is achievable with available capital funding. Savings generated are sufficient to address most of the funding shortfall.
<i>Potential achievability (skills available to design and develop, change readiness)</i>	This option is not expected to cause any consequential disruption to service delivery.
<i>Supplier capacity and capability to develop and deliver (with a sustainable arrangement)</i>	Suppliers in the competitive market can design and deliver this option.
<i>Ministry risk acceptability for project delivery</i>	The significant IT build means some risk to project delivery.
<i>Ministry risk acceptability for service delivery</i>	The option improves the Ministry's core service with enhanced transactional services.

## Outcome

This option aligns to the investment objectives, and is recommended for further investigation.

## **Integrated Transactional Service option – enable and enhance digital channels and reorganise back end for efficiencies**

### ***Solution scope (including channel options)***

**Clients and channels** The digital channel will enable clients to ‘do almost everything online’ and complete some transactions using phone applications. The Ministry can expect fewer calls to contact centres as enquiries are resolved online (for example, booking appointments, downloading forms).

Clients seeking support at front-line service centres would be assisted to use the available technology.

**People and organisation** A single transactional processing entity or service line is established that supports all current service lines.

Front-of-house staff support the completion of transactional processes and support clients to use online channels – a smaller volume of transactions is processed locally. Transactional frontline staff can work more efficiently – interacting with clients using online, the phone, and text as alternatives to face-to-face support.

Outcome-focused staff are significantly freed up to provide dedicated support to better outcomes for clients.

Contact centre activities change because many transactions can be completed online. Contact centre staff also complete application processing that cannot be automated.

The delivery of transactional services will be different through an enhanced digital experience and a new shop-floor layout. Hence, the way frontline staff interact with clients will change. This may necessitate training and new skills.

Changes to the way transactions are processed in the back office are likely to free up resources for allocation elsewhere.

**Process** At local service centres, clients who drop in are met and their requirements are assessed. If the:

- client’s work can be completed using online channels, the client is helped to do this
- client can do what they need to do on the Ministry’s self-service machines or on their phones, Ministry staff show them how
- client needs to see a specialist staff member, the Ministry books them to see someone.

## In Confidence

<i>Information and technology</i>	<p>The technology components required are:</p> <ul style="list-style-type: none"><li>• a redesigned online channel that delivers the same platform for staff, clients, and third parties:<ul style="list-style-type: none"><li>○ for clients, this channel includes online chat, real-time tracking of progress, and automated text messaging</li><li>○ some of this supports efficient delivery of client outcomes, with the ability to interact efficiently with a one-to-one case manager when this is a service option</li></ul></li><li>• an online channel that supports:<ul style="list-style-type: none"><li>○ full end-to-end processing for many transactions, applying automated decision-making</li><li>○ clients saving their progress with applications and completing information submission later</li><li>○ like transactions being completed in the same way, irrespective of the broad client type (for example, senior, student, or working-age client)</li><li>○ the population of information already held</li><li>○ client access to key information (including status of applications, next payments, required actions).</li></ul></li></ul> <p>Voice-enabled technology would support the completion of a variety of basic transactions (for example, compliance with work obligations and payment status queries).</p> <p>Workflow tools stream complex decisions to centralised general and specialist assessors.</p> <p>An integrated single transactional client record uses internal information and authoritative data. Smart technology automatically assesses risks and needs, so clients receive full and correct entitlements. IT-supported risk ratings improved targeting of services.</p> <p>Information is collected as data, which can be applied in risk ratings (along with already held data) to support service-level matching.</p> <p>Information is available in a single client view.</p> <p>There may be support to link the client to a wider context (for example, the wider family's interaction with the Ministry).</p>
<i>Property</i>	<p>Changes to local service centre layout include facilities for assisted digital services and self-service for clients. Service centre layout changes to accommodate separate support for transactional processing and an expanded front-of-house team that steer and utilise the online support.</p> <p>This option significantly rationalises the Ministry's property footprint as benefits are realised and frontline resources are reduced.</p>
<i>Partnering</i>	<p>This option does not vary current partnering arrangements.</p>

### ***Implementation model and project delivery***

This option will have a phased implementation with some partnering with external providers to design the solution and deliver the project. The transactional service will be delivered mostly in-house once implemented with some specialist skills purchased.

### ***Delivering against investment objectives***

***Reduction in cost and time to process transactional services*** This option generates the maximum reduction in cost and time to process transactional services.

In this option, a significant reduction in cost and time to process transactions results from increased investment as does improved accuracy of transactional services.

The centralised processing and client contact service would be more efficient than under other options, because it:

- can interact with clients to complete transactions using text, smartphone applications, and email, as well as online
- interacts less often because more can be completed online
- allows specialisation and different tiers of transaction support within the business units (for example, work can be flowed to specialist advisors, where expert opinion is needed to complete a transaction).

***Enhanced capacity for investment in effective interventions leading to better client outcomes*** The capacity to invest in outcomes is enhanced as the savings generated allow significant freeing up of resources for reinvestment in outcome-focused activities.

Staff training demands are expected to be less.

***Better client experience leads to improved reputation and staff satisfaction*** A fully integrated transactional service proactively delivers a better client experience and is likely to enhance staff engagement and retention.

***Increased accuracy, efficacy and timeliness in processing client transactions*** Technology innovation in rules automation and risk- and needs-based analysis will significantly improve Ministry accuracy, efficacy, and timeliness in processing client transactions, which will result in a higher proportion being resolved at first point of contact.

Data sharing with other agencies will combat fraud and enhance client compliance.

Investment in risk- and needs-based intelligence increases the Ministry's ability to manage risks to ongoing service delivery. Some risk exists to project delivery because of the option's large scope and complexity.



### **Assessment against critical success factors**

<i>Ministry strategic fit (investment approach, Vulnerable children, One MSD, Investing in Services for Outcomes)</i>	This option makes a significant contribution to Ministry and government strategic objectives by reducing the cost of transaction services to reinvest in outcomes and improving digital channels to deliver a client-centric service.
<i>Government strategic fit (Better Public Services, All of Government, commercial partnerships)</i>	A significant contribution to Ministry and government strategic objectives is achieved by improving digital channels to deliver a client-centred service and by reinvesting in outcomes.
<i>Value for money (costs compared with expected benefits)</i>	<p>This option is more expensive and takes longer to achieve net benefits, but has a positive net present value.</p> <p>Net benefits take longer to achieve, but are in significant excess of the funding shortfall. This option generates a substantial positive return on investment</p>
<i>Other economic benefits (eg, benefits to clients, business, taxpayers, and government)</i>	This option maximises other economic benefits including benefits to clients. The high net present value also provides value for money for government and taxpayers.
<i>Potential affordability</i>	Additional capital funding is expected to be required for the increased investment in information and technology. This option will generate enough benefits to address the shortfall.
<i>Potential achievability (skills available to design and develop, change readiness)</i>	The level of change required to integrate transactional services across the Ministry means some disruption to service delivery is expected, but the overall project would be achievable with currently available capability.
<i>Supplier capacity and capability to develop and deliver (with a sustainable arrangement)</i>	Technology requirements are similar to what other public and private organisations already have. However, there will be complex contracts to manage with suppliers.
<i>Ministry risk acceptability for project delivery</i>	The option's large scope and complexity increase the risk for project delivery.
<i>Ministry risk acceptability for service delivery</i>	The increased risk- and needs-based intelligence increase the Ministry's ability to manage risks to ongoing service delivery.

### **Outcome**

This option meets all investment objectives. It is recommended for further investigation.

## Client Driven option

### ***Solution scope (including channel options)***

#### ***Clients and channels***

This option provides service delivery excellence through all channels, and puts the people who use the Ministry's services first. It is designed to ensure client preferences when completing transactions with the Ministry are always met. Clients can choose when, where, and how they work with the Ministry – online, in person, or on the phone. For example, clients who want to can:

- complete transactions online 24/7
- complete transactions by phone, including outside office hours
- deal with paper-based forms and postal mail
- have face-to-face support to complete transactions locally
- deal with the same person each time (who 'knows their story').

This option aims to deliver the most client-centric service practicable.

#### ***People and organisation***

Staff are expected to have wider business knowledge to maintain the expected level of service excellence. More staff will be required to serve clients through the multitude of channels. Staff will have more and enhanced tools at their disposal to deliver a significantly improved transactional service for clients. They will continue to actively manage outcomes at the same time as transactions are processed. This option broadly maintains the status quo in terms of roles within service lines.

#### ***Process***

Processes are reviewed and streamlined so are simpler for clients.

#### ***Information and technology***

Each channel incorporates technology enhancements to ensure it is more efficient and more available to clients. Technology investment includes enhanced online, mobile, and voice channels across user experience and functionality.

The technology support required is the same as in the Integrated Transactional Service option, but it is used differently (less steering to online channels, lower volumes at contact centres, larger volumes at service centres).

The option includes online end-to-end processing with real-time tracking, telephony support for completing transactions, and smartphone applications that can complete transactions.

Clients are supported with smart tools such as online chat facilities, front-of-house assisted digital concierge services, and automated text messaging.

Clients need to tell their story only once with a single client view, current status of applications and actions pending, and easy access to history and relevant documents.

Smart tools enhance data usage (eg, prepopulated forms).

External specialists assist with service delivery.

## In Confidence

*Property* The Ministry's property footprint remains relatively unchanged, so clients can continue to be served at their local service centre.

*Partnering* This option does not vary current partnering arrangements

### ***Implementation model and project delivery***

This option will have a phased implementation with some partnering with external providers to design the solution and deliver the project. The transactional service will be delivered mostly in-house once implemented, with some specialist skills purchased.

### ***Delivering against investment objectives***

*Reduction in cost and time to process transactional services* Efficiencies are created by online transactors using online channels, decreasing the time to process and the cost to serve in some areas. Keeping face-to-face applications available for clients does not reduce the cost and time to process as much as other options do.

This option trades some efficiencies delivered by other options to meet client preferences:

- smaller volumes are handled by contact centres
- application processing must be available at service centres
- centralisation of back-office processing (no client interaction needed) is not in scope.

The net result is likely a higher transactional cost to serve.

*Enhanced capacity for investment in effective interventions leading to better client outcomes* Staff need additional training to manage all client queries regardless of the channel the client chooses. However, staff are likely to become more outcomes focused as they deal with transactional duties by engaging with clients at a deeper level.

*Better client experience leads to improved reputation and staff satisfaction* This option is designed to optimise the client experience, which will also maximise the Ministry's reputation and staff satisfaction.

The main driver is optimising the client experience, which also maximises staff satisfaction.

*Increased accuracy, efficacy and timeliness in processing client transactions* This design will significantly improve resolution at first point of contact but will not necessarily have a focus on fraud detection.

**Assessment against critical success factors**

<i>Ministry strategic fit (investment approach, vulnerable children, One MSD, Investing in Services for Outcomes)</i>	This option contributes to the Ministry's strategic objective to be more client-centric, but is less 'One Ministry' than other options. It is inconsistent with the investment approach to tailor services to clients.
<i>Government strategic fit (Better Public Services, All of Government, commercial partnerships)</i>	This option is less commercially viable than other options, but still contributes to Better Public Services result 10 as clients increase their digital uptake.
<i>Value for money (costs compared with expected benefits)</i>	This option is not cost-effective, requiring significant investment in technology. Keeping face-to-face applications available for clients will not reduce the cost and time to process as much as other options. Clients are not directed to the most cost-efficient channels, so financial benefits are marginal.
<i>Other economic benefits (eg, benefits to clients, business, taxpayers, and government)</i>	Non-financial benefits are maximised by delivering exceptional service to clients through an entirely client-centric model. This option aligns with government and Ministry objectives for customer centricity and allows clients to transact through a digital channel. However, it does not meet government and Ministry objectives to serve clients efficiently.
<i>Potential affordability</i>	Clients are not directed to the most cost-efficient channels, so benefits are not expected to be significant compared with cost, and an ongoing baseline increase in funding would be required to implement this option. Savings generated are not sufficient to address the funding shortfall.
<i>Potential achievability (skills available to design and develop, change readiness)</i>	This option is an extension of the current transactional service delivery model and would be achievable given the capability of the Ministry. There would be minimal disruption to service delivery, but the significant IT development required would still put project design and delivery at risk.
<i>Supplier capacity and capability to develop and deliver (with a sustainable arrangement)</i>	Suppliers in the market would have the capacity and capability to deliver this option.
<i>Ministry risk acceptability for project delivery</i>	This option is high risk because significant investment would be made without an expectation of financial return and with a possible increase to existing operational funding.



## In Confidence

*Ministry risk*                      Service delivery would be muddled without a clear strategy  
*acceptability for service*      for tailoring client services  
*delivery*

### **Outcome**

This option is client-centric, but does not generate significant savings. This option is possible, but not progressed, as other options are stronger and more affordable.

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## Digital Transactional Service option

### ***Solution scope (including channel options)***

***Clients and channels*** This option delivers a service similar to that of 'virtual banks' such as Bankdirect – all transactions can be completed online or by telephone, and there is no dedicated shop-front. Clients no longer come into offices for transactional processes.

Digital channels are enhanced to ensure information is clearly communicated to clients to reduce enquiries and errors when clients enter information online.

***People and organisation*** Staff no longer need to meet clients face to face for transaction processing. Transactional services are provided through a single digital service, across all service lines. Staff in frontline offices are dedicated to outcome-focused activities. Significantly fewer FTEs are needed locally, and centralised assessment and telephony teams increase.

***Process*** there is increased simplification of transactions that require human intervention. All transaction processes are centralised.

***Information and technology*** This option invests in digital technology to enable all transactional processes to be processed offsite (mobile, online, phone), including voice-enabled technology. This includes providing digital services in multiple languages, and providing real-time tracking and updates to clients to ensure their needs are met and enquiries are minimised.

The technology is the same as in the Integrated Transactional Service option, but with a higher expectation of complex rules-based support for end-to-end processing with minimal need for human intervention.

***Property*** Local branches become outcome-only centres, allowing significant property rationalisation.

***Partnering*** This option does not vary current partnering arrangements.

### ***Implementation model and project delivery***

This option will have a phased implementation with some partnering with external providers to design the solution and deliver the project. Certain elements of the transactional service (such as the digital channel) will be delivered with selective partnering and outsourcing.

### ***Delivering against investment objectives***

<i>Reduction in cost and time to process transactional services</i>	<p>This option results in a faster and cheaper transactional service, but creates failure demand, which decreases net benefits compared with other options.</p> <p>Leveraging technology will improve the level of accuracy in transactional processing.</p>
<i>Enhanced capacity for investment in effective interventions leading to better client outcomes</i>	<p>By using technology, fewer staff are needed for transactional services, which also reduces the level of training required.</p>
<i>Better client experience leads to improved reputation and staff satisfaction</i>	<p>Online transactors have an improved experience; support seekers have a worse client experience. Complaints are likely to increase from clients who do not wish to transact through online channels.</p> <p>Staff may feel disengaged as all processing is done electronically.</p>
<i>Increased accuracy, efficacy and timeliness in processing client transactions</i>	<p>Technology improvements will enhance accuracy and timeliness, but may not improve efficacy because clients will slip through the cracks.</p> <p>Checks and controls are likely to increase resolution at first point of contact.</p> <p>Data sharing with other agencies will assist with fraud detection and client compliance.</p>

### ***Assessment against critical success factors***

<i>Ministry strategic fit (investment approach, vulnerable children, One MSD, Investing in Services for Outcomes)</i>	<p>This option moves towards 'One Ministry', by delivering a single transactional service. However, it is not client-centric, and goes against the Ministry's purpose to help New Zealanders help themselves be safe, strong, and independent by ignoring vulnerable clients who require face-to-face assistance.</p>
<i>Government strategic fit (Better Public Services, All of Government, commercial partnerships)</i>	<p>This option would achieve Better Public Services result 10. It also enables future commercial partnering by driving clients through a single, digital channel.</p>
<i>Value for money (costs compared with expected benefits)</i>	<p>The main driver is to reduce the long-run average cost to serve – the cost of transactions would be reduced as much as possible. Transactional services are completely delivered through digital channels, enabling significant savings at the frontline. While technology costs are high, large financial benefits are expected and a positive return on investment is generated.</p>

## In Confidence

<i>Other economic benefits (eg, benefits to clients, business, taxpayers, and government)</i>	Other economic benefits generated from digital uptake include improved client satisfaction (for clients who are online transactors) and value for money for government and taxpayers.
<i>Potential affordability</i>	This option requires substantial investment in technology and additional capital funding is required. Large financial benefits are sufficient to address the funding shortfall.
<i>Potential achievability (skills available to design and develop, change readiness)</i>	The Ministry has the skills and capability. However, the large change in the way frontline staff work would disrupt service delivery.
<i>Supplier capacity and capability to develop and deliver (with a sustainable arrangement)</i>	Technology requirements are similar to what other public and private organisations already have. However, there will be complex contracts to manage with suppliers.
<i>Ministry risk acceptability for project delivery</i>	The large scope and complexity increase the risk for project delivery.
<i>Ministry risk acceptability for service delivery</i>	This option puts vulnerable New Zealanders at risk by disrupting service delivery and causing a big transition for clients. This option would result in high-need New Zealanders falling through the cracks because of the lack of a human-facing channel.

### Outcome

This option would create a faster and cheaper transactional service, but would cause significant service risk for vulnerable New Zealanders. This option is discounted.



## All-of-Government Driven option

### ***Solution scope (including channel options)***

<b><i>Clients and channels</i></b>	<p>This option supports clients across government agencies to:</p> <ul style="list-style-type: none"><li>• use online and digital channels to complete many transactions</li><li>• interact with a contact centre or other telephony support as an option for finalising transactions</li><li>• access local assisted service centres where staff help clients to use the technology, digital and telephony channels, to initiate and complete transactions.</li></ul> <p>Clients have access to a one-stop-shop for all-of-government services across a variety of innovative channels (eg, the Department of Internal Affairs' .govt.nz and Australia's delivery of CentreLink and Medicare).</p>
<b><i>People and organisation</i></b>	<p>A single service is established to deliver transactional processing support for all of government. Staff are spread across a variety of sites and focus on assisting clients to use online channels.</p> <p>Transactional processing is separated from client outcome support. Workforce restructuring would be required to ensure staff capabilities met the business requirements. Each agency would need to work through workforce implications.</p>
<b><i>Process</i></b>	<p>Transactional processes are redesigned to be delivered as a single service for multiple agencies.</p>
<b><i>Information and technology</i></b>	<p>All the technology support required for the Integrated Transactional Service option is required in this option, although third-party providers are expected to deliver key components. This option, therefore, brings in components of the Efficient Sourcing option, but on a bigger scale.</p> <p>Clients can use smartphone applications and an online 'My Account' to get key information and provide ongoing data about activities (record earnings, progress with planned activities, or obligations).</p> <p>All services have the same look and feel, irrespective of the originating agency. Staff at the local assisted-service centres use the same platforms available to clients to coach them to use the available support.</p> <p>This option could support a single data warehouse that can look across the agencies that get transaction support.</p>
<b><i>Property</i></b>	<p>This option enables property to be rationalised across government as transactional support services are co-located.</p>

## In Confidence

**Partnering** The option includes delivery of key components of the transactional support by third-party providers, where this is cost-effective. For example, development and delivery of online and digital channels and telephony or contact centre support would be candidates. The rationale for this would be the economies of scale, potential efficiencies in utilisation, and the ability to drive performance improvements in transactional service delivery alone.

Depending on scope, transactional support for the agencies could be outsourced (that is, scanning, centralised processing of back-office functions, mail house).

### **Implementation model and project delivery**

The complexity of providing services for clients with a variety of needs requires this option to be a phased implementation, as agencies progressively come on line. This option would be designed and delivered by mostly outsourced providers (which could include other government agencies). The transactional service would be delivered as an all-of-government service, using selected third parties for certain elements.

### **Delivering against investment objectives**

**Reduction in cost and time to process transactional services** The all-of-government complexity of this issue will speed up processing transactional services and reduce the transactional cost to serve by utilising centres of expertise.

Through data sharing, accuracy of transactional services will improve.

**Enhanced capacity for investment in effective interventions leading to better client outcomes** Sharing services across all-of-government will reduce the staff demand of transactional services.

**Better client experience leads to improved reputation and staff satisfaction** Clients could receive consistent and timely services, irrespective of their particular need. This assumes a large proportion of transactions can be largely automated or processed efficiently without face-to-face interaction.

Currently disadvantaged clients would have improved access to all agencies, because of proactive outreach and support to make transactions.

Social media would also be used to communicate.

A focus on the client experience is more difficult in this option because of the focus on the experience across all agencies and as more clients are added to the service.

## In Confidence

*Increased accuracy, efficacy and timeliness in processing client transactions*

There would be a small increase in efficacy, but because of the complexity of sharing transactional information across different agencies, it would be difficult to realise the benefits for all-of-government efficacy.

There is potential for an increase in efficacy as information is integrated across different agencies.

As data will be shared, fraud detection will be easy and client compliance could be automated to some degree, depending on the level of data sharing.

### **Assessment against critical success factors**

*Ministry strategic fit (investment approach, vulnerable children, One MSD, Investing in Services for Outcomes)*

This option contributes to 'One Ministry' and improved outcomes, but requires a change in expectations of the Ministry to allow for the wider range of New Zealanders served across agencies.

*Government strategic fit (Better Public Services, All of Government, commercial partnerships)*

This option establishes a transactional processing capability for a variety of Crown agencies that significantly contributes to government strategic objectives.

*Value for money (costs compared with expected benefits)*

Payback would be over a longer period as more agencies come on board. However, the option is likely to generate a positive return on investment.

*Other economic benefits (eg, benefits to clients, business, taxpayers, and government)*

This option would generate significant other economic benefits, including improved client satisfaction and value for money for all agencies involved, taxpayers, and government.

*Potential affordability*

Establishing an all-of-government service requires a large investment, but could be affordable with additional funding from across multiple votes.

Savings generated would not be realised in time to address the Ministry's funding shortfall.

*Potential achievability (skills available to design and develop, change readiness)*

This option would cause some disruption to service delivery as new clients are brought into the service. This option is complicated by the variety of existing solutions agencies use.

*Supplier capacity and capability to develop and deliver (with a sustainable arrangement)*

There is no successful local example of all of government working at this scale (ServiceLink was a recent failure). This option requires a series of complex arrangements that would make developing sustainable provisions with suppliers challenging.

## In Confidence

*Ministry risk acceptability for project delivery* This option requires a series of complex arrangements that would put project delivery at risk. The Ministry needs to simplify and make consistent its transactional services first or face an unacceptable level of project delivery risk.

*Ministry risk acceptability for service delivery* This option creates significant risk to service delivery because it requires a series of complex arrangements. The Ministry needs to simplify and make consistent its transactional services first or face an unacceptable level of service delivery risk.

This option might be feasible in the future.

## Outcome

This option has the potential for large benefits across the public sector, but services need to be simplified and made consistent first. The Ministry is not ready for this option.

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## Appendix 7: Assurance Roles and Responsibilities

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The assurance plan for the development of the detailed business case is included at the end of this appendix.

The following functions will support the assurance of the Simplification Project throughout the development of business case.



### Governance

#### ***Simplification Steering Group***

The Simplification Steering Group drives the overall strategic direction, guidance, and support to ensure the project's development and implementation.

The group's main functions are to:

- provide thought leadership
- drive a shared understanding of and purpose for Simplification across the Ministry
- resolve critical trade-offs
- determine where decisions need to be made
- approve deliverables
- monitor progress towards achieving strategic targets.



### Advice

#### ***Independent advice – Simplification Challenger Panel***

The Simplification Challenger Panel was created to provide independent advice to test and challenge Ministry thinking and, ultimately, inform Ministry decision-making at critical stages in the project's development.

The panel's main functions are to:

- be a strategic sounding board
- challenge Ministry assumptions, constraints, and existing concepts
- promote innovative thinking and consideration of a full range of options
- offer insights on relevant emerging ideas and business opportunities and the risks these may present
- assess whether Ministry Simplification strategies, options analysis, and future design states are robust and future focused.



## Assurance

### ***Independent quality assurance – KPMG***

Independent quality assurance will continue to be used to assess the project management tools and techniques and how project management has been implemented to ensure project success, the Ministry's capability and capacity, as well as development outcomes at critical stages of the project.

The independent quality assurance review will cover the initiation phase of the project and will assess the quality and comprehensiveness of:

- key stakeholders' understanding of the project
- measures to adequately address significant project risks and issues
- how the project team is reducing risks to improve the project performance
- the projects outputs and whether they are realistic, are achievable, and will support the full benefit realisation
- change management planning
- budget management and control processes and whether they are realistic and achievable
- project management artefacts generated by the project
- the current governance arrangements for the project (and their effectiveness)
- the content of the detailed business case and whether it is realistic and achievable.

Throughout the development of the detailed business case, Independent quality assurance will focus on the financial and management cases, including cost–benefit analysis, benefit realisation planning, and implementation planning.

### ***Internal assurance – Risk and Assurance***

The Ministry's Risk and Assurance team provides the Simplification Project with independent assurance, advice, and risk activity to evaluate and improve the effectiveness of risk management, controls, and governance processes. It will also provide independent assurance over the development of detailed design, including prototyping.

### ***Internal assurance – Simplification Assurance Syndicate***

The Simplification Assurance Syndicate was created to provide the Simplification Project with constructive and relevant feedback to ensure all issues and matters receive appropriate consultation and consideration. The syndicate's main function is to ensure the models, systems, and processes the Simplification Project designs are strong in terms of integrity and assurance. The syndicate will do this by:

- providing independent quality assurance and advice
- providing risk management challenge, insight and advice
- challenging ideas and testing assumptions through the Simplification design phase
- acting as an advisory group (the Simplification Project makes decisions on deliverables).



### ***Independent assurance – quantitative risk assessment***

Independent quantitative risk assessment will be undertaken during detailed design to assess cost elements in the business case in terms of the risks that might affect the achievement of estimates.

### ***Independent assurance – probity assurance***

An independent probity auditor will provide independent advice on the transparency, fairness, integrity, and accountability of procurement processes. The probity function will be responsible for reviewing all aspects of the commercial case in the detailed business case.



### ***Monitoring and Oversight***

#### ***Independent monitoring and oversight – Central Agencies***

Central Agencies will continue to provide ongoing advice to the project to help it succeed and independent assurance to Ministers about the risk status and progress of the project.

#### ***Independent monitoring and oversight – Audit New Zealand and Office of the Auditor-General***

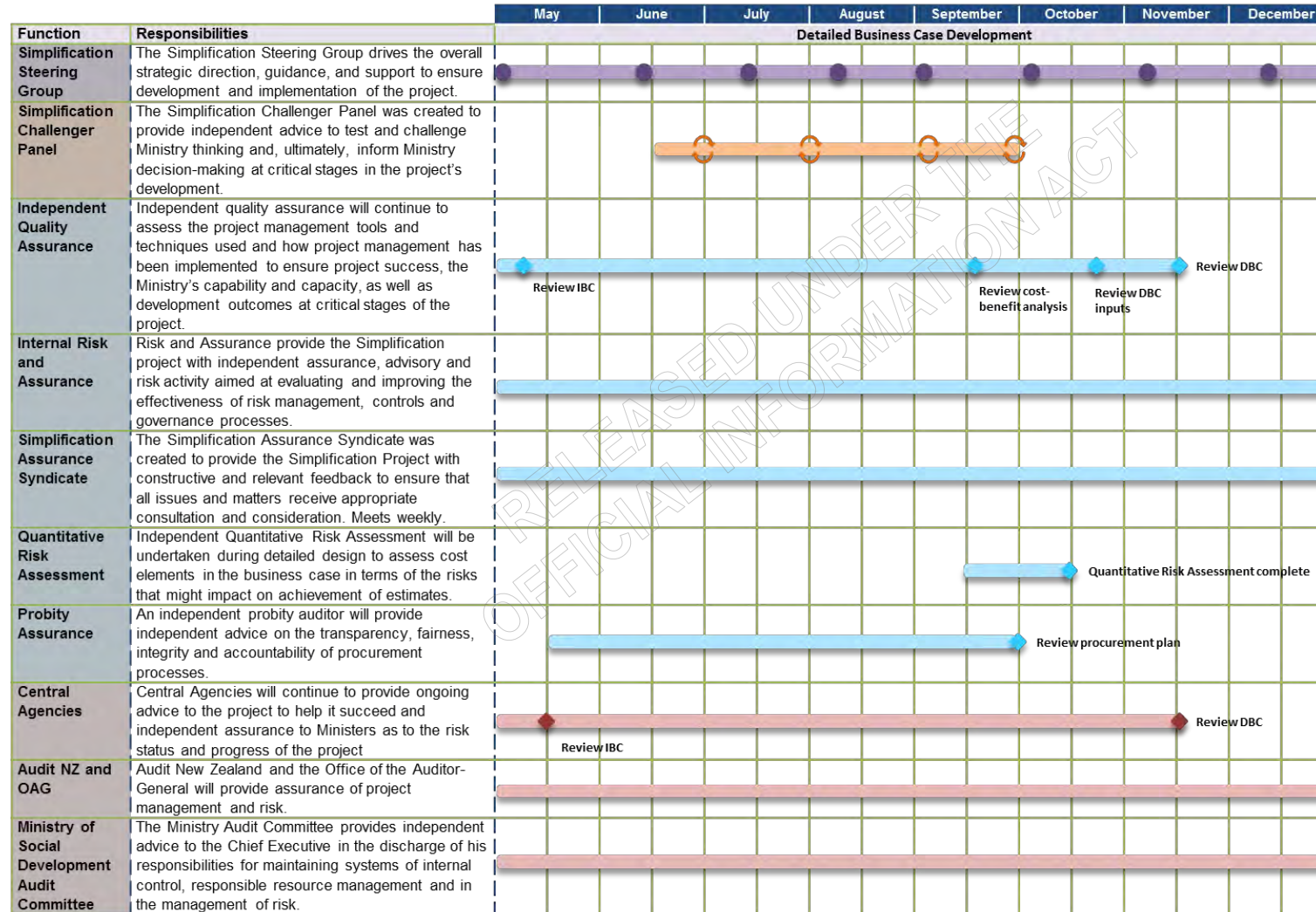
Audit New Zealand and the Office of the Auditor-General will provide assurance of project management and risk.

#### ***Internal monitoring and oversight – Audit Committee***

The Ministry's Audit Committee provides independent advice to the Chief Executive in the discharge of his responsibilities for maintaining systems of internal control, responsible resource management, and managing risk.

## Simplification Assurance Plan for DBC development

Last updated 10/6/14







# memo

**To:** Minister of Finance  
**From:** Marc Warner, DCE Strategic Change, Ministry of Social Development  
**Date:** 26 March 2015  
**Security level:** IN CONFIDENCE

---

## REP/15/2/124: Simplification – Approval for implementation – Report to joint Ministers

1. The report attached to this memo fulfills a direction by the Cabinet Committee on State Sector Reform and Expenditure Control (SEC) in December 2014.
2. SEC directed us to report to you and the Minister for Social Development (as joint Ministers) in March 2015, seeking approval to progress to the next implementation stage for Simplification (SEC Min (14) 18/2).
3. Last week we provided the Minister for Social Development with the draft report to joint Ministers, outlining that the Simplification programme was ready to progress with implementation. The Minister provided minor feedback, which has been incorporated.
4. We consulted Central Agencies on the report. Central Agencies are comfortable with the paper and happy for Simplification to progress to the next stage of the programme.
5. The Minister for Social Development advised me that she did not need to meet with you. Her office has confirmed that it is comfortable with the paper being sent to both Ministers at the same time.
6. We are submitting the paper to you and the Minister for Social Development today.

### Recommended actions

It is recommended that you:

- 1 **note** the Simplification report (with recommendations) attached **agree/disagree**

---

Marc Warner  
DCE Strategic Change, Ministry of Social  
Development

---

Date

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Hon Bill English  
Minister of Finance

---

Date



# memo

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Marc Warner  
DCE Strategic Change, Ministry of Social  
Development

---

Date

---

Hon Bill English  
Minister of Finance

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Date



# Simplification Programme

## Assurance Plan to December 2016

**18 August 2016**

### Approval

Role	Name	Signature	Date
Programme Steering Group	Ruth Bound, Deputy Chief Executive Service Delivery – Chair & senior responsible Owner		

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## Document control

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Version	Date	Description	Author
0.1	June		Initial draft
0.2	30 June 2016	Incorporating feedback from Director Strategic Monitoring & Engagement & PMO manager	PMO
0.3	4 July 2016	Incorporating feedback from Director Strategic Monitoring & Engagement, Associate DCE, Principal Advisor Privacy Security and Risk, MSD Risk and Assurance	PMO
0.4	11 July 2016	Incorporating feedback from General Manager Risk and Assurance	PMO
0.5	11 July 2016	Version sent to GCIO for review and to PSG for discussion & approval [v1.0]	PMO
1.1	10 August	Incorporates GCIO & PSG feedback	PMO
1.2	18 August	Incorporates final GCIO feedback for endorsement	PMO
2.0	18 August	Final – GCIO endorsed	



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# Introduction

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## Purpose of this document

This document sets out the assurance plan and its underpinning approach for the Simplification programme of the Ministry of Social Development (MSD). The purpose of the assurance plan is to contribute to building and supporting the confidence of the various governance bodies and decision-making individuals that Simplification can deliver its agreed benefits within the agreed time, scope, and budget. This plan is relevant for the period through to December 2016.

## Approval and endorsement

The Programme Steering Group, the chair of which is the Senior Responsible Owner for Simplification, has approved this assurance plan, and MSD Risk and Assurance has endorsed it. The Government Chief Information Officer, Department of Internal Affairs, has endorsed this plan (18 August 2016).

## Maintenance and review of the plan

This plan is a living document and supersedes the plan written at the start of the implementation phase in March 2015. This plan will be reviewed and updated again before 2017 to incorporate lessons and changes resulting from the various assurance activities undertaken through to the end of 2016.

## Summary of approach

Simplification is taking an 'assurance' by design approach, so has integrated assurance activities throughout the layers of the programme. The goal is to identify early any divergence or risk of divergence from the path to benefits realisation. The programme incorporates regular review and advice from a variety of internal and external individuals and groups to help it manage risk and improve delivery confidence. This approach is further set out in the body of this document.

## Other relevant documents

Other documents relevant to this plan are the:

- Simplification Programme: Next Phase Business Case, 24 November 2014.
- Memo from Deputy Chief Executive (DCE) Service Delivery to Chief Executive, Simplification Programme Update, 9 April 2016 (which sought agreement on a revised benefits realisation approach) and the associated ministerial report
- Simplification Programme Plan to December 2016.

# 1 Programme context

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## 1.1 Objectives and outcomes of Simplification

Simplification is a programme of work designed to simplify the provision to clients of financial assistance and support ('transactional services') by redesigning the experience for clients with a simpler service that makes far greater use of digital channels and automating and streamlining transactional processing.

## 1.2 Scope of Simplification

The scope of Simplification is to:

- deliver digital channels that are co-designed with users to be highly intuitive and easy to use (for example, MyMSD and enhanced voice-enabled technology)
- provide face-to-face and phone-based support to help people use new digital channels
- provide smarter communication so clients get consistent and clear information across all channels and do not receive unnecessary correspondence
- deliver straight-through population of data and automation to eliminate manual data entry and re-entry
- use smarter analytics to stream applicants by risk and need and for exception reporting
- provide a single view of a client, so all their transactional information can be seen in one place
- better use of authoritative data to minimise client effort, reduce overpayments and debt, and verify client information
- reshape and resize our workforce to reflect the redesigned service landscape.

## 1.3 Programme context

In mid-2015, Service Delivery established the Service Innovation programme to support the achievement of Simplification and design a new operating model to transform Service Delivery by 2020. In January 2016, the Simplification and Service Innovation programmes were brought back together into a single programme under Simplification. At this time, an associate deputy chief executive was appointed to run the integrated programme.

In February 2016, the Deputy Chief Executive Service Delivery was appointed the Senior Responsible Owner (SRO) accountable for achieving the Simplification programme's business outcomes and benefits.

In April 2016, the programme reconsidered its approach to realising benefits (work-effort reductions measured in full-time equivalent (FTE) positions). The programme had made solid progress during the first year of implementation, but overall progress was slower than planned. The level of financial benefits outlined in the business case remained achievable, but the original realisation timeframe was no longer possible without adverse impacts on client and government outcomes.

An alternative approach to realising benefits was developed, taking into account lessons from the implementation process since March 2015 and the broader context of integrated change across the Ministry. FTE-related benefits would be achieved through managed attrition and a series of smaller, targeted organisational changes. This approach aligned with re-set timing to build digital capability and automated end-to-end system integration, the development of automated workflow management, and the expected trajectory of online uptake by clients.

Our proposed approach will see FTE related benefits achieved through managed attrition, and a series of smaller targeted organisational changes. This approach will see benefits realised over a longer than originally planned timeframe through to mid 2018 (a deferral of 12–18 months).

## **1.4 Implementation update**

Simplification has been implementing tangible changes since March 2015. The implementation approach is based on continuous delivery of changes in an environment that is agile, committed to learning by doing, strongly led, and well monitored.

Since March 2015, the implementation focus has been on developing and implementing digital channels for clients ('simple at the front'). This work is largely complete and is being received positively.

The focus then shifted to developing smarter use of data, automation, information sharing, and back-end systems ('smart at the back'). Processing improvements for change in circumstances transactions will be largely complete by the end of 2016 and for applications about half will be completed. At the same time, concept sites are trialling enhanced ways of working and different forms of case management. The outcomes from these sites will inform enhancements to our service model, allowing the Ministry to take full advantage of the changes implemented through Simplification.

In 2017, the remaining processing improvements will be implemented, finalising aspects of end-to-end processing and embedding analytics into decision-making.

## **1.5 Costs and benefits**

Cabinet approved the four main benefits from Simplification:

- a better client experience – reduced client effort to transact with MSD and improved satisfaction
- reduced cost and time to process transactional services (reduce the average cost of processing 25% for main benefit assistance applications, hardship and supplementary assistance applications, and changes in circumstances) – operational cost savings
- increased accuracy, efficacy, and timeliness in processing client transactions
- enhanced capacity for investment in effective outcomes-focused interventions.

MSD is self-funding Simplification from existing baselines (brought forward appropriation). Total investment funding has been approved and delegated to the SRO. Each work stream has an expected benefits profile and is allocated funding to

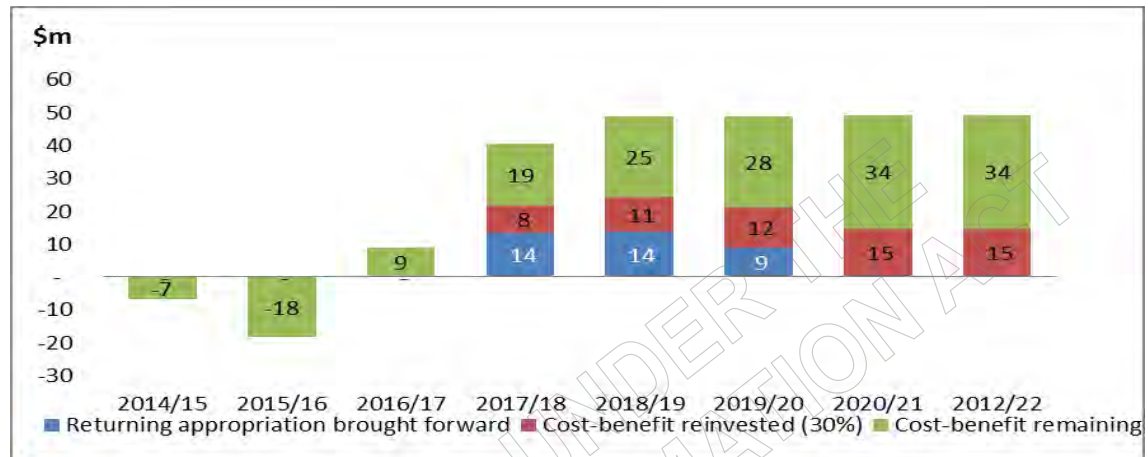


achieve those benefits. The funding is allocated incrementally in line with the agile delivery approach being followed.

The programme is expected to generate annual net benefits of \$33.2 million from 2017/18, reaching \$49.1 million per year by 2020/21 (compared with the original business case estimate of \$47.4 million from 2018/19). (See Figure 1 and Table 1.)

The net present value (departmental) for the Simplification programme is highly positive at \$56.1 million.

**Figure 1: Benefits less operating and implementation costs, 2014/15–2021/22**



**Table 1: Net impact, 2014/15–2021/22**

Cost–benefit component	2014/15 (\$000s)	2015/16 (\$000s)	2016/17 (\$000s)	2017/18 (\$000s)	2018/19 (\$000s)	2019/20 (\$000s)	2020/21 (\$000s)	2021/22 (\$000s)	Total (\$000s)
<b>Operational benefits</b>									
Digital correspondence	0	125	3,184	3,411	3,411	3,411	3,411	3,411	20,364
Personnel-related savings									
Voice			3,813	4,180	4,180	4,180	4,180	4,180	24,711
Change in circumstances			4,737	6,154	6,154	6,154	6,154	6,154	35,508
Appointments			701	1,302	1,302	1,302	1,302	1,302	7,213
E-lodgement			1,641	1,781	1,781	1,781	1,781	1,781	10,546
Applications – ongoing			3,215	11,502	13,003	13,003	13,003	13,003	66,730
Applications – hardship			1,412	2,271	2,271	2,271	2,271	2,271	12,765
Business process reengineering			3,310	3,310	3,310	3,310	3,310	3,310	19,859
Targeted change			2,738	7,990	11,412	11,412	11,412	11,412	56,377
Overhead savings			1,176	5,773	6,261	6,261	6,261	6,261	31,994
<b>Total</b>	<b>0</b>	<b>125</b>	<b>25,926</b>	<b>47,674</b>	<b>53,085</b>	<b>53,085</b>	<b>53,085</b>	<b>53,085</b>	<b>286,065</b>
<b>Costs</b>									
Implementation costs (excluding redundancy costs)	6,800	18,442	14,611	7,000	0	0	0		46,853
Redundancy costs			2,678	3,230	300	150	0	0	6,358
Operating costs	0	0	0	0	4,000	4,000	4,000	4,000	16,000
Capital costs	7,445	33,155	32,600	7,000	0	0	0	0	80,200
<b>Total</b>	<b>14,245</b>	<b>51,597</b>	<b>49,889</b>	<b>17,230</b>	<b>4,300</b>	<b>4,150</b>	<b>4,000</b>	<b>4,000</b>	<b>149,411</b>
<b>Net impact</b>	<b>-14,245</b>	<b>-51,472</b>	<b>-23,963</b>	<b>30,444</b>	<b>48,785</b>	<b>48,935</b>	<b>49,085</b>	<b>49,085</b>	<b>136,654</b>

Note: There is a clear trail from figures used in the business case (November 2014) to the reset figures (April 2016) and figures used for tracking purposes.

## 1.6 Benefits management

Simplification's Benefits Management Framework for Successful Realisation of Benefits from Simplification explains the framework within which MSD will realise benefits from the Simplification programme. That document:

- takes a principles-based approach within the context of the Managing for Successful Projects (MSP) and Better Business Cases methodologies and is written for practical application with the Simplification programme of work
- aligns with MSD's broader benefits management approach
- provides the basis for a common understanding and agreement between Simplification and Service Delivery business as usual of respective, yet integrated, roles and responsibilities for identifying, creating, tracking, managing, and realising benefits
- explains the important function of business change manager to facilitate the successful transition of projects from the programme into business as usual so the business can realise the benefits.

Explicit targets have been set for the digital uptake and manual processing reductions needed to achieve overall benefits. Every month, the Service Delivery's Benefits Realisation and Business Change Committee receives a detailed tracker that shows the progress of all Simplification capacity-generating initiatives, any variance from targets, actions being undertaken to resolve problems, and additional activities recommended.

The tracker is available to the Programme Delivery Group and the SRO, and the minister is updated on progress at least monthly (she also receives a brief weekly report).

## 1.7 Programme risks

The Risk Profile Assessment rating for the Simplification programme was deemed inherently high. The programme is monitored as a major project.

Risks continue to be actively managed. Programme management recognises that programmes (and projects) are never risk-free – an infinite number of events can have a negative impact. The focus of risk management is on identifying, assessing, and managing risk, rather than trying to eliminate all risk.

Given the complexity of this programme of work and programme management's understanding of the many things that 'could go wrong', many of the main strategic risks remain high even after being mitigated. The main strategic risks for Simplification and associated mitigation activities are summarised in Table 2.

Risks are a standing agenda item for Programme Delivery Group and Programme Steering Group meetings, so governance bodies and the SRO are always fully aware of any change to risks and mitigation activities. The ratings of 'high' mean the SRO and Programme Steering Group, supported by the Programme Management, maintain a consistent focus on risk monitoring and mitigation activity.



**Table 2: Main programme risks**

Description	Inherent risk	Mitigations	Residual risk
<b>Work effort reduction:</b> If programme changes do not reduce transactional work effort sufficiently to support the new business model, then implementation may be delayed or benefits not achieved.	Very high	Digital uptake and capacity gains are monitored and reported on regularly, so the programme (including governance bodies and the Senior Responsible Owner) have an up-to-date and accurate view of progress (including any barriers, blockages, variations from targets), and whether and where transactional work effort is being reduced (ie, capacity created).  Capacity is created incrementally with the iterative delivery of multiple projects (leading up to new business model implementation).	High
<b>Business readiness:</b> If the business is not engaged early in the project life cycle, then the business may not be prepared sufficiently before projects go live, which may affect the business's ability to generate desired level of work effort reductions.	Very high	The Simplification Benefit Realisation and Business Change Committee was established in Service Delivery.  The Simplification Business Change team is involved throughout each project's life cycle.  MSD is working with employee associations to keep them informed and lessen likelihood of industrial action.	High
<b>Integration of business and technology change:</b> If the programme does not work in a fully integrated way with the business and technology teams, then the programme may not deliver optimal business and technology solutions to Service Delivery.	High	The programme was reorganised and is now better integrated.  The programme is running an integrated schedule.  Projects must include business and technology components.	High



Description	Inherent risk	Mitigations	Residual risk
<b>Organisational change:</b> If Service Delivery's culture and ways of working (with clients, technology, business processes) do not change sufficiently, then the planned new operating model may not be optimal.	High	<p>Change management plan developed to help support and ready Service Delivery for change. the plan includes focus on change leadership and the overall change journey.</p> <p>The change leadership programme supports leaders through and beyond the change using a variety of mechanisms (workshops, activity tool box, buddying, coaching helpline, change readiness monitoring).</p>	Medium
<b>Planning assumptions:</b> If planning assumptions are incorrect (for example, about the estimated level of transactional work effort reductions), then benefits may not be able to be realised.	High	<p>Simplification programme management framework has multiple controls to manage work-effort reductions (capacity generation). Each project's Project Initiation Document (PID) specifies where gains will be achieved and what gain is planned. PID review process confirms agreement to these targets and that these are supported by robust analysis. Status monitoring confirms whether PID delivery timeframes and budgets will be achieved.</p> <p>Business Design Group and Simplification Benefits Realisation and Business Change Committee reviews assumptions and capacity regularly to check validity and address issues.</p> <p>Project closure report reviews delivery to confirm whether planned gains were achieved.</p>	Medium
<b>Availability of environments:</b> If sufficient good quality environments are not available to projects as planned, then the programme will not be able to test code, which will affect project time, cost, and quality.	High	<p>Availability of environments discussed regularly at daily stand ups, so any conflicts can be understood, activities prioritised and resolved promptly.</p>	Medium

Description	Inherent risk	Mitigations	Residual risk
<p><b>Future operating model:</b> If the business does not implement its future operating model to complement the work effort reductions being generated by the programme, then Service Delivery may not operate optimally.</p>	High	<p>New model underpinned by Investment Approach – reshaping how services delivered, through which channels, and to which client cohorts. The guiding outcomes are to create capacity and process efficiencies, improve client experience and outcomes, realise and reinvest efficiency benefits, and build capacity and maintain engagement.</p> <p>An incremental model (pilots, trials, phased roll outs) is being used to introduce change, so flaws and other lessons can be identified and addressed quickly</p> <p>The DCE Strategic Change is responsible for strategic change initiatives aligning with each other and with MSD’s overall strategy.</p> <p>A change management plan has been developed so Service Delivery is supported and ready for change. The change leadership programme will support leaders through and beyond the change using a variety of mechanisms.</p> <p>Client experience maps have been developed for each part of the design, personas, and client testing to inform design.</p> <p>Monthly Leadership Team reporting.</p> <p>Visual PMO is used to actively manage the programme.</p> <p>Monthly design meeting is held with Regional Commissioners and Regional Directors.</p>	Medium



Description	Inherent risk	Mitigations	Residual risk
<p><b>Impact of compliance on programme:</b> If projects have not engaged early with groups such as security, privacy, and legal and with external agencies, then the programme may not have planned sufficiently for the level of compliance and legal activity required, which could result in delivery times not being met, cost overruns, and benefits not being realised as planned.</p>	High	<p>Business requirements (user stories) include privacy and security 'by design'.</p> <p>Other areas/functions such as privacy and security, legal, and business are engaged early so all requirements can be identified and incorporated early.</p> <p>Project management responsibilities are clear, and compliance aspects are included in project deliverables.</p> <p>Central agencies are engaged with regularly (at least monthly) to gain a good understanding of the initiatives under way and their impacts.</p> <p>Responsibilities are clearly designated between business-as-usual security, privacy, and risk functions and those of the programme's Privacy, Security and Risk team.</p>	Medium

## **1.8 Programme dependencies**

The dependencies can be seen in the risks summarised in Table 2 (for example, the need for the business to change its culture and ways of working to support clients to use online services and to develop an operating model that complements the work-effort reductions that the programme's initiatives are generating).

Each project maintains its dependencies (whether internal or external to the programme) within its control book. Internal and external dependencies from projects are maintained in the programme's dependencies register in the programme control book. These dependencies are mapped into the integrated high-level programme timeline.

The Programme Management Office tracks project dependencies in the integrated programme schedule. Each dependency is tracked and monitored as part of the weekly schedule review sessions with project managers. For more information about The Simplification governance and management structure is illustrated in Figure 2. dependency management, see the Programme Plan.

## **1.9 Governance and management**

The governance and management structure for the Simplification programme is shown in Figure 2. Each body has its own terms of reference (covering purpose, roles, membership, meeting frequency, and accountabilities). The programme also receives advice and support (for assurance and other purposes) from various external parties (for example, the corporate centre and independent advisors) as well as other internal parties (for example, MSD's risk and assurance and legal functions).

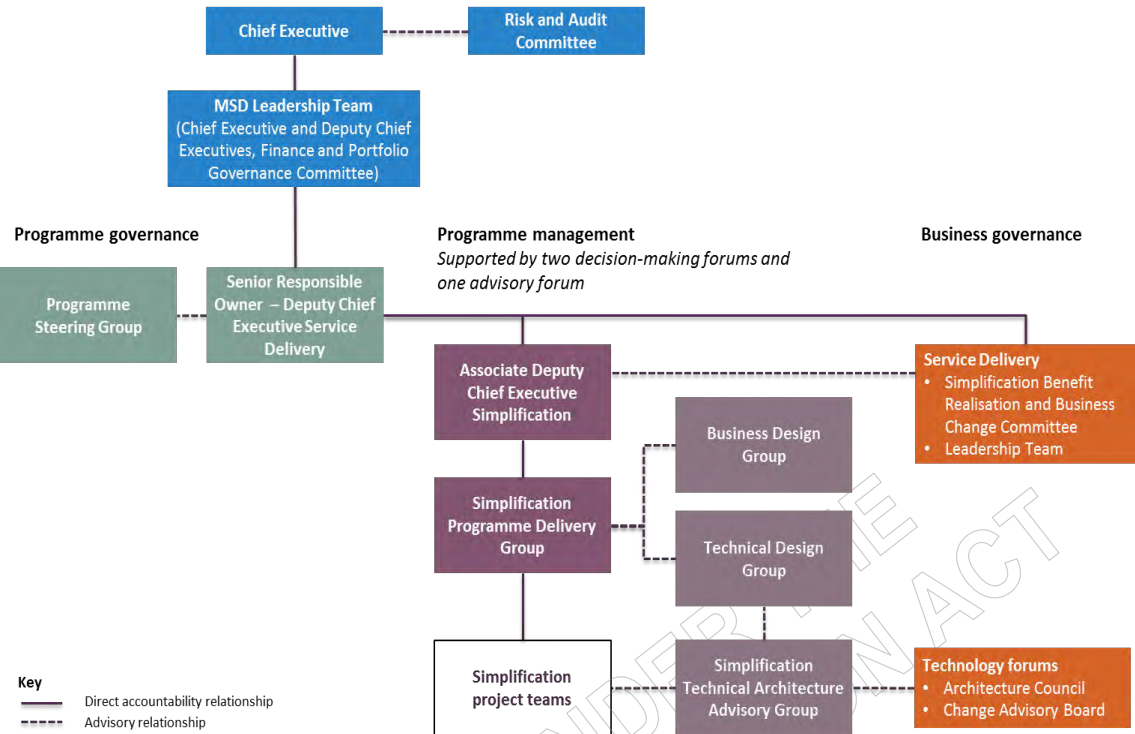
The Risk and Assurance team, through its risk and assurance role and assurance plan endorsement, provides appropriate independent advice to SROs and governance committees, including the Risk and Audit Committee. This committee is one of several advisory groups supporting the Chief Executive (to whom the programme SRO reports). This committee operates at the strategic level. It provides independent advice and challenge on risk, internal control and assurance matters.

The committee's role is facilitated through quarterly reporting from the General Manager Risk and Assurance on the work performed and concerns raised. The committee also has a role to understand Simplification's impact on MSD's business and the environment in which it operates. This role is facilitated through updates from the programme SRO on an as-requested basis.

The assurance activities of the different forums are discussed throughout section 2.



Figure 2: Governance and management for the Simplification programme



## **2 Assurance plan overview**

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### **2.1 Assurance plan is a living document**

This assurance plan for the Simplification programme focuses on the period to December 2016 and follows from the earlier plan written at the start of the implementation phase (March 2015). The assurance plan will be reviewed again before 2017 to incorporate learnings from the implementation phase to date and the various assurance activities undertaken to December 2016.

### **2.2 Assurance approach**

#### **Overview**

The Simplification programme is taking an active 'assurance by design' approach that is underpinned by the Managing Successful Programmes (MSP) methodology. This means assurance is integrated throughout the layers of Simplification – from the strategic governance layer through to the programme layer and into individual projects.

The goal of such an approach is to identify early any divergence or risk of divergence from the path to benefits realisation. Escalation paths for assurance purposes are transparent with clear communication channels (internal and external) to support a 'no surprises' approach to the governing, leading, and managing bodies.

The programme incorporates regular reviews and advice from a variety of internal and external individuals and groups to help it manage risk and improve delivery confidence. Different assurance activities occur throughout the different layers of the programme. The programme has independent and objective oversight and active feedback loops are utilised to give clients, staff, and other stakeholders regular opportunities to inform the programme about what is working well or not.

#### ***Multi-layered management and governance forums***

The programme has multiple governance and management layers. Each forum (or individual) in every layer has clear and documented accountabilities and responsibilities for decision making and advice provision. This mitigates the inefficiencies that can otherwise arise from having such a multi-layered approach (for example, decisions not being made at the correct levels and being constantly re-litigated). This approach also helps to facilitate the discussion and communication of assurance risks and issues at the right levels throughout the programme.

#### ***Delivery assurance – services that will work for clients***

To make sure we are delivering services that will work for clients and will result in gains for the business, we are taking a client-centred, design-led, benefits-driven, integrated approach. Project assurance starts with co-design with clients or staff to make sure the design will be fit for purpose for the people expected to use the service.

## ***Security, privacy, and risk assessments***

Every project is required to complete security, privacy, and risk assessments appropriate to the specific project. These assessments give assurance that risks have been identified and assessed, so can be eliminated or mitigated with a transparent balancing of risk and operational cost/efficiency. Uneventful delivery of the project is the goal. Such assessments also expose legacy risk, which can then be transparently addressed too.

MSD's Chief Information Security Office has a framework (of standards, practice, and certification) that aims for consistency in the treatment of information security across the organisation. Certification and accreditation processes focus on business change with an associated technology component (such as Simplification).

## ***Comprehensive release assurance***

The assurance activities for releases are discussed in this section and illustrated in Figure 4, page 33.

### ***Two-speed delivery***

The programme is using a two-speed delivery approach. A scaled agile approach introduces incremental technology improvements in many small steps rather than a few 'big bang' releases. This allows regular iteration and improvements based on evidence and experience. Larger changes that affect main systems are taken more cautiously, using the traditional waterfall approach. Some projects use a hybrid approach. In all cases, the assurance aim is uneventful delivery.

### ***Twelve-week cycle with changes released into production every six weeks***

Development, test, and release activities occur in a 12-week cycle. Changes are released into production every six weeks. These releases are called 'release trains', which accommodate multiple features developed in individual projects. Projects can be on any train delivering all or some of their features, but they need to join a train at least six weeks before the go-live date.

The release train management team starts planning meetings well in advance of the 12-week release train getting under way. Business readiness and implementation activities occur in parallel.

Projects provide technical deployment plans ready for testing when they join the train. Once a project joins a release train, it can test in the integrated test environment set up for that train.

### ***Extensive testing regime***

The six weeks before go live is divided into two three-week periods.

- In the first three to four weeks, the focus is on integration testing and final code fixing. Deployment plans are verified and executed. All code is frozen at the end of this period.
- In the last three weeks, final regression testing (in the system integration testing environment) and deployment verification testing occur. Sign-offs are sought for go live. Final preparations for go live are completed.

An extensive testing regime is built into the development stage, including, for example, penetration testing, user testing, and control testing. This testing may be undertaken internally or by external experts (for example, EY undertook control testing for the online correspondence project).

Every release train has a different profile of changes. Changes may be large or small, highly integrated or independent.

### *Quality gates*

The 12-week cycle has four quality gates, requiring completion of an activity before changes can move to the next stage in the release process.

1. Project unit testing must be complete before features can move into the integrated test environment. Changes not requiring integration with other code must have completed functional testing. Project leads provide this assurance.
2. Features can move into integrated systems/regression testing, if all functional tests have been completed and there are no A, B, or C defects. The Release Test Manager, in conjunction with Project Leads, verifies this. Any defects must be agreed by the business. Projects must also have provided technical deployment plans ready for testing. Release Analysts and Development Support approve deployment plans.
3. Full integration regression testing must be complete with no A, B, or C defects before testing sign-off can occur. Some regression testing and deployment verification testing may occur in parallel. However, once final regression testing is complete, a final deployment verification test proving deployment plans with the final code is required. Unfixed defects can move forward only with the agreement of release train management.
4. Changes can move beyond this gate only if deployment plans have been successfully executed as one build and final deployment verification testing is complete. There must be no outstanding defects other than those agreed earlier. Business and IT go-live readiness is confirmed. Change Advisory Board and SRO sign-offs have been received.

A retrospective (or debrief) is held after each release, so lessons (whether about technology, planning, deployment, readiness, or any other component) can be identified and incorporated into future releases.

### *Contingencies*

Preventive measures to avoid invoking contingencies include:

- running issue resolution sessions during the final weeks leading up to go live to solve difficult defects or integration, deployment, or performance issues
- scheduling large releases over long weekends.

Projects that fail to complete their tasks by each quality gate can have their problem features uncoupled from other code in the release train, ensuring the train continues to go live as planned. This uncoupling can be done, depending on the level of integration, up to two weeks before go live.



Two contingency weekends are set aside after the planned release weekend. The whole release train can be moved to one of these subsequent weekends, if un-coupling is not viable or if go live fails.

## 2.3 Lessons learned

### ***Learning from others – a core principle***

A principle of Simplification is to learn from other organisations that have undertaken significant client-centred digital transformation. Digital transformation is not new in the broader transactional environment, so MSD has sought and heeded others' experiences throughout the Simplification business case process and into the current implementation phase.

We have learnt from the experiences of a major retail bank, Air New Zealand, the Australian Tax Office, the Australian Department of Human Services, the UK Department of Work and Pensions, and insurance companies.

We have built and maintained strong relationships with the Accident Compensation Corporation and Inland Revenue – both organisations transforming into digital-age businesses and facing challenges similar to those MSD faces.

MSD also continues to seek and incorporate independent advice and assurance (such as from KPMG for independent quality assurance).

Lessons have also be learned from independent health checks and Gateway reviews.

### ***Independent health checks***

Three independent health checks were conducted in the last year (July and December 2015 and March 2016). The Simplification Programme Management Office (PMO) linked each recommendation to a programme management category (as defined in MSP) and gave it an overall red (R), amber (A), or green (G) health status rating. The PMO identified each category's current status and the activities required to change that status to green (or make it 'greener'). This information is summarised in Table 3.

### **Lessons from the Australian public sector**

- Well-planned and well-communicated change management is vital to success – staff need to know why the change will be better for clients.
- Front-line staff need to understand the benefits of digital channels and promote their use.
- The online experience needs to be as consistent as possible – to have the same look and feel at home as in the front-of-house self-service environment.
- Ongoing client insights and design methodology must be embedded into the organisation (for implementation and continued improvement as part of business as usual).
- During implementation, focus on the front end first to improve the client experience and achieve symbolic wins.
- Follow a non-traditional approach to benefit realisation to facilitate flexibility – and remember to bring central agencies on the journey.
- Digital by default is key – the option isn't enough to drive uptake on its own.
- Agile implementation makes sure opportunities and learnings are considered during the change process.

**Table 3: Programme health (RAG) status and improvement activities**

<b>Programme management category</b>	<b>RAG status*</b>	<b>Activities undertaken to June 2016</b>	<b>Ongoing activities to continue to improve RAG status</b>
<b>Governance</b>	A	New governance structure set up	Embed new governance groups into programme Complete and agree governance group terms of reference
<b>Programme organisation</b>	G	Programme restructure implemented merging Service Innovation and Simplification	Continue to refine roles and responsibilities so programme members and stakeholders have a shared understanding of respective roles
<b>Vision</b>	G	No change	Continue to reinforce the tenets of the Simplification vision (unchanged from the business case) to programme team and stakeholders
<b>Leadership and stakeholder engagement</b>	A	Senior Responsible Owner (SRO) role redefined Programme Steering Group reformed with Deputy Chief Executive (DCE) membership Business and technical design groups set up Independent advisor engagement continues	Continue to enhance stakeholder engagement plan Continue to improve engagement across programme, business, and technology
<b>Change and communications</b>	A	Integrated communications plan developed	Embed organisational change impact assessment and management work in projects within the programme Develop communications strategy



Programme management category	RAG status*	Activities undertaken to June 2016	Ongoing activities to continue to improve RAG status
<b>Benefits</b>	A	Enhanced set of benefits tracking mechanisms in place Benefits reported regularly to senior stakeholders, including Minister	Link benefits more tightly to releases Use mature process to trade off scope, time, and cost Work closely with business on realising benefits
<b>Blueprint design and delivery</b>	A	New project initiated to develop new operating model	Work closely with Service Delivery to redesign the operating model
<b>Planning and control</b>	G	Project health checks in place Change control in place Financial management process in place Programme integrated schedule in place Regular milestones and deliverables reporting Visual PMO in place	Improve cross-programme and MSD dependency management Improve rigour in programme and project control
<b>Risk and issue management</b>	A	Risks set refreshed Risk and issue management process in place Risks and issues standing agenda item for Programme Steering Group, Programme Delivery Group, and the business and Technical Design Groups	Improve rigour in regular review and management of risks and issues across programme Improve risks and issues escalation process
<b>Quality and assurance</b>	G	IQA scheduled to start in June 2016 Multiple assurance activities in place Assurance plan drafted	Complete assurance plan Report on monitoring of plan delivery to SRO and Programme Steering Group Engage MSD Risk and Assurance team in assurance plan development

Programme management category	RAG status*	Activities undertaken to June 2016	Ongoing activities to continue to improve RAG status
<b>Delivering the capability</b>	A	Two-speed approach to delivery	Continue to refine process so this mixed-model approach does not compromise programme's ability to deliver Continue to develop project management capability
<b>Closing a programme</b>	A	Consideration of transition of programme deliverable and new capability to business as usual under way Project and programme transition activities included in the programme schedule Minimal project closure activities have occurred	Refine further the transition process with increased focus on making transition faster

\* RAG = Red, Amber, Green.

### Gateway review

A Gateway review occurred in November 2014 (*Review 2: Delivery Strategy – Detailed Business Case*). The review evaluated the procurement strategy and other critical factors to provide independent technical peer review that the programme was clearly defined as was the plan for its implementation and to assess the programme's potential for success.

The review found:

- MSD was well placed to deliver the Simplification programme of work
- the team to deliver the Simplification programme was of a high quality
- several areas of good practice were being followed during business case development (including the establishment of client-centric requirements and design and the comprehensive benefits realisation plan and model)
- overall risk management practices were demonstrated.

In terms of improvements, the programme needed to develop a communications plan to convey how, where, and when benefits would be allocated and to undertake more comprehensive stakeholder identification and impact analysis to inform change, communication and implementation plans. These areas continue to be works in progress, being developed and refined by the programme.

A Gateway review is planned for early December 2016 (as shown in Figure 3, p 32; see also section 3.3). It is intended the GCIO will receive the review report.



## 2.4 Key assurance activities, roles, and responsibilities

The main activities, forums, roles, and responsibilities in relation to assurance (that is, not in relation to their overall roles and responsibilities) are summarised in Table 4.

**Table 4: Main assurance activities, roles, and responsibilities**

Assurance forum or activity	Purpose (in assurance context)	Audience for assurance output
<b>Strategic assurance</b>		
<b>MSD Leadership Team</b> – Chief Executive and directly reporting Deputy Chief Executives (DCEs); Finance and Portfolio Governance Committee	Govern the overall investment decision so Simplification remains strategically aligned Provide direction on the programme's relative investment priority	Ministers Programme Senior Responsible Owner (SRO) Other MSD programme SROs
<b>Programme Senior Responsible Officer (SRO)</b> – DCE Service Delivery (supported by the Programme Steering Group)	Govern the programme Be responsible for delivering overall return on investment (time, scope, budget and quality)	MSD Leadership Team (includes Chief Executive) Ministers Corporate Centre Associate DCE Simplification (Programme Director)
<b>Independent advisor</b> on the Programme Steering Group	Provide the SRO and Chief Executive with strategic advice	SRO MSD Leadership Team Ministers Corporate Centre Associate DCE Simplification
<b>Risk and Audit Committee</b>	Operates at a strategic level, providing independent advice and challenge on risk, internal controls, and assurance matters  Has a role to understand the impact of Simplification on MSD's business and the environment in which MSD operates. This role is facilitated through updates from the programme SRO on an as-requested basis	MSD Chief Executive
<b>Simplification Benefits Realisation and Business Change Committee</b>	Support the SRO in realising the benefits within Service Delivery that have been created by the programme's deliverables	MSD Leadership Team Associate DCE Simplification

Assurance forum or activity	Purpose (in assurance context)	Audience for assurance output
<b>Corporate Centre –</b> Treasury, State Services Commission, Government Chief Information Officer (GCIO)	<p>Deliver forward-looking assurance and help to build agency capability</p> <p>Provide ongoing advice and oversight to help the programme succeed</p> <p>Provide independent assurance to Ministers about system-level risks</p> <p>Has responsibility for coordinated oversight and delivery of system-wide ICT assurance (GCIO)</p>	<p>SRO</p> <p>Associate DCE Simplification</p>
<b>Independent quality assurance</b> (See section 3.3.)	<p>Review independently the programme's progress and provides insights on good practices to improve programme operation</p> <p>Assess independently the status of business readiness to realise the benefits generated from the programme's deliverables</p>	<p>SRO</p> <p>Programme Steering Group</p> <p>Associate DCE Simplification</p> <p>Corporate Centre</p>
<b>Gateway review</b> (See section 3.3.)	Assess independently the programme's ability to deliver planned outcomes and planned return on investment	<p>SRO</p> <p>Programme Steering Group</p>
<b>Programme assurance</b>		
<b>Programme Director –</b> Associate DCE Simplification (supported by the Programme Delivery Group)	Is responsible for delivering the overall return on investment (time, scope, budget and quality) to the SRO	<p>SRO</p> <p>Programme Steering Group</p> <p>Business Design Group</p> <p>Technical Design Group</p>
<b>Business Design Group</b>	Provide business-centred advice to support the programme in developing good quality business outcomes	<p>SRO</p> <p>Programme Steering Group</p> <p>Associate DCE Simplification</p> <p>Programme Delivery Group (Associate DCE's direct reports)</p>
<b>Technical Design Group</b>	Provide technology-centred advice to support the programme in developing good quality outcomes for both the business and technology teams	<p>SRO</p> <p>Programme Steering Group</p> <p>Associate DCE Simplification</p> <p>Programme Delivery Group (Associate DCE's direct reports)</p>



Assurance forum or activity	Purpose (in assurance context)	Audience for assurance output
<b>MSD Enterprise Portfolio Management Office</b>	Provide advice and guidance on programme practice, standards, and reporting through its relationship with the Simplification Programme Management Office	Programme Management Office Associate DCE Simplification
<b>Simplification Technical Architecture Advisory Group</b>	Provide architectural guidance to the programme so the programme's information technology (IT) solutions align with programme objectives and MSD IT strategy	Programme Steering Group Associate DCE Simplification Programme Delivery Group (Associate DCE's direct reports) Architecture Council Technical Design Group
<b>Architecture Council</b>	Approve Simplification IT solutions and ensure alignment to MSD's IT strategic direction	Technical Design Group Chief Information Officer
<b>IT Estimates Committee</b>	Assess programme's cost and effort estimates for IT development	Programme Delivery Group
<b>MSD Risk and Assurance team</b>	Provide risk and assurance advice to the programme so programme is aligned to MSD's risk and assurance model	Programme Steering Group Associate DCE Simplification Programme Delivery Group Risk and Audit Committee
<b>Chief Information Security Office (CISO)</b>	Establish and maintain a ministry-wide information security framework so information assets are adequately protected, controlled, and secured  Deliver a framework for consistency in the treatment of information security (standards, practice and certification)  Provide a certification and accreditation process for business change with an associated technology component.	Programme Steering Group Associate DCE Simplification

Assurance forum or activity	Purpose (in assurance context)	Audience for assurance output
<b>Security, Privacy and Risk</b> (within the Simplification programme)	<p>Advise on all matters related to security, privacy, and risk so the programme conforms to MSD and industry standards</p> <p>Perform security risk, privacy impact, and business risk assessments</p> <p>Interfaces with the Chief Information Security Officer to support accreditation and certification process</p> <p>Interfaces with the Chief Privacy Officer</p>	Programme Delivery Group
<b>Benefits Management Framework</b>	<p>Provide a common understanding and agreement between the programme and Service Delivery of respective roles and responsibilities for identifying, creating, tracking, and managing the successful transition of programme outcomes into realised benefits</p>	<p>SRO</p> <p>Programme Steering Group</p> <p>Associate DCE Simplification</p> <p>Programme Delivery Group</p>
<b>Project assurance</b>		
<b>Programme Management Office (PMO)</b>	<p>Check the health of each project with its project manager, including reviewing plans, budgets, control books (risks, issues, decisions), change control processes, and resourcing</p> <p>Maintain relationship with and seek advice and guidance from MSD's Enterprise Portfolio Management Office</p>	<p>Associate DCE Simplification</p> <p>Programme Delivery Group</p>
<b>Integrated programme schedule</b> (PMO)	Link all projects, showing critical path and dependencies	<p>Programme Delivery Group</p> <p>Project Managers</p>
<b>Testing (by internal and/or external providers, depending on test type and solution)</b> (For example, penetration, control, user acceptance, release (system, functional, performance), and client experience testing.)	<p>Undertake relevant testing for every release</p> <p>Follow, for each project with an IT component, a set of test regimes (test plans, acceptance criteria, entry and exit criteria, and test summary reports)</p>	Programme Delivery Group



Assurance forum or activity	Purpose (in assurance context)	Audience for assurance output
<b>Project technical delivery assurance</b> (Projects are delivered using a scaled agile approach with sets of features released on a 6–12-week cycle, so traditional technical quality assurance is impractical. (See section 3.3.)	Provide targeted assurance activities for specific aspects of projects (for example, undertake a testing review for an IT project or assess business readiness for a project delivering large business change) to give confidence that technical good practice has been followed	SRO Programme Steering Group Associate DCE Simplification Programme Delivery Group Risk and Assurance team Corporate Centre
<b>Daily stand ups and visual PMOs</b>	Assess progress to plan and any emerging issues or risks Discussion centres on visual representations of project plans (visual PMOs)	Programme Delivery Group Project Managers Project teams

## 2.5 Assurance budget

The programme has an overall allocation in its annual budget for externally delivered quality assurance and Gateway reviews (\$250,000). In addition, each project has a committed proportion of its budget allocated to project-specific assurance activities such as technical delivery assurance, testing, and lessons learned. The cost of these activities are built into the programme along with support, advice, monitoring, and/or oversight activities from MSD Finance, Enterprise Portfolio Management Office, and Risk and Assurance.

This allocation of assurance budget to projects reflects that assurance (whether strategic, management, technical, or otherwise) is an integrated aspect of each project, not merely a last-minute compliance add-on.

These budgets do not include management assurance achieved from Simplification's 'assurance by design' approach.

## 3 Detailed assurance plan

### 3.1 Critical programme milestones

Simplification has iterative milestones every six weeks in the form of a release, assurance activities underpin the releases and work across them to provide continuous assurance at both programme and project levels.

The dates of planned releases (technology and business change) relevant to this plan are 4 July, 1 August, 29 August, 12 September, 25 October, and 5 December 2016 (as shown in Figure 3, p 32).

### 3.2 Ongoing assurance activities

Ongoing assurance activities are listed in Table 5 (the purpose of each forum or activity was covered in Table 4). The timeframe for ongoing assurance activities (high level) is illustrated in Figure 3 with the detailed release-specific activities illustrated in Figure 4.

**Table 5: Ongoing assurance activities**

Assurance activity or forum	Key risks	Assurance provider	Frequency
<b>Strategic assurance</b>			
<b>MSD Leadership Team</b>	Inability to deliver planned return on investment	Internal – MSD’s Senior Leadership Team	Monthly
<b>Programme Senior Responsible Officer (SRO) – DCE Service Delivery (supported by Programme Steering Group, including independent external advisor)</b>	Inability to deliver planned outcomes to time, scope, budget or quality, resulting in inability for Service Delivery to realise planned business benefits	Internal – Programme Steering Group is made up of a subset of MSD’s leadership team  External – one Programme Steering Group member is independent	Monthly
<b>Simplification Benefits Realisation and Business Change Committee</b>	Inability to deliver the planned business benefits from within Service Delivery	Group membership made up with senior Service Delivery managers and programme’s senior management	Fortnightly
<b>Corporate Centre – Treasury, State Services Commission, Government Chief Information Officer</b>	Inability to deliver planned return on investment	External with representatives from Corporate Centre agencies	Monthly



Assurance activity or forum	Key risks	Assurance provider	Frequency
<b>Independent quality assurance</b> (see section 3.3)	Inability to deliver planned outcomes to time, scope, budget or quality resulting in inability for Service Delivery to realise planned business benefits	External – KPMG	July/August 2016 October 2016 March 2017
<b>Gateway review</b> (see section 3.3)	Inability to deliver planned outcomes to time, scope, budget, or quality resulting in inability for Service Delivery to realise planned business benefits	External – Gateway Team appointed once Gateway engaged	Early December 2016 – to be confirmed
<b>Programme assurance</b>			
<b>Associate DCE – Simplification</b> (Programme Director) supported by the Programme Delivery Group	Inability to deliver planned outcomes to time, scope, budget or quality resulting in inability for Service Delivery to realise planned business benefits	Internal – Simplification Programme Team	Weekly
<b>Business Design Group</b>	Inability to deliver the planned business benefits from within Service Delivery	Internal – Service Delivery management and Simplification Programme team management	Fortnightly
<b>Technical Design Group</b>	Misalignment of programme's IT delivery with MSD's strategic direction Inability to deliver new IT capability as committed to in Simplification business case	Internal – IT team senior management and Simplification programme team management	Fortnightly
<b>Simplification Technical Architecture Advisory Group</b>	Misalignment of programme's IT delivery with MSD's strategic direction	Internal – MSD IT and programme teams	Weekly
<b>Architecture Council</b>	Misalignment of programme's IT solutions with MSD's strategic direction	Internal	Weekly
<b>IT Estimates Committee</b>	Inaccurate scoping and costing of IT effort for programme's IT work	Internal	Weekly
<b>Security, Privacy and Risk</b> (within the Simplification programme)	Delivery of poor quality solutions that increase the security and privacy risk profile of MSD's systems	Internal – within the Simplification Programme	Every project
<b>MSD Risk and Assurance</b>	Delivery of poor quality solutions that increase the risk profile of MSD's systems and damage MSD's reputation	Internal – MSD Risk and Assurance teams	Regular catch ups



Assurance activity or forum	Key risks	Assurance provider	Frequency
<b>Benefits Management Framework</b>	Inability to deliver planned return on investment	Internal – several senior MSD managers involved in this work	Monthly
<b>Project assurance</b>			
<b>Project quality assurance</b>	Insufficient quality in project outputs that may lead to the release of unstable IT systems or poorly executed business change programmes	External – KPMG, Qrious, EY, PwC, Tenzing Internal – IT Test Management team	As required regularly throughout programme, aligned to specific releases
<b>Programme Management Office (PMO) health checks</b>	Poor quality project management disciplines leading to poor quality outputs being delivered	Internal – Simplification PMO	Fortnightly
<b>Project technical delivery assurance</b> (See section 3.3.)	Poor quality design, development, and/or implementation work across business and technology projects	External – to be determined	As required throughout programme
<b>Testing</b>	Delivery of poorly tested IT solutions that may raise the risk profile of MSD's IT systems or create a poor user experience	External – Qrious Internal – IT test management	Every release
<b>Integrated schedule</b>	Lack of integration across the programme's set of projects may result in resource contention that leads to late delivery of projects	Internal – Simplification PMO	Weekly
<b>Daily stand ups and Visual PMOs</b>	Inability to manage emerging programme risks or issues that could be mitigated with early identification	Internal – Simplification project teams	Daily

### 3.3 Scope of independent assurance activities

As well as the integrated assurance activities (internal and external) that are occurring as the programme is implemented, at least four specific and independent assurance reviews have also been planned before the end of December 2016 (labelled 1–4 in Figure 3, p 32). The terms of reference for these reviews and the subsequent reports will be made available to the GCIO.

As noted in section 1.4, implementation has been under way since March 2015.

- The initial focus was on developing and implementing improved digital channels for clients – work is largely complete in this area.



- The focus then shifted to smarter use of data, automation, information sharing, and back-end systems. By the end of 2016, processing improvements for change in circumstances transactions will be largely complete and for application transactions about half complete.
- Concept sites are trialling different forms of case management and other ways of working, to inform enhancements to our service model so full advantage is taken of the changes implemented through Simplification.
- In 2017, the focus will be on the remaining processing improvements to finalise end-to-end processing and embed analytics into decision-making.

Aligned with the relevant focus of Simplification implementation are the four independent quality assurance activities planned for 2016. Additional independent reviews will be scheduled should the need arise. Reviews for the period beyond 2016 will be included in the assurance plan on its next revision.

**Independent quality assurance** (July/August 2016): This extensive review of 'programme health' by KPMG will be the first since the timing of benefits realisation was re-set in April 2016. The focus of the review is to assess whether the Simplification programme is well positioned to deliver the expected outcomes required for the programme to be successful. The review will assess whether the programme has, for example:

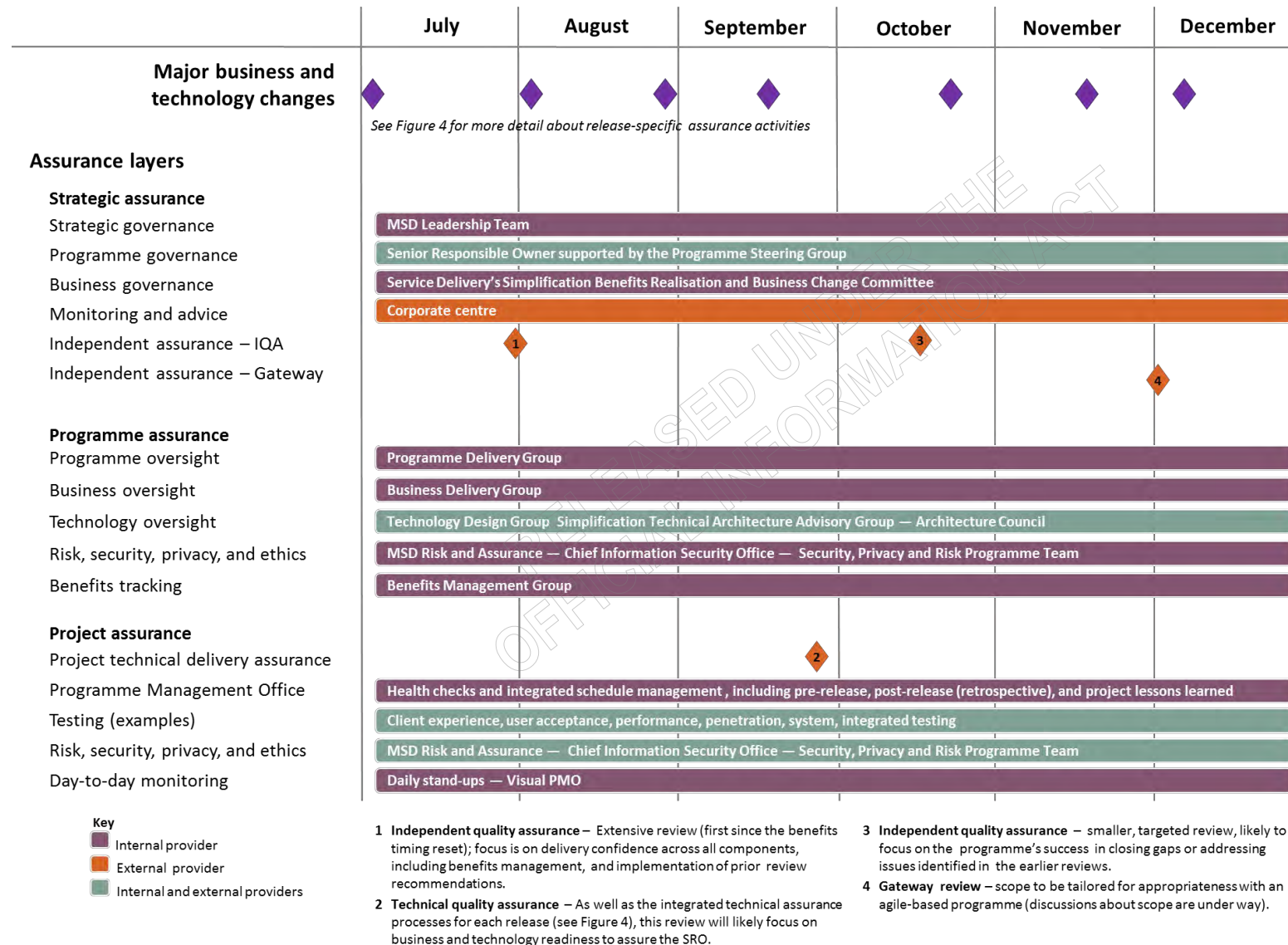
- constituted governance for robust, timely, and effective decision making
- sufficient capacity and capability to deliver the desired transformation in parallel with business as usual
- adequate benefits management processes
- effective quality management and assurance processes
- implemented recommendations from earlier reviews.

**Technical quality assurance** (late September): Because projects are delivered using a scaled agile approach with sets of features released on a 6–12-week cycle, traditional technical quality assurance before each release is impractical. The release cycles have integrated assurance in the forms of various tests that must be satisfactorily completed to achieve sign off for the project to move through the various decision gates before the final decision is made to go live. After each release a retrospective is undertaken that informs the next releases. This technical review will likely focus on business and technology readiness to assure the SRO about the extensive changes to transactional processes being regularly and iteratively implemented.

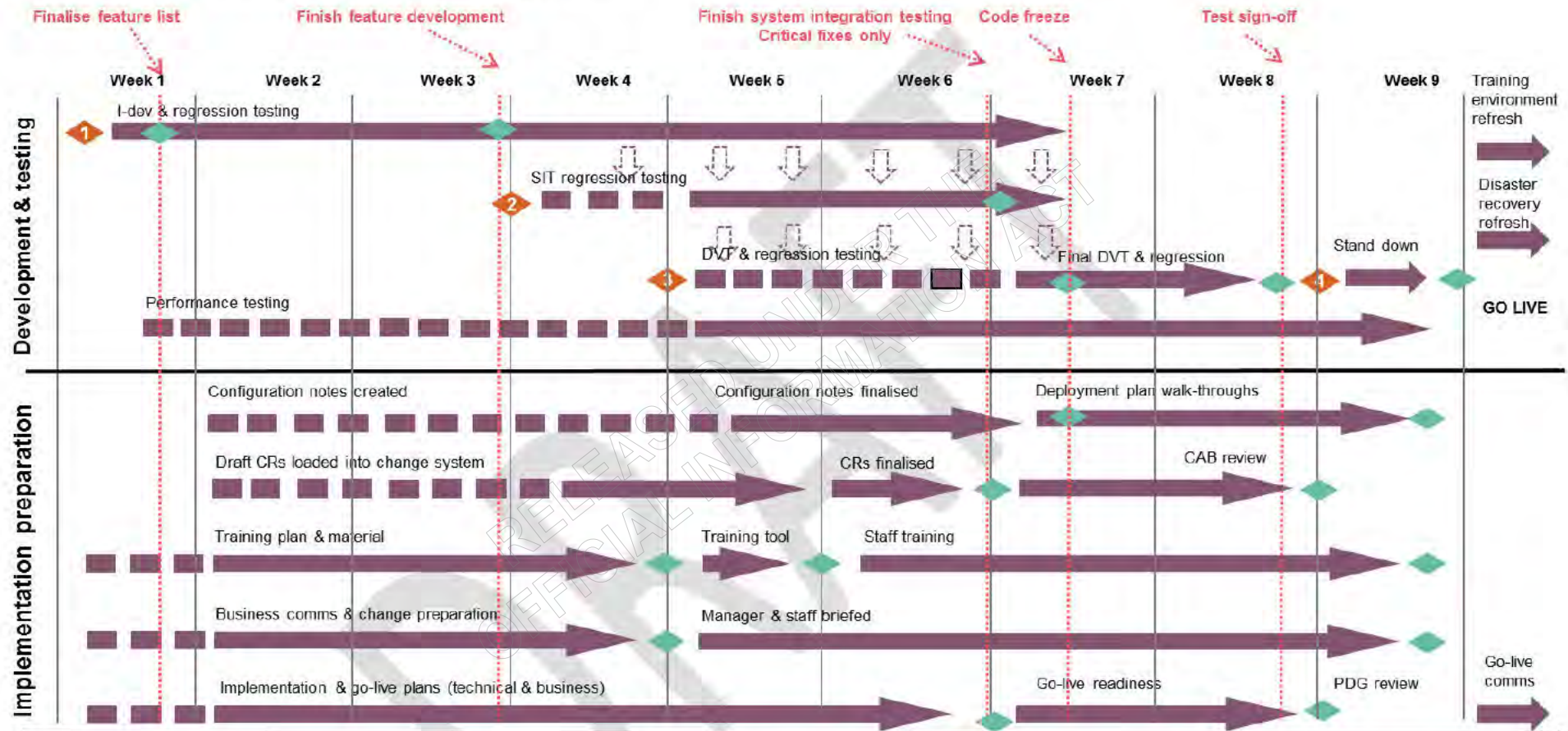
**Independent quality assurance** (October): This smaller review will likely also assess ability to deliver the expected outcomes, but will target whether the programme has closed the gaps or addressed the issues identified in the earlier reviews.

**Gateway review** (early December): The scope of this review will be tailored for appropriateness with an agile-based programme (discussions about scope are under way).

**Figure 3: Simplification assurance activities (internal and external), July–December 2016**



**Figure 4: Simplification release assurance process**



**Key**

◆ Quality gate ◆ Milestone → Main activity - - - Cut-off point

CAB = Change Advisory Board; comms = communications;  
 CR = change request; DVT = deployment verification testing;  
 FIT = functional integration testing; i-dev = integrated testing  
 environment; SIT = system integration testing; SRO = Senior  
 Responsible Owner

1 Project unit testing must be complete before features can move into i-dev. Changes not requiring integration with other code must have completed functional testing. Project leads provide this assurance.

2 Features can move into full integration regression testing (SIT environment), if all functional tests completed with no A, B, or C defects. Release Test Manager (in conjunction with project leads) verifies. Business must agree defects. Projects must have provided technical deployment plans ready for testing (approved by Release Analysts and Development Support) for testing.

3 Full integration regression testing (SIT environment) must be complete with no A, B, or C defects before testing sign-off occurs. May be some parallel regression testing and DVT (FIT environment). However, once final regression testing complete, a final DVT test proving deployment plans with the final code is required. Unfixed defects can move forward only with the agreement of release train management.

4 Changes can move beyond this gate only if deployment plans successfully executed as one build and final DVT is completed. No outstanding defects other than those agreed earlier. Business & IT go-live readiness confirmed. CAB & SRO sign-offs received.



## 4 Decision-making authority (RACI)

This section describes the participation by role or team for project assurance tasks and functions. Table 6 summarises who is:

- **responsible** – the role or team primarily responsible for performing or overseeing the creation of the project task or function
- **accountable** – the role or team answerable for the content of the project task or function (only one accountable party per activity)
- **consulted** – the role or team that participate in creating the project task or function (frequently knowledge leaders)
- **informed** – the role or team to whom the result, deliverable, or outcome of the project task or function will be communicated.

**Table 6: Decision-making authority – responsible (R), accountable (A), consulted (C), informed (I)**

Assurance activity	Corporate Centre	MSD Leadership Team	Senior Responsible Owner	Programme Steering Group	Associate DCE Simplification	Programme Management	Internal risk and assurance	Project teams
Overarching assurance plan	C*	I	A	C	R	C	C	I
Independent quality assurance	C*	I	A	C	R	C	C	I
Gateway	C*	I	A	C	R	C	C	I
Programme oversight, including governance and benefits	I	C	A	C	R	C	C	I
Technical quality assurance	C*	I	A	C	R	C	C	I
Project health checks and quality standards	I	I	A	I	R	C	C	I

\* The GCIO ICT Assurance Function, on the Corporate Centre's behalf, reviews and endorses assurance plans.

Note: The Senior Responsible Owner is the ultimate owner of the assurance plan. The Associate DCE Simplification has day-to-day responsibility for the plan and may delegate that to the Programme Management Office (the manager of which reports to the Associate DCE).





**MINISTRY OF SOCIAL  
DEVELOPMENT**

TE MANATŪ WHAKAHIATO ORA

# Simplification

## Next Phase Business Case

COMMERCIAL IN CONFIDENCE

*If the Ministry of Social Development does not help the most vulnerable New Zealanders to bridge the digital divide, who will?*

FINAL

24/11/2014





SIMPLE IS  
SMARTER

## Document control

### Document history

Version	Issue date	Comment
0.1–	Up to 16/10/14	Initial drafts of components
1.0	17/10/14	Draft for Simplification management team & IQA reviewers
1.1		Working version incorporating comments on 1.0
2.0	24/10/14	Draft for review by Simplification Management Team
2.1	28/10/14	Draft incorporating comments from mgt team
3.0	28/10/14	Draft for review by Simplification Steering Group
3.1	30/10/14	Draft incorporating additional feedback
4.0	31/10/14	Draft for review by Co-Design Group and Central Agencies
4.1–4.3	19/11/14	Working drafts as feedback incorporated and text refined
5.0	21/11/14	Final draft for CE, KPMG, and key stakeholders
5.1	24/11/14	Final amendments
FINAL	24/11/14	Final provided to Minister with Cabinet paper, A3, CAB100 and covering report.

### Document sign-off

Role	Name	Signature	Sign-off date
Executive Director	Marc Warner		25/11/14
Senior Responsible Owner	Debbie Power		25/11/14

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## Executive summary

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### Purpose

This business case for the next phase of Simplification recommends a Ministry of Social Development investment proposal to simplify the Ministry's services relating to the provision of financial assistance and support (transactional services). The investment will make services more effective for clients, reduce operational costs, and create opportunities for reinvestment in outcome-focused services. This summary focuses on what we expect to deliver, when, and at what cost.

### Recommendation

This business case seeks **agreement** to implement the recommended option, seeks **approval** to invest in the next phases of Simplification, and sets out a **schedule** of reporting and subsequent approvals, including points at which Ministers may choose to revisit the investment in Simplification.

## Simplification – a better experience for clients

Simplification is about government catching up with how people are increasingly interacting with organisations across all aspects of their lives. For example, New Zealanders are increasingly using a digital channel to access banking services, manage their utilities, and transact with retailers. Our clients are ready to go digital – 66% have access to an internet connection and 51% have a smartphone, and these proportions are expected to increase.<sup>1</sup>

Simplification will provide substantial benefits for clients and staff, improving the service with simpler, more transparent processes and digital self-service channels. It will also minimise the effort required to transact with the Ministry.

Clients will still have to meet their work and social obligations. However, we will:

- build client independence by giving back to clients' control of their personal information and allowing them to be more proactive in maintaining that information
- help clients to develop their digital confidence, reducing the significant cost and effort to transact with the Ministry
- make it easier for clients to provide the right information (eg, to update changes in their circumstances)
- acknowledge clients' different needs and preferences for interacting with the Ministry
- enhance trust and confidence in the Ministry by presenting people with accurate, timely, and understandable information in relation to their financial assistance.

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<sup>1</sup> Data from Statistics New Zealand, 2013 Census of Population and Dwellings, and Work and Income contact centre exit survey of over 1,000 clients conducted October–November 2014.

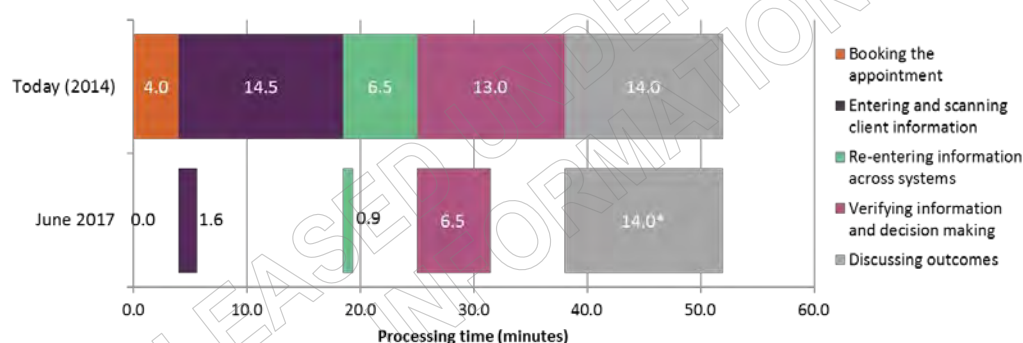
## Simplification will also generate significant monetary benefits

As well as a better client experience, Simplification will generate monetary benefits in two main areas: a lower cost to process transactional services and increased accuracy, efficacy, and timeliness in processing transactions.

Currently, people often interact multiple times with the Ministry, having to repeat information, complete paper-based applications for most new requests, and engage face to face even when a less expensive online or phone-based interaction could have worked just as well.

The figure below illustrates the size of the savings that can be made by streamlining transactional services and enabling clients to do more themselves. The figure uses the example of an application for Jobseeker Support to compare current appointments that focus on data entry and processing with the future state focused on an outcomes-based conversation, which will have an additional 30% investment in the outcomes portion of the process.

*Processing an application – Jobseeker Support, before and after Simplification*



\* MSD intends to increase resources available for addressing outcomes by reinvesting 30% of the savings generated.

The work eliminated through Simplification will be equivalent to 743 full-time equivalent positions – a total net benefit of \$47.4 million year on year. The number of redundancies is estimated at up to 560, after staff attrition and re-deployment, with the redundancy process occurring from July to December 2016.

Staff will be fully supported through the change process. We will use attrition and, where possible, redeployment and retraining before redundancy. Support will also include access to free counselling (through the employee assistance programme) for those who are affected as well as assistance to secure other opportunities.

A consequence of Simplification will be that some service delivery sites (eg, small sites that provide predominantly transactional services) will close. For many clients, access to our services will be improved with the enhancements to the digital channel and clients able to transact with MSD remotely. However, MSD will need to ensure services are still accessible for those communities.

## Indicative business case approved in June 2014

This business case follows the indicative business case and associated Cabinet paper approved in June 2014 (CAB Min (14) 22/3; SEC Min (14) 11/1). We were directed to

complete, by 31 December 2014, a detailed business case for the Simplification programme of work (including market engagement, prototyping, costs, benchmarks, a benefits realisation plan, an implementation plan, funding options, an assurance plan, and detailed design. This business case addresses those aspects. This summary focuses on what people can expect to see, when, and at what cost during and after the successful implementation of the Simplification investment proposal.

## Strategic context

The investment proposal is presented in the context of the Ministry's successful implementation of other large change projects (eg, welfare reform and housing assistance) and its adoption of an investment approach. Simplification is also a critical component of the Ministry's strategic direction for a client-centred operating model. This direction aligns with other projects such as that to modernise Child, Youth and Family. Simplification, by reducing unnecessary foot traffic in sites, as an example, will contribute to MSD's security review. The Ministry will adapt the design and delivery of the change as necessary to remain aligned.

The Ministry has also identified Simplification as a primary initiative to address the four-year funding shortfall as well as freeing up resources for reinvestment in outcome-focused services. At the time of the indicative business case, this shortfall was \$61 million.<sup>2</sup>

Simplification will contribute directly to improving people's interaction with government by enabling more New Zealanders to complete their transactions with us easily in a digital environment (Better Public Services result 10). The intention is to create some additional capacity to provide a reinvigorated focus on improving the lives of clients – achieving outcomes, including work, rather than processing transactions.

Current transactional processes get in the way of the Ministry achieving its purpose – to help New Zealanders to help themselves to be safe, strong, and independent. The processes are manual and cumbersome, frustrating clients, limiting staff's ability to focus on outcomes, and increasing costs. A significant opportunity exists to improve the experience, develop client's digital skills, and reduce the direct cost of delivering transactional services.

## Options assessment

The four options shortlisted in the indicative business case were assessed for this business case. One option (Efficient Sourcing) was ruled out after it was decided that every option should have some component of private sector delivery of services.

The preferred option (Integrated Transactional Service) is the only option that gives full effect to Simplification – simpler at the front and smarter at the back. This option also provides a good rate of return for both departmental and Crown expenditure. The assessment is summarised in the table following.

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2 MSD (2013) *Ministry of Social Development Budget 2014: Four-year plan* (Budget sensitive). The four-year plan is currently being revised and is likely to identify a larger shortfall.



## Commercial In Confidence

### Summary of the options assessment

Description of option	Summary assessment of option	
Do Minimum		
Represents the Ministry's existing programme of work, making incremental improvements and driving efficiencies through business-as-usual initiatives in each business unit	Lowest cost and lowest risk option to implement Largely ignores the current, frustrating experience for clients Does not meet Ministry or government's strategic objectives (eg, Better Public Services result 10)	Up-front cost: \$14m Net present value (8 years): \$23m Breakeven point: Year 4 Departmental benefit after year 4: \$10m per year
Provides limited improvement to online channels and relies on existing capabilities	Generates a positive return on investment, and limited other economic benefits Savings generated do not address the Ministry's funding shortfall	Crown benefit after year 4: \$40m
Efficient Sourcing		
Reduces cost by outsourcing components of the transactional process to specialist providers	Market engagement taught the Ministry that working with the private sector would likely reduce costs, improve delivery, and reduce risks regardless of the option chosen. Therefore, private sector delivery of services to support Simplification was included as a fundamental component of all options, and this option was eliminated as a separate option.	
Integrated Front End		
Delivers a redesigned experience for clients through a simpler, more client-centric transactional service Relies on existing Ministry capabilities for streaming clients and will provide only limited improvement to back-end processes and systems	Middle cost option Low risk during implementation (because of minimal integration with back-end systems) Higher risk for service delivery –limited improvement in analytics, risk management, and ability to respond and stream clients Makes significant progress towards delivering a client-centric experience and increasing use of self-service channels Only partially delivers on processing and capacity objectives, so provides limited capacity to invest in outcomes	Up-front cost: \$68m Net present value (8 years): \$44m Breakeven point: Year 5 Departmental benefit after year 4: \$29m per year Crown benefit after year 4: -\$10m
Integrated Transactional Service – preferred option for investment		
Delivers a redesigned experience for clients through a simpler, more client-centric transactional service Provides an integrated view of clients' transactions, as well as	Largest benefit for clients Highest net present value, costs, and benefits Significantly reduces cost and time to process transactions Significantly frees up capacity for potential reinvestment in outcome-focused activities	Up-front cost: \$106m Net present value (8 years): \$76m Breakeven point: Year 5 Departmental benefit after year 4: \$47m per year Crown benefit after



Description of option	Summary assessment of option
enhanced and automated eligibility assessment, payment maintenance, and business intelligence capabilities	High risk during implementation with the complexity of altering back-end systems Minimal risk to ongoing service delivery – enhanced intelligence and operational reporting with sustainable, scalable, and agile digital capabilities

## Implementation – what we will deliver when

The main changes in the Simplification investment proposal (the Integrated Transactional Service option) to deliver the future state are:

- digital channels co-designed with users to be highly intuitive and easy to use
- smarter messaging so clients get consistent and clear information across all channels and do not receive unnecessary correspondence
- face-to-face and phone-based support to help people use the new digital channels
- straight-through population of data to eliminate manual data entry and re-entry
- smarter analytics to stream applicants by risk and needs and exception reporting
- a single view of a client, so their transactional information can be seen in one place
- better use of authoritative data to minimise client effort, reduce overpayments and ensuing debt, and verify client information.

The proposed changes will be delivered in just over 2½ years. The first set of tangible changes will be rolled out from March 2015, followed by continuous delivery of changes in an environment that is agile, committed to learning by doing, strongly led, and well monitored. Each implementation stage has targets for digital uptake and manual processing reductions that need to be achieved for the overall benefits (see the figure over the page).

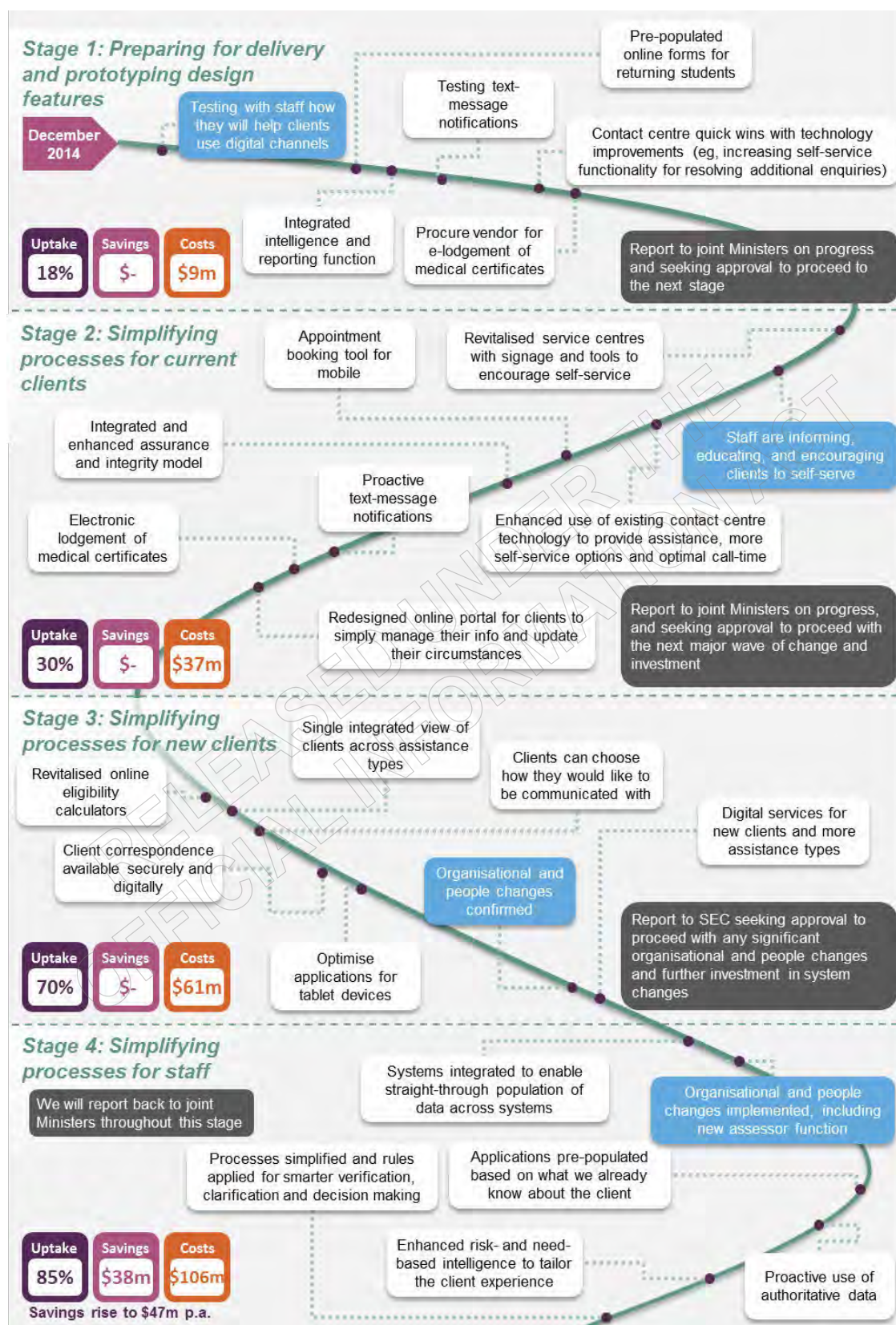
### ***Digital uptake targets are bold yet achievable***

Reaching 85–90% uptake of digital services in just 2½ years is a bold target, but it is achievable and is consistent with experiences in comparable overseas jurisdictions. The Ministry estimates that up to 70% of clients are either ready or will find it easy to switch to new digital channels. It also estimates that up to a third of clients may require staff assistance. This assistance will range from staff showing a client how to get started to coaching a client through the entire process.

Transactions entered with staff help will still generate significant benefits from system integration and automated processing. Achieving 85–90% uptake by June 2017 depends on substantial improvements in functionality and usability and a change in staff behaviour to inform, educate, and encourage clients to self-serve.



What we will deliver, when, and for how much, 2015–2017





## Funding implications

### Up-front investment

Simplification requires capital funding of \$66.2 million over the next three years. This amount will be released following reprioritisation of the Ministry's capital plan (\$364.8 million on all capital items from 2014/15 to 2018/19). Both property and information technology investments will be affected by the design of new business processes as a result of Simplification, so current plans will be reprioritised to fund the proposed investment.

The Ministry will fund the capital expenditure required from existing baselines, so the associated capital charge and depreciation costs will be sourced from existing funding streams.

*Total up-front investment, 2014/15 – 2021/22*

Up-front investment	2014/15 (\$m)	2015/16 (\$m)	2016/17 (\$m)	2017/18 (\$m)	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)	Total (\$m)
Capital cost	13.0	32.7	20.6	–	–	–	–	–	66.2
Implementation cost	5.2	27.9	6.6	–	–	–	–	–	39.7
<b>Total up-front investment</b>	<b>18.2</b>	<b>60.5</b>	<b>27.2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>105.9</b>

### Implementation and ongoing operating funding

Simplification requires \$6.4 million of operating funding for the remainder of 2014/15 and \$29.7 million in 2015/16 for operating and implementation costs. The Ministry will request that this funding be brought forward by a fiscally neutral adjustment from future years' baselines, thus allowing it to self-fund the operating cost.

### Net operating benefit

By 2016/17, Simplification will be self-funding and the additional operating funding required will be funded from the savings generated.

*Net operating benefit, 2014/15 – 2021/22*

	2014/15 (\$m)	2015/16 (\$m)	2016/17 (\$m)	2017/18 (\$m)	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)	Total (\$m)
Increase in operating costs	1.1	4.1	11.1	9.9	9.4	9.4	9.4	9.4	63.8
Gross benefit	–	2.3	35.7	48.2	54.7	56.5	56.7	56.7	334.9
<b>Net operating benefit</b>	<b>(1.1)</b>	<b>(1.9)</b>	<b>38.2</b>	<b>46.4</b>	<b>47.4</b>	<b>47.4</b>	<b>47.4</b>	<b>47.4</b>	<b>271.1</b>

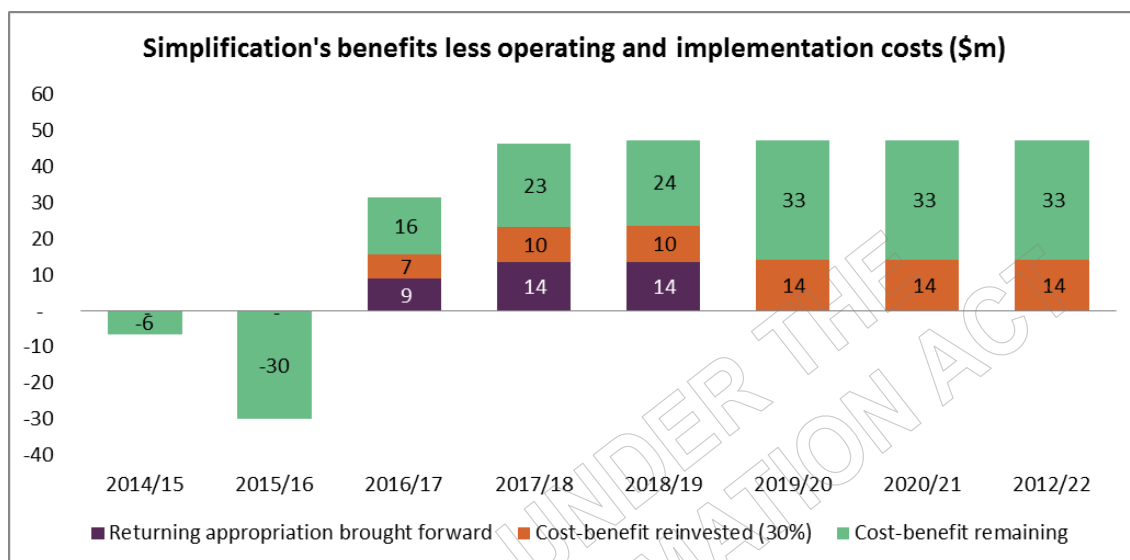
### Reinvestment

We intend to reinvest 30% of the estimated savings into employment-related outcome services. An investment of \$10 million per year (\$40 million over four years –

## Commercial In Confidence

departmental operating) could generate a Crown spend reduction of \$125 million (over the same period). Note that the reinvestment is made up of both internal staff costs and external contracted services costs. The Ministry will report to Ministers through the four-year planning process on the balance between reinvestment of the remaining benefits or application to baseline pressures.

*Net operating impact of Simplification, 2014/15 – 2021/22*



### **Setting an appropriate contingency**

MSD sought external advice on the level of total programme costs. It engaged Broadleaf to provide a thorough quantitative risk analysis (QRA) and Tenzing to review information technology (IT) costs.

On the basis of those reviews and consideration of the component parts of the costs, MSD has determined the contingency should be set at \$19.9 million on the capital component of the up-front investment. This is equivalent to 30% of the total capital cost, which is within the ranges determined in the QRA and independent review.

The contingency on implementation costs was estimated to be \$5 million over a four-year period. MSD can reprioritise within its much larger total baseline to find these costs in the unlikely event that they arise.

Any contingency required will be found by reprioritising the Ministry's capital plan. The contingency will be withheld from project budgets and access to it will require a variation approved by the Chief Executive. Any access to the contingency will be reported to joint Ministers.

### **Impact on Crown spend**

The changes to how we deliver transactional services may also affect the total amount of financial assistance paid to New Zealanders on behalf of the Crown. A potential increase of \$50 million per year as a result of the reduced effort to transact with the Ministry is expected to be offset by a decrease in payments of \$100 million from better



use of authoritative data. The reinvestment of 30% of estimated savings into employment-related outcome services will also result in further Crown savings.

Crown benefits and costs will affect the Crown's operating balance and the Ministry's balance sheet and appropriations. We will include the implications Simplification will have on Crown payments in future forecasts.

Using authoritative data to identify correct entitlement will result in an increase in the total volume of overpayments established as debt. Matching client information more frequently will also significantly decrease the average value of debt for clients. This will provide a substantial benefit for clients, because they will be able to more easily manage any debt they incur.

### **Implementation – what success will look like**

Our approach to implementation recognises that to be successful we must:

- equip and engage clients and staff to design, adopt, and deliver the change
- balance a high degree of agility with strong leadership
- track and monitor the results through to benefits realisation
- use private sector capabilities more effectively.

#### ***Equip and engage clients and staff to design, adopt, and deliver the change***

Simplification does mean significant change – for both clients and staff. It will be difficult to realise the full benefits from the proposed investment if staff do not feel sufficiently engaged and trained to support and encourage clients to use new digital channels for transactional services. Therefore, careful and well-planned management of the people dimension of this change is fundamental to success.

Staff will be fully supported through the change process. MSD will use attrition and, where possible, redeployment and retraining before redundancy. Support will also include access to free counselling (through the employee assistance programme) for those who are affected as well as assistance to secure other opportunities.

Continual co-designing and testing of concepts with clients and staff as well as sophisticated change management and communications strategies will help to equip and engage them as well as ensuring that new services and processes will work when they are rolled out. Continuous monitoring of behaviour, uptake of new services, and satisfaction will mean design and delivery can be quickly adapted.

Staff are highly connected with the Ministry's purpose and are committed to making a positive difference for the many individuals and families they deal with every year. That commitment is one of the Ministry's core strengths. The focus of change management will be to build on these existing core values.

Many people will experience the changes positively, but some will be apprehensive as they learn to access new digital channels. The inclusion of significant digital support to assist clients will mitigate this risk. No client will be deprived of financial assistance or support because they cannot or will not use the digital channel. All efforts will be made

to build their digital confidence and skills and encourage the use of this more efficient channel over time.

### ***Balance a high degree of agility with strong leadership***

The Ministry will continue its two-speed approach to delivery – being cautious and careful when changing core payment and processing systems; agile and iterative when rolling out front-end improvements and digital services for clients.

It is critical Simplification has clear management and governance processes to ensure control and coordination as these decisions are made. Simplification will work with operational leaders who have clear authority to focus on operational design decisions. The programme steering group (comprising senior Ministry leaders and independent members supported by external advisers) will remain responsible for overall design, the client and staff experiences delivered, and high-risk areas such as security and privacy.

Leadership from the top is also crucial if we are to realise the benefits. The Leadership Team is committed to providing strong and responsive leadership throughout implementation and work to embed the outcomes of Simplification in the organisation.

Independent quality assurance will provide monitoring and oversight as concepts are developed rapidly throughout implementation. This oversight will be crucial in ensuring we remain focused on achieving the overall benefits from Simplification.

Simplification is also participating in the Gateway process and was reviewed during the development of the business case for this phase. The independent reviewers, with more than 100 projects' experience, concluded, "Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery".

### ***Track and monitor the results through to benefits realisation***

Ensuring we realise the benefits of Simplification requires sophisticated tracking and monitoring of the results being achieved. It also requires clear accountabilities for benefit realisation to be set throughout the organisation.

An integrated intelligence and reporting function will enable co-ordinated, responsive, evidence-based decisions. This function will bring together Ministry-wide information about transactional services to identify opportunities for further improvement, track progress towards targets, and highlight risks. Governance groups and programme management with operational business leaders will use this function to manage delivery and adjust implementation as required.

Frequent and ongoing tracking of the progress targets and active management will ensure we achieve the levels of digital uptake and manual processing required to generate the overall benefits from Simplification.

### ***Use private sector capabilities more effectively – we don't have to do this alone***

The commercial sector has been implementing client-centred, digital change for some time with providers of all sizes. Plenty of potential suppliers can help us to build its capability and awareness while working alongside it to deliver real value quickly.

Simplification is not about implementing leading-edge technology and processes; it is about government catching up with what New Zealanders expect in their daily lives.

We have sought and are incorporating the experiences of the Australian Department of Human Services, Air New Zealand, ANZ, Tower Insurance, and Telstra Australia; all organisations that have implemented digital transformation and/or used a two-speed approach to design and implementation. For example, MSD considered Air New Zealand's introduction of self-service check-in kiosks in airports and use of staff to encourage and help travellers to use them.

Implementation of Simplification will be supported by the private sector capabilities and services identified during the interactive market engagement, for example:

- specialised capability in client/user-centred design and the application of these skills to agile development and deployment
- expertise, products and outsourcing to drive digital service using contact centres
- analytics tools that support personalised and targeted services to clients and manage transaction risk and ongoing service design.

### Consultation and engagement

Simplification has started testing concepts, giving people opportunities to 'see, do, and experience' in a model office testing space. It has been bringing concepts to life, test-driving basic prototypes and processes with staff, demonstrating possible staff and client experiences with stakeholders, and walking staff and Central Agency representatives through scenarios.

Senior officials have developed strong, collaborative relationships with the Accident Compensation Corporation, Inland Revenue, and the Department of Internal Affairs, which are also transforming into modern, digital-age businesses and face challenges similar to those the Ministry faces. For example, we are working with Inland Revenue to pilot a shared voice biometric service and with the Department of Internal Affairs to better utilise RealMe.

The Ministry will continue to seek independent advice and assurance from its external strategic partner, Deloitte (which provides advice, support, and structure to the project and advises the Steering Group, Senior Responsible Officer, Executive Director, and project team) and from KPMG (which provides independent quality assurance).

### Recommendations and next steps

This business case:

- seeks **agreement** to implement the preferred investment option (the Integrated Transactional Service option)
- seeks **approval** to invest in the next phases of Simplification
- sets out a **schedule** of reporting and subsequent approvals (including points at which Ministers may revisit the investment in Simplification).

The Ministry proposes reporting to the Minister for Social Development and Minister of Finance (joint Ministers):

## Commercial In Confidence

- by the end of March 2015 to confirm the Ministry's progress in preparing for the implementation of Simplification and seeking approval to proceed
- by the end of November 2015 to give joint Ministers an opportunity to review progress, ensure the ongoing quality of the investment, and, if necessary, modify implementation before the next major wave of changes
- as otherwise required by joint Ministers.

By the end of June 2016, we propose reporting to the Cabinet Committee on State Sector Reform and Expenditure Control to report on progress, including how the costs and schedule of Simplification are being managed and any consequences for the timing and amount of expected benefits, and to consider any modification to implementation before significant organisational and people change and further investment in system changes.

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## **1 Introducing this business case – simpler is smarter**

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### **1.1 Purpose of this business case**

This business case for the next phase of Simplification recommends the Ministry of Social Development's investment proposal to simplify its services relating to financial assistance (transactional services) to make services effective for clients, reduce operational costs, and create opportunities to reinvest resources in outcome services.

This business case:

- seeks agreement to implement the preferred investment option – the Integrated Transactional Service option
- seeks approval to invest in the next phases of Simplification
- sets out a schedule of reporting and subsequent approvals (including points at which Ministers may revisit the investment in Simplification).

The Chief Executive's letter confirming his involvement in the business case's development and that the project is ready to proceed as described above (as per current Better Business Cases guidance) is in Appendix 1, page 125.

### **1.2 Indicative business case approved in June 2014**

Cabinet approved the Simplification indicative business case at the end of June 2014 (SEC Min (14) 11/1).

Ministers directed us to, by 31 December 2014, complete and report back to the Cabinet Committee of State Sector Reform and Expenditure Control on the detailed business case for the Simplification programme of work, including progress with market engagement, prototyping, costs, a benefits realisation plan, an implementation plan, an assurance plan, funding options, and detailed design. These aspects are covered in this document.

### **1.3 Scope and approach of this business case**

This business cases utilises the components and disciplines of the Better Business Cases methodology. However, the proposed investment is for a programme of work to improve clients' experience of the Ministry's transactional services; it is not for a single large capital item (such as a frigate or a prison) or for upgrading or replacing core legacy information technology systems.

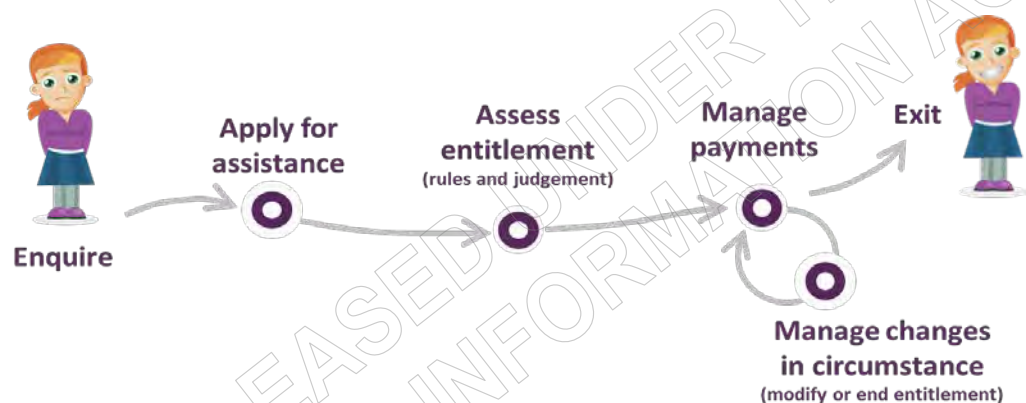
Simplification is also following good practice in its solution design, build, and delivery, taking a two-speed approach and being evidence based. The agile aspect of this approach means we have not specified (in fact, cannot specify) every detail up front, but we do specify our approach to staying connected to the results and our approach to management and governance that will allow us to continuously monitor, review, and adapt to ensure Simplification is tracking as required to realise benefits.

## 1.4 Scope and approach of Simplification

As described in the indicative business case, the Ministry's four-year plan (2014/15 to 2017/18) identified the simplification of transactional processing as a key enabler to achieve the Ministry's strategic direction. The Ministry has also identified Simplification as a primary initiative to address the four-year funding shortfall as well as freeing up resources for reinvestment in outcome-focused services. At the time of the indicative business case, this shortfall was \$61 million.<sup>3</sup>

Transactional processes are all services provided to a client seeking financial assistance and support. They are the processes associated with determining a client's eligibility and entitlement through to monitoring and managing the client's payments until their entitlement ends. Transactional processes also include the administrative aspects associated with monitoring obligations and changes in circumstances and managing debt (as illustrated in Figure 1).

Figure 1: Transactional processes



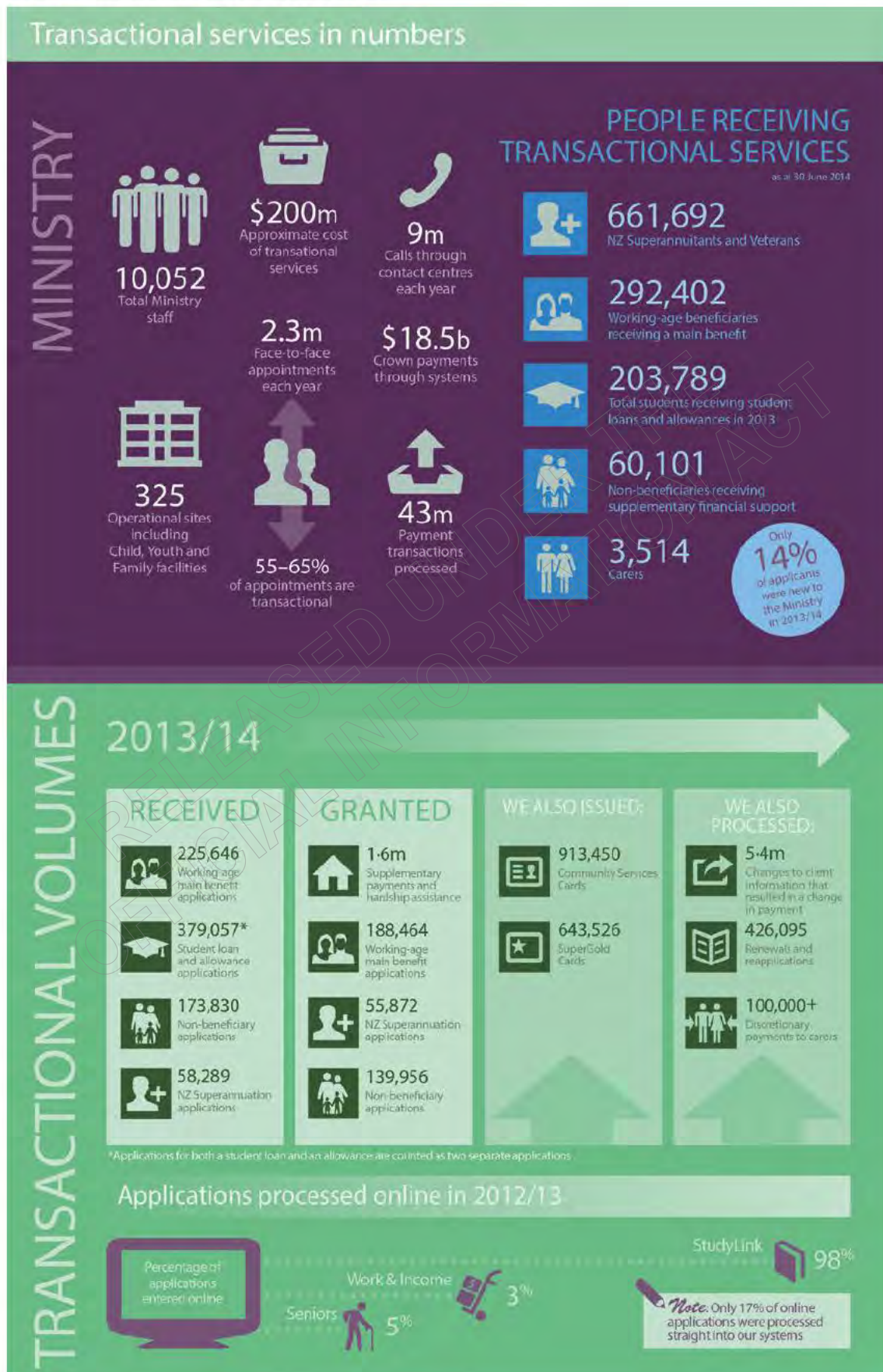
Transactional processes contribute to a significant proportion of the Ministry's work. Volumetric information about the Ministry's transactional services has been updated for 2013/14 (Figure 2).

Transactional services should provide the client with the financial assistance they are entitled to through a process that is simple, transparent, and of high integrity.

Simplification is about making business processes for transactional services more efficient and client-centric, releasing resources from transactional service provision to outcome-focused activities and by capturing the right data to support other processes.

<sup>3</sup> MSD (2013) *Ministry of Social Development Budget 2014: Four-year plan* (Budget sensitive). The four-year plan is currently being revised and is likely to identify a larger shortfall.

Figure 2: Transactional services, 2013/14



## 1.5 Structure of this document

This business case is organised around the Better Business Cases structure. It confirms that the Simplification investment proposal:

- remains supported by a robust case for change as originally detailed in the indicative business case (see section 2, page 21)
- provides the best value for money given the trade-offs required across the shortlisted options (section 3, page 40)
- is affordable (section 4, page 62)
- can be delivered successfully (section 5, page 74)
- can be supported by private sector ideas and capability (section 6, page 105).

Supplementary information is appended to this document or available on request.

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## 2 Revisiting the indicative business case

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### 2.1 Purpose of this section

After reiterating the scope of Simplification – transactional services – this section revisits the indicative business case for Simplification (which Cabinet approved in June 2014). In particular, it:

- confirms the compelling case for change following learnings from market engagement and detailed service design work (section 2.2)
- summarises additional research and analysis undertaken since the indicative business case (section 2.3, page 26)
- includes refined key performance indicators (baseline and targets) to measure the success of Simplification (section 2.4, page 27)
- identifies other Ministry projects with which Simplification has a relationship so may be affected or influenced (section 2.5, page 31)
- refines the four shortlisted options to three options, recognising that outsourcing must be a fundamental component of any option (section 2.6, page 34).

### 2.2 Case for change remains compelling

This section explains how detailed service design work and findings from interactive market engagement confirm the compelling case for change set out in the indicative business case. Because the fundamental case has not changed substantially, it is not repeated here.

Digital transformation will allow the Ministry to respond to changes in demand or policy in a more cost-effective manner – when volumes of transactions change in a digital environment they do not require significant changes in staff numbers (as are required in a non-digital system). This transformation will also contribute directly to Better Public Services result 10 – improving people’s interaction with government by enabling more New Zealanders to complete their transactions easily in a digital environment.

Significant opportunities exist to better utilise current digital technologies and support a much higher level of self-service, enhancing the experience for clients and staff and creating efficiencies for the Ministry.

#### 2.2.1 Results from the detailed service design work

##### ***Simplification will align the Ministry with leading industry practices***

One principle of Simplification is to learn from other organisations (whether public or private) that have transformed their businesses in a similar manner.

The Ministry does not need to do everything by itself – digital transformation is not new in the broader transactional environment, so the Ministry can take advantage of others’ experiences and capabilities and develop its own (see, eg, the lessons from the Australian public sector in Figure 3).

*Figure 3: Lessons from the Australian public sector's digital transformation*

- Well-planned and well-communicated change management is vital to success – staff need to know why the change will be better for clients.
- Front-line staff need to understand the benefits of digital channels and promote their use.
- The online experience needs to be as consistent as possible – to have the same look and feel at home as in the front-of-house self-service environment.
- Ongoing client insights and design methodology must be embedded into the organisation (for implementation and continued improvement as part of business as usual).
- During implementation, focus on the front end first to improve the client experience and achieve symbolic wins.
- Follow a non-traditional approach to benefit realisation to facilitate flexibility – and remember to bring central agencies on the journey.
- Digital by default is key – the option isn't enough to drive uptake on its own.
- Agile implementation makes sure opportunities and learnings are considered during the change process.

To learn from organisations that have successfully undertaken significant client-centred digital transformation, senior Ministry officials visited or had detailed discussions with, for example, a major retail bank, Air New Zealand, the Australian Tax Office, the Australian Department of Human Services, the UK Department of Work and Pensions, and insurance companies.

Ministry officials have also developed strong relationships with the Accident Compensation Corporation and Inland Revenue, both of which are transforming into modern, digital age businesses and face challenges similar to those the Ministry faces. For example, we are working with Inland Revenue to pilot a shared voice biometric service, whereby our current and future registered voice-prints will be stored in Inland Revenue's existing voice-print database.

In addition to a wealth of practical knowledge, tips, and mistakes to avoid, the Ministry now has a good network of experienced senior and executive-level experts who can advise and challenge the Ministry along its journey.

### ***Agility in practice – design sprints***

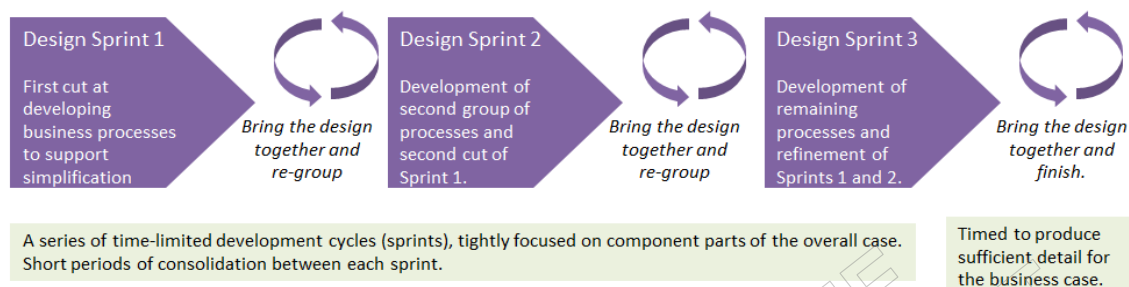
Following the approach taken by other organisations (eg, Australian Department of Human Services, ANZ, Tower Insurance, and Telstra Australia), Simplification is being agile and innovative to improve the online user experience and being cautious and careful when automating or making other changes to core systems. Such agility promotes faster delivery, learning, refinement, and progress than is otherwise possible.

Simplification has been iteratively testing and refining its design concepts – putting agility into practice. 'Design sprints' have informed an integrated end-to-end view of the

possible future transactional service and helped the project to refine the service design for inclusion in the business case.

The lessons learned through the design sprints have informed the agile approach and supported ongoing engagement with front-line staff.

Figure 4: Agile design methodology used by Simplification



### Testing before investing – co-designing with staff and clients

A Simplification philosophy is to co-design and test thoroughly with users (ie, both staff and clients) to ensure any idea or concept will really work for users.

A model office testing space has been created in which to simulate the new service experience for staff and clients. Simple prototyping and testing of elements of the design have helped the project develop a clearer understanding of impacts, feasibility, and usability, and have quickly clarified what won't work in practice. Clients have also been through the model office and will have further opportunities to participate in the design process.

Figure 5: Model office testing space



Staff including navigators from the front line, service delivery general managers, and assurance and information technology have participated in integration sessions to test and refine the potential design.

Figure 6: Testing a concept with staff

**Concept**

Concept name  
Online appointment booking

Aspect prototyping  
Booking an appointment online and changing circumstances without an appointment

Question to answer  
How did clients feel about not actually needing an appointment?  
Would they book appointments online?

Who tested on  
Helen Taucher – Intelligence Analyst  
Katie Bruce – Policy Analyst  
Garth Stirrat – Service Development Advisor

Type of prototype used  
Computers made out of rubbish bins

**Photos**

**Feedback**

**What worked**

- Nervous talking to people on phone so booking online was good
- Good that it selects the closest office
- Text message/confirmation good
- Icons/pictures (calendar)
- Liked having a concierge/assisted digital option available – changed prototype to accommodate this, worked well
- White space on pages was good – not too busy
- Prefilled with client details already known good
- Next time in site would go to self service and do
- Simple/easy
- Process good
- Breakdown of payment

**What didn't work**

- Needs to give the option to still be able to book an appointment
- Uncomfortable as left to book online alone
- Didn't like being directed to a self service computer to book online
- Not being given the option to have the receptionist book an appointment
- Sticking point – self service
- Nervous, wants to talk with someone

**Questions**

- What if there was another reason a I wanted an appointment?
- But I'm not comfortable with this, I want to see someone
- How much information will come through on the text?
- Why do I need an appointment for Child coming into care but not for disability allowance and accommodation?
- What would I be required to bring in?

**Ideas**

- Have a phone number on each page in case the client was having trouble and needed help
- Option for email, text or both
- Option not to receive text in case partner sees
- Should go out to general public – now clients
- Option to provide information in person
- Need to have an assisted digital/concierge available
- Needs a reminder that if costs change again need to inform us

## 2.2.2 New approach to market engagement – understanding the possible

Another Simplification philosophy is to use the extensive knowledge, experience, and capability available from the market – the Ministry does not have to make this transformation by itself and opportunities exist for it to build internal capability to ensure simplification endures. Following approval of the indicative business case, Simplification started an interactive market engagement process, focusing on engaging the market to co-design and develop innovative solutions to help it 'understand the possible'.

This engagement process differs from the traditional approach because it gives the Ministry and suppliers a far better opportunity to learn from each other in an open, constructive way. The result was a better understanding of the many opportunities for innovative, co-designed solutions to deliver Simplification and confidence that our design is achievable.

The three overall lessons apparent from the initial market engagement (detailed in section 6.2.1, page 105) were:

- market capability for digital transformation is established and mature
- Simplification is not about bleeding (or even leading) edge processes and technology
- the Ministry does not have to transform by itself.



### ***Interactive engagement brought to light many possibilities and suppliers***

The invitation to participate in the interactive engagement gave suppliers an opportunity to attend a briefing before submitting their response. This briefing used the concept of 'stalls' to enable Ministry and project staff to interact with small groups of suppliers.

Each 'stall' covered a different aspect of the desired client experience and presenters provided an honest assessment of the current state of the Ministry's transactional processes and systems.

*Figure 7: Participants at a market engagement briefing, July 2014*



Suppliers submitted brief and innovative responses that were largely well tailored and helpful. Sixteen suppliers were selected from 41 responses to engage in further discussions. From the discussions, the Ministry identified extensive opportunities to improve the client experience and harness technology. (For details about these opportunities, see section 6.2.2, page 106, and 6.2.3, page 109.)

The engagement approach made it easy for suppliers across a full spectrum of potential offerings to participate – large providers offering comprehensive solutions, suppliers offering an end-to-end process for a specific part of the business, and small specialist suppliers that focused on single or 'niche' aspects of Simplification. Under a traditional approach, medium and small specialists with great ideas might well have been left out.

### ***Working with the private sector will build Ministry capability***

The engagement process reinforced that extensive opportunities exist for the Ministry to work with a variety of suppliers to fill capability gaps and help it to catch up with the digital transformation already well under way in the private sector. The Ministry does not have to deliver this transformation on its own – a well-established and mature industry exists with specialist capability, products, and services.

### ***Working with others from the private and public sectors will lower risk***

Simplification does not require bleeding (or even leading) edge technology, but it does require significant change to business processes and the way the Ministry administers and operationalises its transactional services. By working closely with organisations with proven experience and tool sets the Ministry can accelerate its implementation of change and deliver value quickly while lowering risk.

### ***Smarter strategy for procurement – one size does not fit all***

It was apparent after discussions that no single vendor could offer the capability to realise the full range of benefits from Simplification. Success requires a smarter procurement strategy implemented through a multi-method procurement plan rather than the traditional 'one size fits all' method. Such a plan would match the length and type of procurement to support and deliver the phased implementation proposed in the management case in section 5.2, page 74, and section 5.3, page 77. The procurement strategy is discussed in section 6.3, page 112, and the plan in section 6.4, page 116.

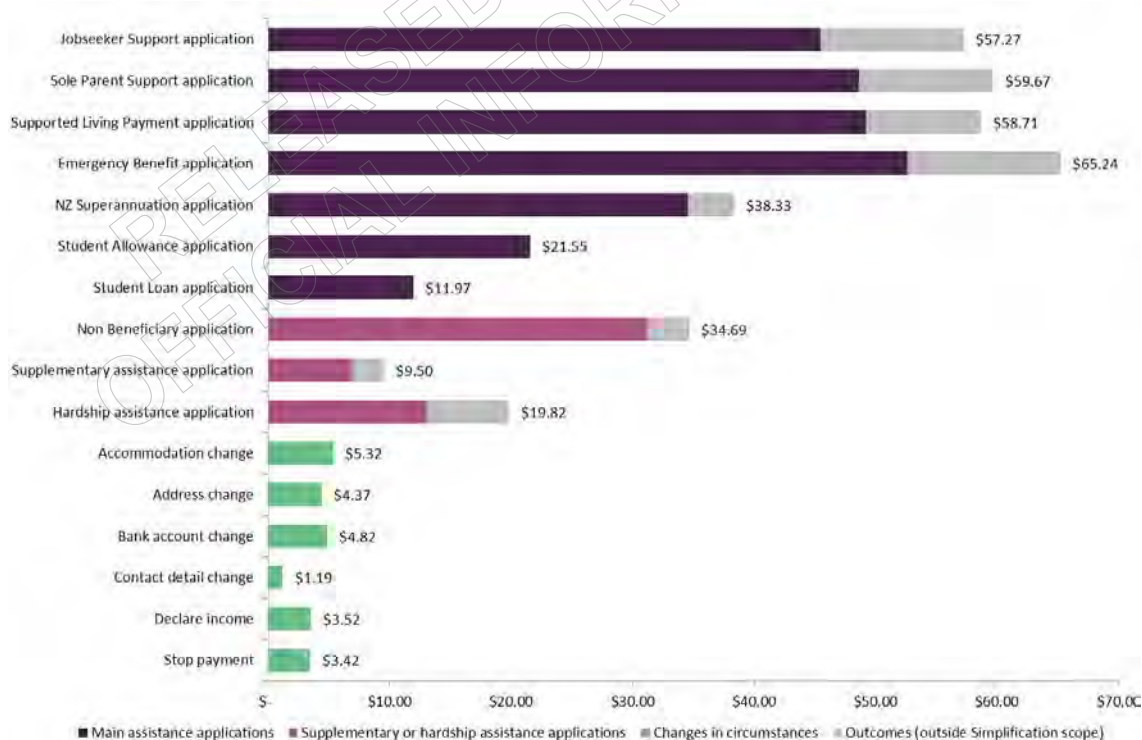
## **2.3 Additional research and analysis**

We have conducted further research and analysis of our current transactional processes through quantitative data analysis, activity-based costing, and literature reviews. This has further informed our design and our cost-benefit analysis for this business case.

### **2.3.1 Updated view of the current state**

Volumetric information about the Ministry's transactional services has been updated for 2013/14 (Figure 2, page 19) and more detailed cost to serve analysis has been undertaken (Figure 8).

*Figure 8: Average cost per transaction, 2013/4*



### 2.3.2 Research and analysis on potential impact on Crown spend

The Ministry administers over \$18 billion in payments to New Zealanders requiring financial assistance from the Crown. The changes made as part of Simplification will likely influence the total amount of payments made each year, including a potential increase from reducing client effort and a potential decrease from better use of authoritative data.

At the indicative business case stage, it was not possible to determine the magnitude of the impacts on Crown spend or, more importantly, the overall net impact, so only the general expected impact for each shortlisted option was reported.

The net impact on Crown spend by option has now been quantified (see Table 1 and discussed throughout section 3, from page 40) as a:

- net increase for the Integrated Front End option
- net decrease for the Integrated Transactional Service option.

This impact was estimated using a variety of quantitative and qualitative analyses of data and research from the Ministry, The Treasury, Statistics New Zealand, and other jurisdictions. This analysis is summarised in Appendix 4, page 146.

Table 1: Expected impact on Crown spend by shortlisted option

Crown spend impact	Do Minimum	Efficient Sourcing*	Integrated Front End	Integrated Transactional Service
Decrease	Partial	Yes	Yes	Yes
Increase	No	Yes	Yes	Yes
Net impact assessed in indicative business case	Decrease	Unknown	Unknown	Unknown
Net impact reassessed	\$40m	n/a	(\$10m)	\$50m

Note: The Efficient Sourcing option presented in the indicative business case is no longer a separate option. Private sector delivery of services is included as a fundamental component of the other options (discussed in section 2.6.1).

## 2.4 Measuring success – key performance indicators revised

Key stakeholders in the indicative business case agreed the following investment objectives (benefits) for Simplification:

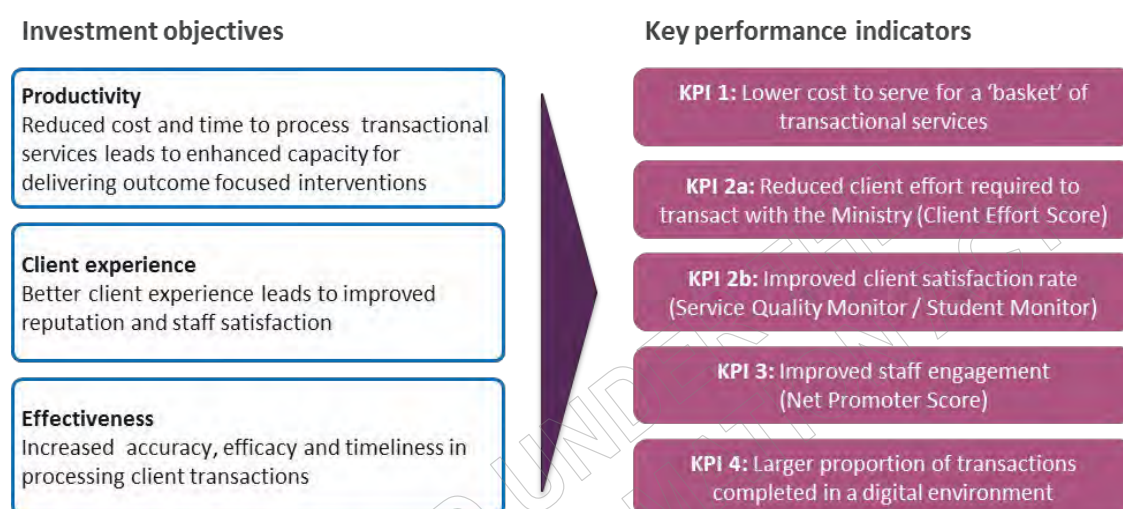
- reduced cost and time to process transactional services
- enhanced capacity for investment in effective interventions leading to better client outcomes
- better client experience leads to improved reputation and staff satisfaction
- increased accuracy, efficacy and timeliness in processing client transactions.



Our key performance indicators will measure how successful Simplification is at achieving improved client experience, increased productivity, and greater effectiveness.<sup>4</sup>

The key performance indicators for the benefit areas are 'headline measures' that can be used in an executive dashboard to communicate Simplification's success clearly both internally and externally.

Figure 9: Measuring Simplification's success – key performance indicators



#### 2.4.1 Lower cost to serve for a basket of transactional services (KPI 1)

Reducing the cost to serve will increase productivity and release capacity for reinvestment in outcomes. The greater the reduction in cost to serve, the greater the capacity for reinvestment will be. This indicator will take longer to achieve as it requires the other success measures to improve before the cost will significantly reduce. As such, the target has been set for 2017/18.

The 'basket' comprises 96% of all main assistance applications, supplementary and hardship applications, and changes in circumstances.<sup>5</sup> These are the transactions included in the cost-benefit analysis and include the key cost drivers (ie, direct costs, including full-time equivalents (FTEs), and indirect costs associated with transactions).

The current average cost per main assistance application is \$31.64, however this varies significantly from costing \$65.24 for an emergency benefit application, to just \$11.97 for a student loan application. Figure 8, page 26, reflects the proportion of each application type that is related to outcome-focused discussions that are out of scope of Simplification.

4 A reduction in time and cost will enable the release of capacity for reinvestment in effective interventions leading to better outcomes. Therefore, this investment objective has not been carried forward as a separate benefit for Simplification.

5 The 'basket' comprises about 96% of main benefit applications ( Emergency Benefit, Job Seeker Support, New Zealand Superannuation, Sole Parent Support, Student Allowance, Student Loan, Supported Living Payment), supplementary and hardship assistance (Advance Payment of Benefit, Accommodation Supplement, Childcare Subsidy, OSCAR subsidy, Disability Allowance, Special Needs Grant, Temporary Additional Support) and changes in circumstances (changes to accommodation costs, address, bank account, contact details, and declaring income and stopping payments).



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Changes to a client's circumstances cost on average \$3.12. However, the Ministry processes over 5 million changes each year.

### KPI 1: Lower cost to serve

Baseline		Target
2013/14: Average cost per transaction	\$12.33	2017/18: Reduce average cost per transaction 25%
Main assistance applications:		
• working age	\$58.21	
• seniors	\$38.33	
• students*	\$15.56	
Hardship & supplementary assistance applications: <sup>^</sup>	\$17.87	
Changes in circumstances:	\$3.12	

\* For students, the average cost includes any applications for extra help applied for at the same time.

<sup>^</sup> Includes non-beneficiary applications.

### 2.4.2 Reduced client effort required to transact with the Ministry (KPI 2a)

Client effort is a standard performance measure for organisations across the world. It measures the physical and emotional effort a client undertakes to resolve their enquiry. Effort is measured by surveying clients across channels about how easy they found it to handle their issue.

Simplification engaged Salmat to provide information about how the Ministry can use the client effort score to increase efficiency, increase effectiveness, and improve the client experience.

The measurement method for client effort is new to the Ministry and will be baselined in early 2015.

### 2.4.3 Improved client satisfaction rate (KPI 2b)

Using existing measures of client satisfaction,<sup>6</sup> we can better track the effect Simplification is having on the client experience over time. For Simplification, the focus of the key performance indicator is on the proportion of 'very satisfied' clients.

The performance measures below highlight the range in satisfaction of our clients across each business unit and channel. This reflects the various needs and expectations unique to each client type. Simplification aims to improve the client satisfaction rate most significantly in the online channel (My Account).

<sup>6</sup> The Service Quality Monitor surveys clients in all Work and Income regions and Senior Services districts who have visited a service centre or called the Contact Centre in the previous 14 days. The survey asks 'How do you feel about the service you received from (the case manager or other staff member you saw on your last visit/person you spoke with on your last call)?'. The Student Monitor surveys students who have had contact with StudyLink in the previous 14 days. The survey asks 'Overall, how satisfied are you with the service you received the last time you had contact with StudyLink?'.



**KPI 2b: Improved client satisfaction rate**

Baseline		Target	
July 2013 – June 2014 (proportion very satisfied):		July 2016 – June 2017 (proportion very satisfied):	
• Work and Income front line	45%	• Work and Income front line	50%
• Work and Income contact centre	43%	• Work and Income contact centre	50%
• Senior Services front line and contact centre	69%	• Senior Services front line and contact centre	75%
• My Account (April–June 2014)	36%	• My Account	75%
• students	27%	• students	50%

**2.4.4 Improved staff engagement (KPI 3)**

The net promoter score would measure loyalty between the Ministry and its staff. It asks staff about the likelihood that they would recommend the Ministry to someone they know as a place to work.

An advantage of the net promoter score is the ease of comparison with other agencies as it is a standard performance measure for organisations, including the Accident Compensation Corporation.

The measurement method for staff engagement has been redefined and will be baselined early in 2015.

**2.4.5 Larger proportion of transactions in the basket completed in a digital environment (KPI 4)**

Although we have the functionality for clients to complete a significant proportion of transactions online, fewer than 1 in 5 applications and just 2% of changes in circumstances are made online.

Increasing the proportion of transactions completed in a digital environment is a key driver for improving our efficiency and effectiveness.

The Ministry has committed to making it easier for clients to transact digitally (Better Public Services result 10), which has a government-wide target for an average of 70% of New Zealanders' most common transactions to be completed in a digital environment by 2017. Simplification will make a significant contribution to this with a target of 80% of interactions online by 2016/17. The rationale for this target is explained in section 3.2.1, page 45, on improving the experience for clients, and see Appendices 6 and 7, from page 151.

**KPI 4: Increased digital uptake\***

Baseline	Target
2013/14: 18% of applications submitted online	2016/17: 80% of applications submitted online
2013/14: 2% of changes in circumstances submitted online	2016/17: 80% of changes in circumstances submitted online

\* KPI 4 measures all applications and changes in circumstances submitted online, including those submitted online with front line or call centre assistance.

We also identified indirect measures to support the tracking and management of project benefits. However, these do not need to be measured as part of the headline measures, but will be monitored through the proposed integrated intelligence and reporting function. For more on benefit realisation planning and monitoring, see section 5.9, page 95.

## **2.5 Relationship of wider Ministry initiatives with Simplification**

### **2.5.1 Relationships with other projects to improve service delivery**

Simplification, the Rewrite of the Social Security Act, and the Service Delivery Learning Initiative are all aiming to improve the delivery of Ministry services to New Zealanders, by modernising and making improvements to better support the needs of clients and provide efficiencies for the Ministry. Since the indicative business case, the following changes have occurred relating to other internal initiatives that affect the design and outcome for Simplification.

#### ***Ministry-wide operating model***

The Ministry is reviewing its operating model to ensure it is the best fit for the future success of the Ministry and clearly places the client at the centre. Simplification is a component of this wider work.

#### ***Organising Ourselves around Our Clients***

In June 2014, the Ministry decided to move all service delivery business units into a single transactional service line through the Organising Ourselves around Our Clients initiative. This realignment is a significant step towards the Ministry's strategic objective of 'One Ministry' and better delivering services to clients. Clients who previously had to navigate multiple service lines now come under one integrated service line. Simplification's proposed changes align with this initiative, making the Ministry's transactional services user-friendly for clients and more efficient, and delivering services in ways that clients expect.

#### ***Work and Income Centralisation – Phase 3***

The next phase of Work and Income's centralisation work is to move selected processing tasks from the front line to Centralised Services. This will make resources available for changes to be implemented through Simplification, including processing electronically lodged medical certificates. Benefits for this project are limited to better aligning staff to roles for transactional and outcome-related work. The processing tasks that will be centralised through this project have not been included in Simplification's benefit modelling.

#### ***Social Security Act Rewrite***

The rewrite of the Social Security Act is to make social welfare policy clear, transparent, consistent, and coherent for clients and staff. Simplification has the opportunity to introduce policy change through the Social Security Act Rewrite project to remove legislative barriers, creating front-line efficiencies and more innovative service delivery. As part of the rewrite, policy work is being undertaken on areas that

might contribute to improved front-line service and efficiency (eg, streamlining the way income is assessed and charged against benefits and enabling better use of electronic communications).

### ***Child, Youth and Family modernisation***

The Child, Youth and Family modernisation initiative is seeking to put the child and young person at the heart of the Child, Youth and Family service delivery model. The initiative will utilise a similar client-centric design method to that Simplification is using, and the solutions developed will include the streamlining, automation, and redesign of processes and increase capacity for mobile and digital channel use. Lessons from and the capability created through Simplification will support this modernisation work. The Simplification model for transactional services also supports the Child, Youth and Family operating model direction to remove transactional processing effort from front-line workers.

#### **2.5.2 Relationship with security review**

Simplification aligns with the Ministry's current security review of front-line services. In particular:

- streamlined processes, provision of consistent information, less repetitive information gathering, and access to a digital channel that is easy to use will improve the client experience
- increased uptake of a user-friendly digital channel will mean less foot traffic through our sites
- increased capacity for staff to work with clients positively.

Simplification has a security workstream to reflect the need for ongoing alignment with security developments.

#### **2.5.3 Relationships with information technology projects to improve transactional processing**

Cost and benefit estimations in the indicative business case assumed the use of current technology platforms such as Curam and SWIFTT and the phasing of costs and benefits aligned to the in-flight system retirement plans. This ensures most effective use of existing and planned investments, and minimises the risk of creating standalone or unsupportable technology solutions for Simplification.

Simplification is aware of the many projects in flight and is working to remain aligned with and cognisant of the overall technology landscape. Simplification is leveraging existing IT investment in two projects in particular.

- **Curam V6 Upgrade:** This project is upgrading the Ministry's core client management system (Curam) to its latest version by November 2014. The upgrade delivers necessary functionality to support straight-through processing of transactions from the digital front end and improves the level of functionality available to staff. To mitigate risks and costs, significant Ministry development on Curam should start after the upgrade has been completed.



- **Single Client Management System:** This project is retiring the UCVII legacy system and moving its functionality into Curam by September 2015. Retirement of this legacy system will reduce the number of interfaces required for transactions, which will lower future development and support costs. Having client information centralised in Curam will provide the framework for a single client view.

Other projects that may affect or influence Simplification include the following.

- **SOLO Retirement:** SOLO is a tool used to assist with case management and to manage specific contracts. This project aims to retire this system and move its functionality into Curam by September 2015. Retirement of this legacy system will reduce the number of interfaces required, which will lower future development and support costs.
- **Adoption of the Verified RealMe Identification:** The Ministry is committed to supporting RealMe and using this platform to support identity management for transactional services. The implementation of RealMe Verification (attributes) for students is due to be completed in April 2015, followed by implementation for beneficiaries, non-beneficiaries, and seniors.

#### 2.5.4 Inland Revenue Information Sharing

The Inland Revenue Information Sharing (IRIS) initiative will extend the current matching of earnings information to calculate previous overpayments and prevent future overpayments to all working-age people receiving financial assistance from the Ministry.<sup>7</sup> IRIS makes much better use of authoritative information to increase the timeliness and accuracy of our transactional service, so is a core Simplification initiative.<sup>8</sup>

Currently, the systems and processes required to action information received from Inland Revenue are largely manual. This means the capacity of the Ministry to address overpayments is limited, contributing to client debt through Crown overpayments. However, if the Ministry could invest more in its back-end systems as part of Simplification, we could automate adjustments to entitlements as we receive information from Inland Revenue.

Automation will allow all clients who are in paid work to have their payments adjusted, preventing future overpayments and ensuring any overpayments established as debt are limited and more easily managed by the Ministry.

The total volume of overpayments established each month will initially increase as more information is matched, although debt repayment deductions to recover the overpayment amount can usually be set up automatically. We expect voluntary compliance to improve over time by improving the experience for the client and incidents of overpayment to reduce.<sup>9</sup> Finally, because data-matching will occur each

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7 Earnings information shared through IRIS is limited to PAYE. Other earnings affecting entitlement will continue to be processed manually.

8 The IRIS business case process began separately to Simplification, but through its better use of authoritative data, IRIS has been included as a Simplification initiative. As a result, it will be accelerated through implementation because of similarities within the required business rules.

9 Research into overpayment debt conducted by Evalua Research for the Ministry in 2011 supports this.

month, the amount a client can be overpaid will be limited, significantly reducing the average value of any debt incurred, providing a benefit for the client as it is easier for them to repay a smaller debt.

## **2.6 Revisiting the shortlisted options – options refined for assessment**

The four options shortlisted in the indicative business case have been refined using information from the market engagement and detailed design work since the indicative business case was approved (June 2014). The options also incorporate developments in other Ministry projects that may affect or influence Simplification (section 2.5). The components of each option are detailed in Appendix 2, page 127.

### **2.6.1 Refinement from four to three options**

The market engagement clearly showed that partnering, procurement, and outsourcing would likely reduce costs, improve delivery, and reduce risks regardless of the option chosen. The Ministry must work with experienced third parties if Simplification is to be successful. Therefore, private sector delivery of services to support Simplification using established technologies and lower-risk delivery methods is now a fundamental component of all options. The **Efficient Sourcing** option presented in the indicative business case is no longer a separate option.

### **2.6.2 Do Minimum**

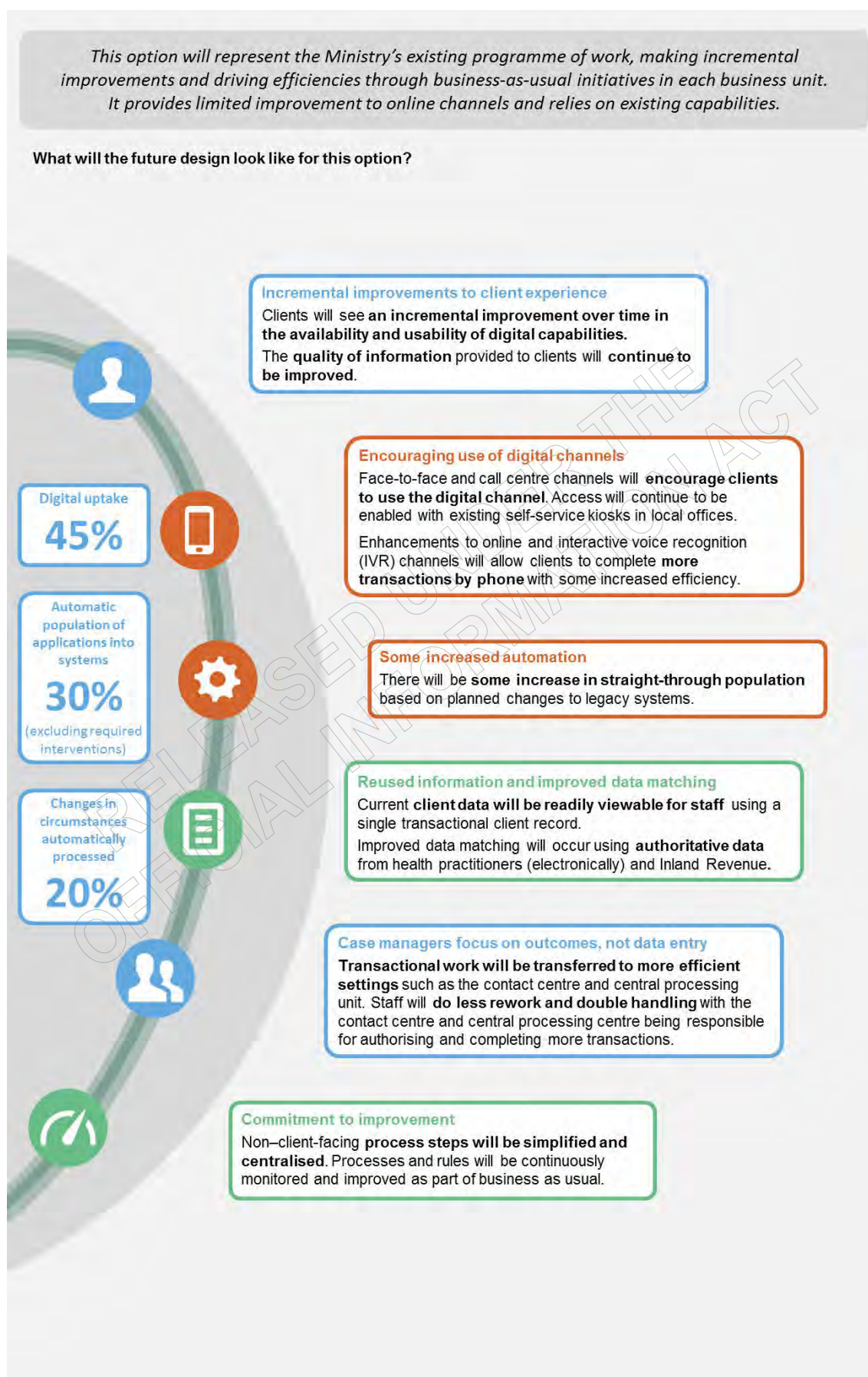
The Do Minimum option is retained for comparative purposes. It represents the Ministry's existing programme of work – making incremental improvements and driving efficiencies through business-as-usual initiatives in each service line (illustrated in Figure 10). This option has been updated based on progress in the wider Ministry work programme since the indicative business case and now includes an additional component of service from the private sector.

This option does not come close to addressing the Ministry's operating shortfall, although it does produce a net Crown benefit because of the partial implementation of the Inland Revenue Information Sharing (IRIS) initiative currently planned.

This is the lowest risk option to implement, but leaves the Ministry with the larger risk of its operating shortfall. The current, frustrating experience for clients is largely unaddressed.

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Figure 10: Future design – Do Minimum



### 2.6.3 Integrated Front End

The Integrated Front End option emphasises the development of self-service channels to allow clients to interact with the Ministry more easily (illustrated in Figure 11).

The rationale for this option is to show what we could do with a reduced up-front investment that focuses on the needs of the client while reducing implementation time and risk. However, the reduced cost and implementation risk mean the amount of integration with the Ministry's back-end systems is very limited in this option.

Consequently, some clients may still need to wait while manual processes and checks are carried out 'behind the scenes'.

There are significant benefits in this option for clients in terms of reduced effort, improved satisfaction, and greater independence. However, the lack of investment in back-end processes and systems will mean the Ministry cannot automatically stream clients to the appropriate level of service and speedily undertake many of the up-front checks to confirm eligibility and reduce the likelihood of overpayment.

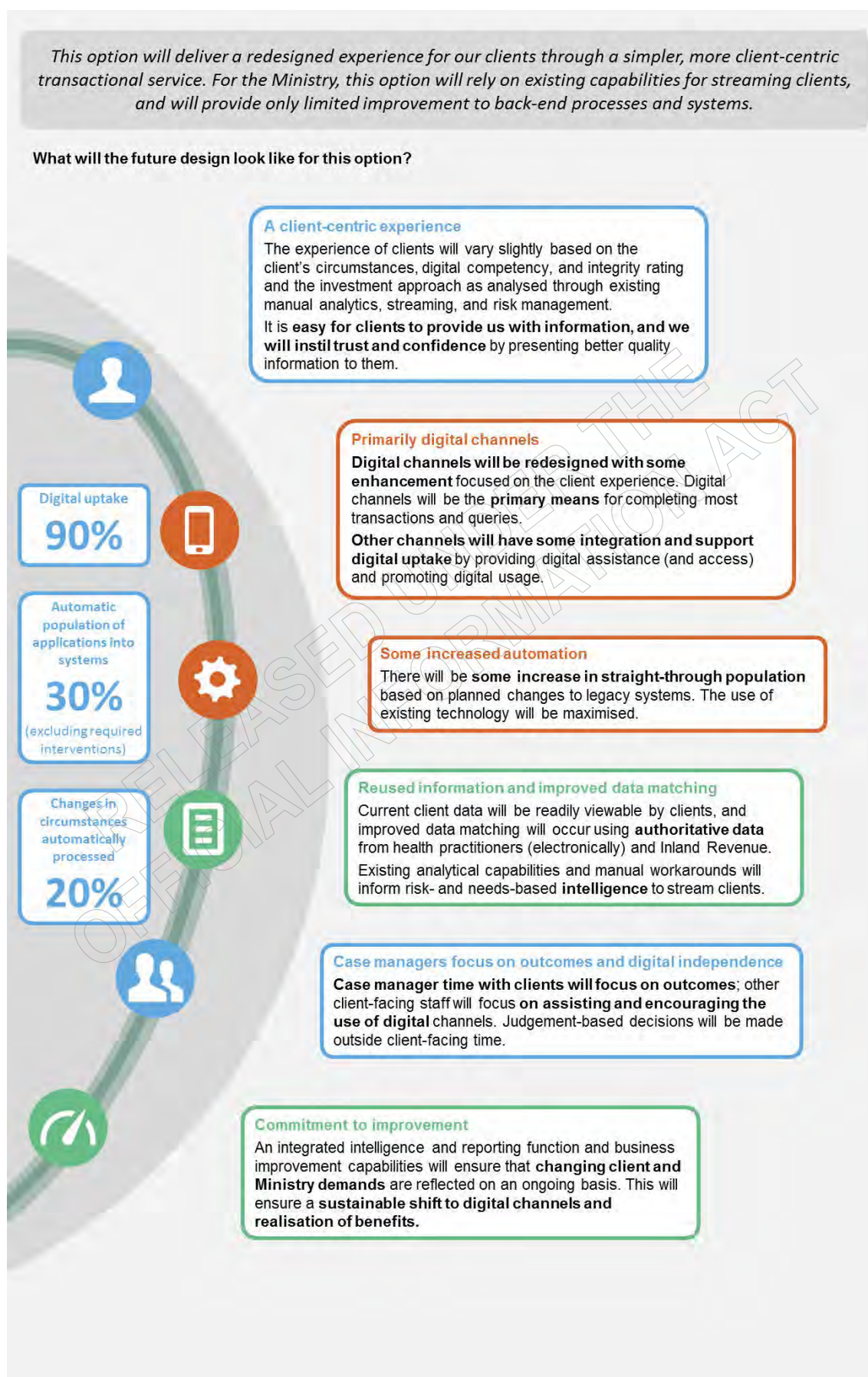
Although departmental benefits are significant, these are less than with the Integrated Transactional Service option and well short of our deficit. A small Crown cost is incurred because of the increased ease of entitlement uptake being only partially offset by the partial implementation of IRIS.

This option has been updated to reflect the outcome of the design work and include private sector ideas and services from the market engagement.



## Commercial In Confidence

Figure 11: Future design – Integrated Front End



#### 2.6.4 Integrated Transactional Service

The Integrated Transactional Service option will give full effect to the vision of Simplification – simpler at the front and smarter at the back (illustrated in Figure 12).

This option enables and enhances self-service channels for an improved client experience and reorganises back-end processes and systems for greater efficiency and proactivity.

As a result of design work and market engagement, the business case has a more complete specification and costing of integrated analytics and 'front to back' business process changes. For clients this means a more accessible, tailored, and personalised transactional service. Clients will be streamed according to levels of need and risk. They will be kept up to date about their entitlements and obligations and overpayments will be avoided.

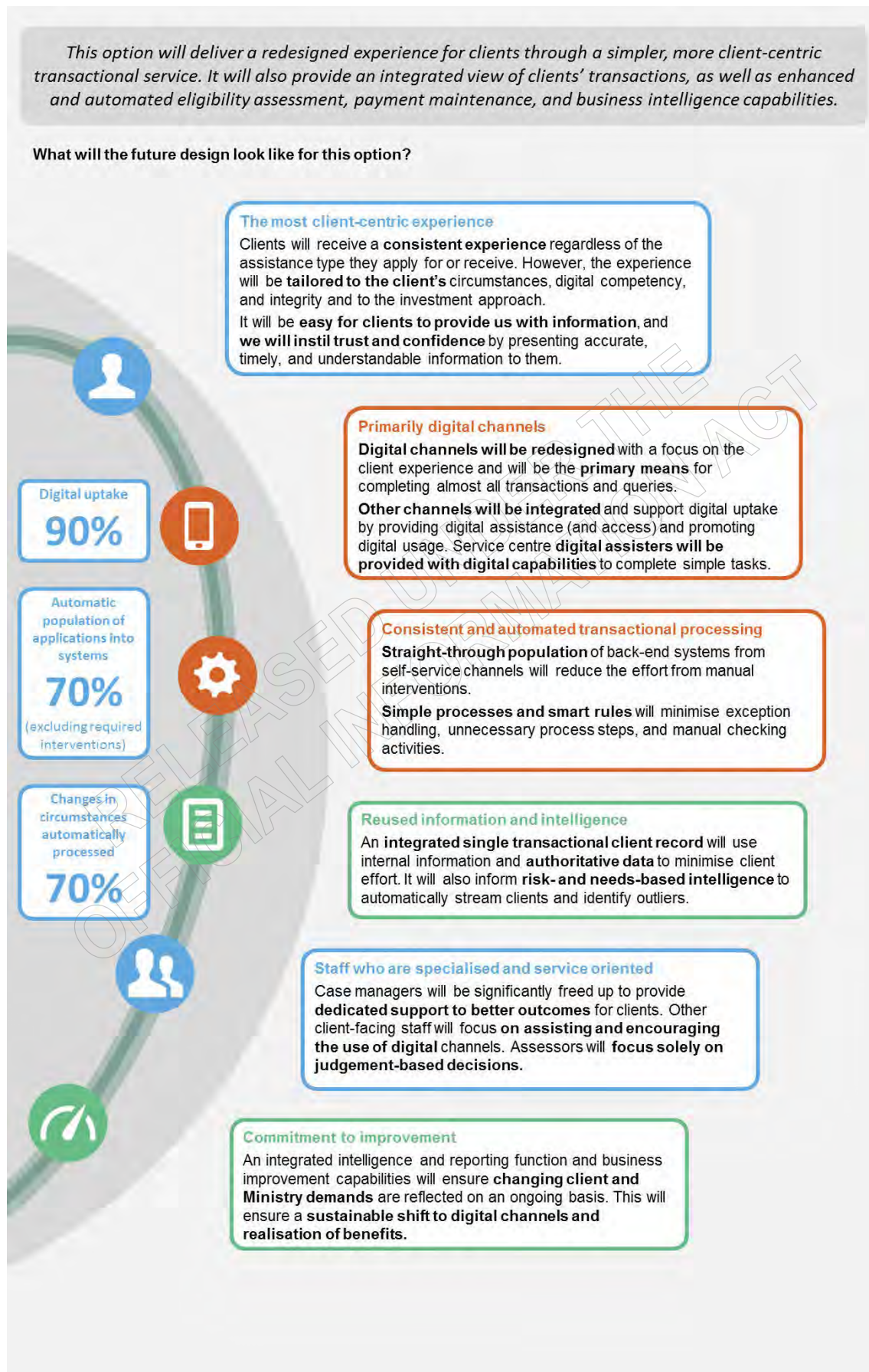
For the Ministry, this option means far less expensive manual processing, less re-work, and fewer of the high-volume, low-value transactions that distract front-line staff from making a difference. Staff at all levels of the Ministry, but especially at the front line, will have access to better information and analytics to support decision making.

As was the case in the indicative business case, this option produces the largest benefit for clients and the biggest contribution to the Ministry's shortfall. It also produces a significant Crown benefit as IRIS is fully automated.

However, constructing a fully integrated transactional service across the Ministry will incur greater up-front investment than the other options and will entail a longer delivery timeframe and a higher level of implementation risk.

## Commercial In Confidence

Figure 12: Future design – Integrated Transactional Service





### 3 Determining value for money and trade-offs – economic case

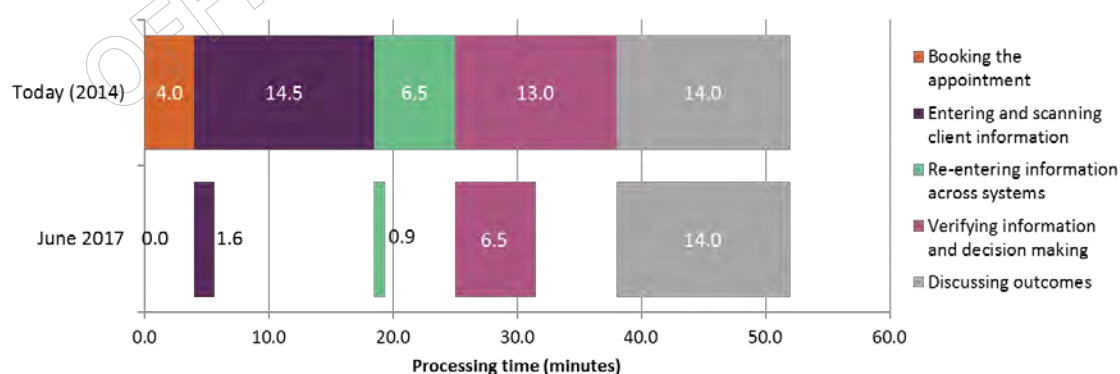
#### 3.1 Realising the benefits from Simplification

By increasing the efficiency and effectiveness of our transactional service and by delivering an improved client experience to our clients, Simplification will create both quantifiable and realisable benefits, as well as other economic benefits for New Zealanders.

Substantial other economic benefits will be generated for clients and staff by improving their end-to-end experience through simpler, more transparent processes and channels. The changes to the way we deliver transactional services may also affect the total amount of financial assistance the Ministry pays to New Zealanders on behalf of the Crown. This includes a potential increase as a result of the reduced effort to transact with us and a decrease in overpayments from better use of authoritative data. Making it easier for clients to interact with us will enable them to be independent, allowing them to obtain and stay in work, contributing to Better Public Services result 1 (see section 3.2.7 under 'Increased capacity to invest in interventions leading to better client outcomes', page 55).

As well as better client and staff experiences, Simplification has two main areas of monetary benefit: a lower cost to process transactional services and increased accuracy, efficacy, and timeliness in processing transactions. Figure 13 illustrates the size of savings Simplification will generate by streamlining transactional services and enabling clients to help themselves. The figure uses the example of an application for Jobseeker Support to compare current appointments that focus on data entry and processing with the future state focused on an outcome-based conversation.

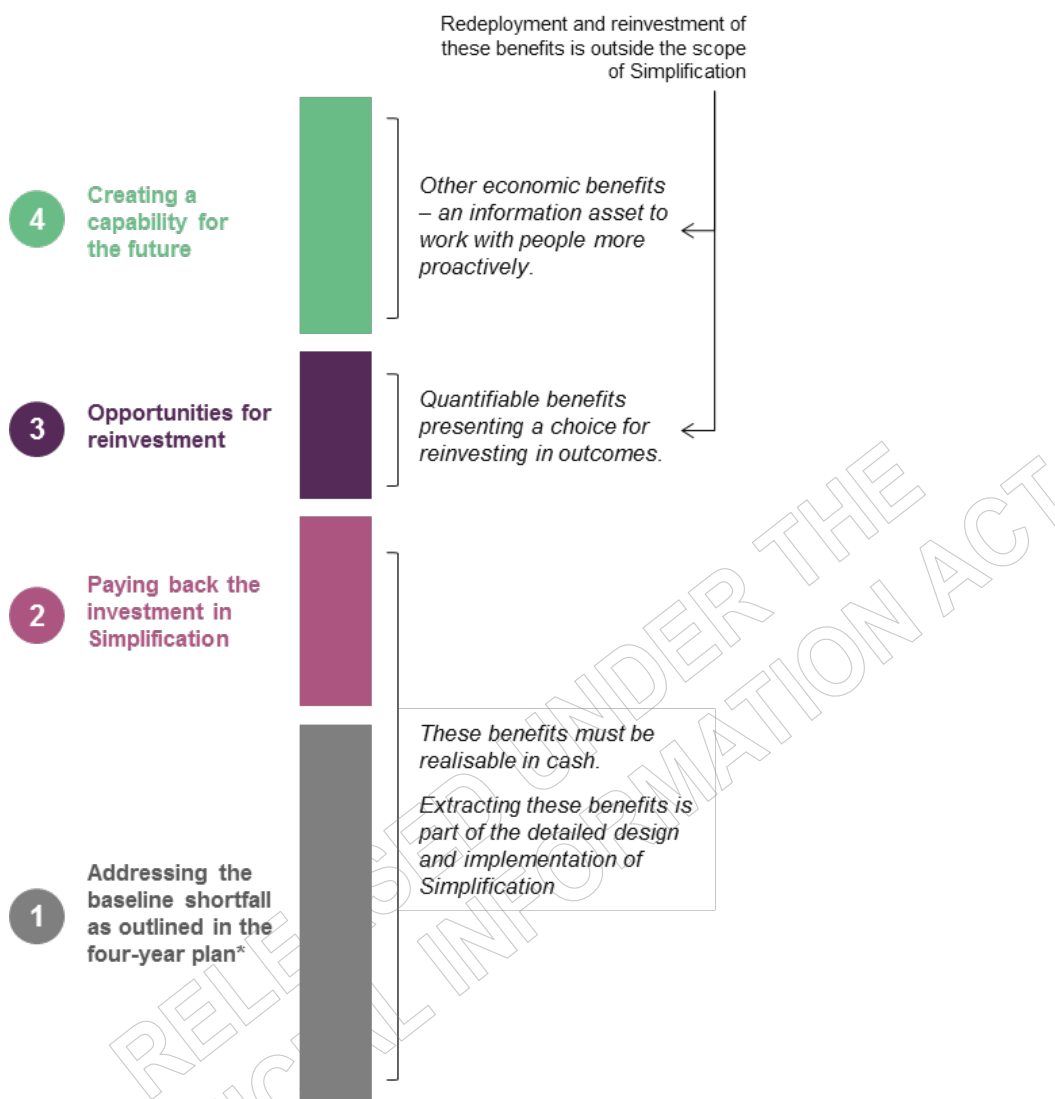
*Figure 13: Savings from streamlining transaction services, Jobseeker Support application, before and after Simplification*



Quantifiable and realisable monetary benefits will be used to address the baseline shortfall outlined in the four-year plan (2014/15 – 2017/18), pay back the investment in Simplification, and provide opportunities to reinvest and create capability for the future. The latter benefits will be enabled by Simplification, but the redeployment and reinvestment are outside the scope of Simplification (Figure 14).



Figure 14: Realising four types of benefits from Simplification



\* MSD (2013) *Ministry of Social Development Budget 2014: Four-year plan* (Budget sensitive). The four-year plan is currently being revised.

Because Simplification is about more than just creating monetary benefits for the Ministry, the wider economic benefits for clients, staff, New Zealanders, and the Crown are included in the following cost–benefit analysis.

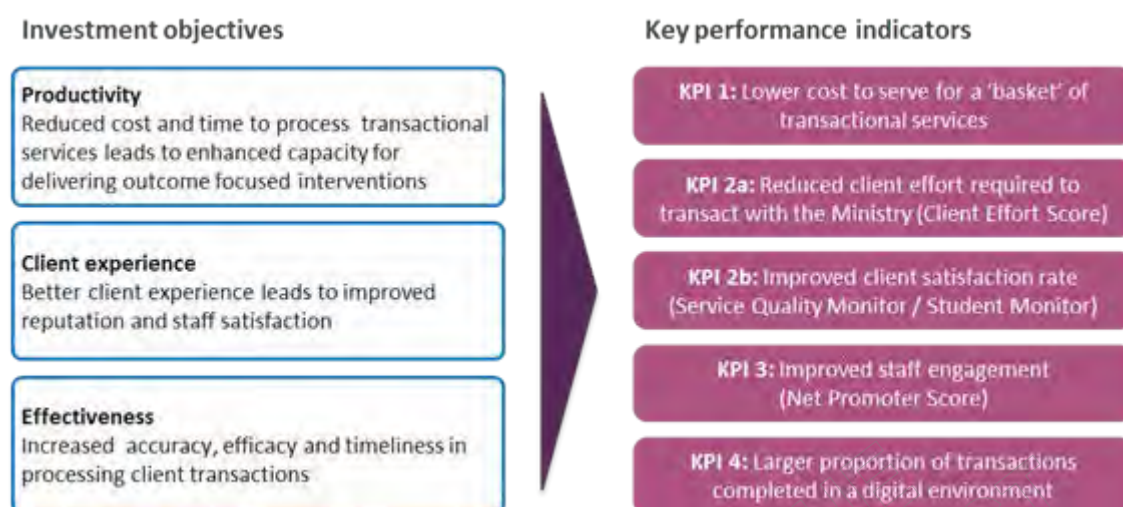
### 3.2 Economic cost–benefit analysis of the shortlisted options

The overall objectives for Simplification are to:

- increase the efficiency of our transactional service
- deliver an improved client experience to our clients
- increase the effectiveness of our transactional service.

Our key performance indicators, shown in Figure 15, will measure how successful Simplification is at achieving these objectives.

Figure 15: Measuring Simplification's success – key performance indicators



Simplification will achieve these objectives by investing in a combination of investment in digital and back-end technology, designing new processes, and building a client-centric culture for our people:

- improving the experience for clients
- introducing smarter messaging
- moving clients to self-service
- developing a single transactional client record
- implementing smarter processing
- making better use of authoritative data.

The main capital and operational investment components for Simplification are explained in the description of costs in section 4.3, page 63 (financial case).

The success of each of the investments listed above varies by option. The following section evaluates the level of success.

Where benefits are quantifiable for Simplification, they have been estimated for each of the three shortlisted options. Monetary benefits listed in this section are expressed for the ongoing expected annual reduction in operating expenses once the target state has been achieved (in 2021/22). These benefits are shown in Table 2 and discussed below.

A full cost-benefit analysis is in Appendix 3, page 143, which breaks down the expected benefits per year against the costs incurred by each option.

## Commercial In Confidence

Table 2: Summary of annual monetary benefits by option

Strategic response	Monetary benefits	Do Minimum	Integrated Front End	Integrated Transactional Service
Smarter messaging	Fewer general enquiry calls	\$1.9m	\$1.6m	\$1.6m
	Fewer letters posted	\$0.7m	\$2.1m	\$3.4m
Moving clients to self-service	More efficient entry and scanning of client information	\$5.1m	\$20.5m	\$20.5m
	Less staff time spent booking appointments	\$2.7m	\$5.2m	\$5.2m
Single transactional client record	Less re-entering of client information across systems	\$1.1m	\$2.9m	\$5.1m
Smarter processing	Fewer rules to process manually	–	–	\$7.5m
	Fewer authentications (because of smarter quality assurance)	–	\$0.6m	\$5.5m
Better use of authoritative data	Less scanning and verification of medical certificates	\$0.7m	\$0.7m	\$1.7m
Overarching benefit	Overhead savings	–	\$2.7m	\$6.9m
	<b>Total ongoing operating benefits</b>	<b>\$12.2m</b>	<b>\$36.3m</b>	<b>\$57.4m</b>
Improving the experience for clients	Crown costs – increase in payments through easier interactions with the Ministry	–	(\$50.0m)	(\$50.0m)
Better use of authoritative data	Crown benefits – fewer overpayments	\$40.0m	\$40.0m	\$100.0m
	<b>Net Crown benefits</b>	<b>\$40.0m</b>	<b>(\$10.0m)</b>	<b>\$50.0m</b>



## Commercial In Confidence

Other economic benefits have been evaluated based on the level of benefit each option is expected to generate (see Table 3).

Table 3: Assessment of other economic benefits

Rating	Evaluation
No	No benefits are expected to be generated
Partial	Some benefits are expected to be generated
Yes	Significant benefits are expected to be generated

Strategic response	Other economic benefits	Do Minimum	Integrated Front End	Integrated Transactional Service
Improving the experience for clients	Increased digital uptake (BPS 10)	45%	90%	90%
	Reduced client effort	No	Yes	Yes
	More clients voluntarily comply	No	Partial	Yes
Smarter messaging	Fewer clients appealing decisions	No	Partial	Yes
Moving clients to self-service	Fewer interactions through higher cost channels	Partial	Yes	Yes
	Ability to scale in the future	No	Partial	Yes
	More clients show up to their appointments	Partial	Yes	Yes
Single transactional client record	Fewer general enquiry calls from providing clients with accurate and timely access to their information	No	Yes	Yes
Better use of authoritative data	More manageable debt repayments for clients	Partial	Partial	Yes
Overarching benefits	Increased employee engagement	No	Partial	Yes
	Increased investment in outcomes (BPS 1)	No	Partial	Yes

At the end of this section, each option has been assessed against its:

- overall costs and benefits
- overall performance against the investment objectives and critical success factors.



### 3.2.1 Improving the experience for clients

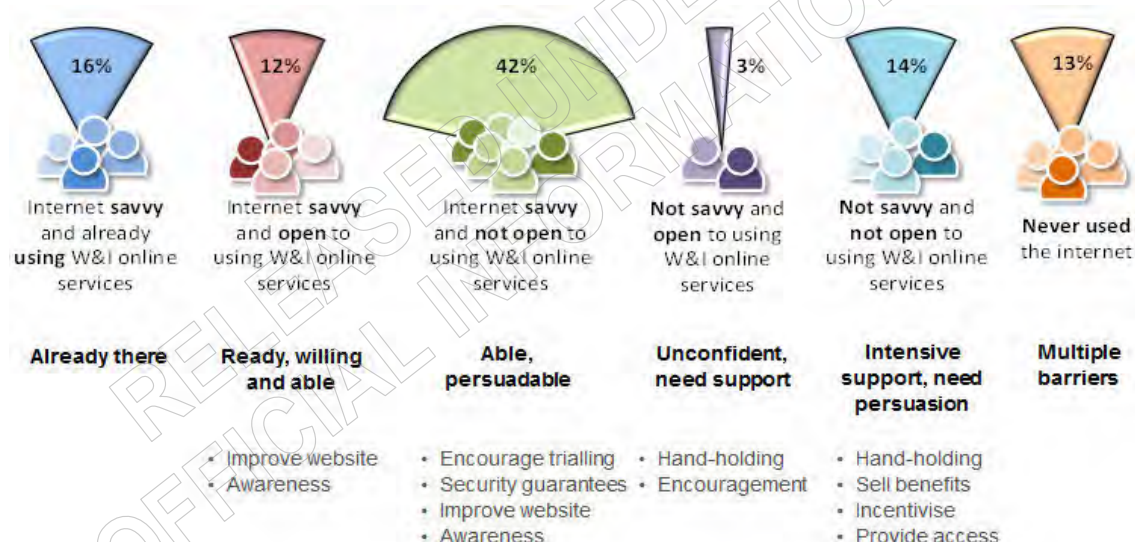
Simplification will deliver significant improvements to the way New Zealanders experience transactional services through the Ministry. Providing a client-centric service for New Zealanders is also a key motivation for Ministry staff.

Service Quality Monitor (SQM) survey data from over 20,000 clients on their current online usage was used to determine the:<sup>10</sup>

- proportion of clients who have the potential to self-serve digitally if we redesign our suite of digital services
- proportion of clients who have the potential to self-serve digitally if we provide assistance and encouragement to do so
- barriers to digital uptake and how they could be mitigated.

Analysing the results from these surveys identified a large proportion of clients who would potentially use digital services if we improved the experience, increased their awareness, and provided them with encouragement. (see Figure 16).

Figure 16: Clients' propensity to transact digitally



The results also strongly support our assisted digital services model as a requirement for successful uptake and reuse of digital, particularly for clients who are not confident internet users. This was further supported by research conducted by Inland Revenue, the Department of Internal Affairs, the UK Department of Work and Pensions, and the Kiwis Count survey.

Specific investments include:

- improving the usability of the digital channel
- targeted campaigns to inform, educate, and encourage clients to self-serve
- an integrated intelligence and reporting function to actively monitor uptake.

<sup>10</sup> The results from this work are drawn from the Service Quality Monitor (SQM) survey undertaken between August 2013 and June 2014. It included 18,400 interviews with working-age clients and 2,000 interviews with Senior Services clients.

Table 4: Benefits from improving the experience for clients

Benefit	Do Minimum	Integrated Front End	Integrated Transactional Service
Increase in payments through easier interactions with the Ministry (Crown costs)	-	(\$50.0m)	(\$50.0m)
Increased digital uptake (BPS 10)*	45%	90%	90%
Reduced client effort	No	Yes	Yes
More clients voluntarily comply	No	Partial	Yes

\* As per KPI 4 measure.

### Increased digital uptake and independence for New Zealanders (BPS 10)

By supporting clients to transact digitally, the Ministry supports Better Public Services result 10, enabling a significant proportion of New Zealanders to interact with government through digital channels. The Ministry's focus on digital assistance will also support building digital independence for a large number of New Zealanders who currently are not using digital services.

Achieving 90% digital uptake for the Integrated Front End and Integrated Transactional Service options includes a provision for Ministry staff to assist one-quarter of these clients to self-serve either at a service centre or over the phone. No client will be deprived of financial assistance or support because they cannot or will not use the digital channel. All efforts will be made to build clients' digital confidence and skills and encourage the use of this more efficient channel. We expect one-third of clients to need some help to self-serve, which accounts for the clients who are not confident or open to using the internet according to the SQM survey results (see Figure 16, page 45).

If the Ministry of Social Development does not help the most vulnerable New Zealanders to bridge the digital divide, who will?

By helping our clients to use digital services to transact with us, we will be providing them with transferrable skills that will contribute to their ability to obtain and maintain employment and independence.

Uptake will be actively monitored through an integrated intelligence and reporting function (see section 5.9.1, page 95, for more information about this function in the context of the management case). Early identification of sites, regions, demographics, and client groups with low levels of self-service will enable real-time responses to improve uptake, including targeted campaigns and adaptation of design.

We will be able to achieve our high uptake target by continuing to inform, educate, and encourage clients to help themselves when they transact through other channels. The Do Minimum option does not have an integrated intelligence and reporting function, digital assistance or significantly improved functionality, so digital uptake will not substantially increase.



### ***Reduced client effort required for transactional interactions with the Ministry***

Opening and enhancing digital channels will enable clients to interact with the Ministry when and where they wish, making the transactional process easier for them to complete. Simplification will reduce the need for clients to travel and spend time in local offices so they will no longer need to wait in queues, particularly for dropping off documentation such as medical certificates.

A reduction in client effort is correlated to an improvement in client satisfaction and the overall experience the client receives. Unless the Ministry changes to a client-centric delivery of services, a significant reduction in client effort under the Do Minimum option is not expected.

### ***More clients voluntarily comply by updating their circumstances online***

Over time, the rate of voluntary compliance is expected to increase significantly as clients are consistently notified of their non-compliance and encouraged to update their changes in circumstances in a timely manner. Improving self-service functionality and the use of authoritative data, providing smarter messaging, and reducing the client's cost of transacting with the Ministry will further encourage clients to comply with Ministry requirements.

The Do Minimum option does not provide any of the enablers to incentivise clients to voluntarily comply. The Integrated Front End does not include the full back-end system integration that will reduce the effort of compliance from proactive use of authoritative data.

### ***Potential increase in Crown payments through easier interactions with the Ministry (Crown cost)***

Some of our clients told us they gave up applying for or maintaining their assistance because the current process is too difficult. Simplification will remove much of the complexity from the transactional process as well as open up channels so people can engage with the Ministry at a time of their choosing.

Making transactional services easier for clients may encourage more New Zealanders to apply for assistance to which they are entitled but not currently receiving. This could result in an increase in ongoing Crown payments, particularly for non-beneficiaries. These increases in Crown payments are more than offset by a reduction in payments from better use of authoritative data (see section 3.2.6, page 53).

The introduction of online services in the United Kingdom's Department of Welfare and Pensions and Australia's Department of Human Services has not seen a significant increase in welfare benefit take-up among the eligible non-recipient population. This has been due, in part, to other barriers to uptake remaining, including the perceived low value of assistance, expected duration, awareness of eligibility, and work obligations.

Because the Do Minimum option does not significantly reduce client effort through an improved client experience, it is not expected to cause an increase in Crown payments. Appendices 4–7, from page 146, contain the assumptions used to estimate the increase in Crown payments and summarise qualitative research conducted as part of Simplification.

### 3.2.2 Smarter messaging

Clients currently do not get consistent or clear information across channels. They will pursue the same enquiry multiple times to ensure they receive all the information they require. Clients also make nearly 400,000 calls to our contact centres each year because our correspondence is unclear.

Communications will be simplified by eliminating unnecessary correspondence, redesigning messages and introducing multi-lingual communications. Further enhancements also include smart FAQs on the website, and a knowledge base for staff across channels.

Part of the client-centric solution being proposed will include digitising correspondence with clients, where possible. This means moving away from postal correspondence and towards electronic messaging – either through email or through a secure account. We will also be more proactive when communicating with clients, through text (SMS) notifications and outbound calling for reminders of upcoming actions and appointments.

Specific investments include:

- simplifying communications for clients
- digitising correspondence.

Table 5: Benefits from smarter messaging

Benefit	Do Minimum	Integrated Front End	Integrated Transactional Service
Reduced general enquiries from smarter messaging	\$1.9m	\$1.6m	\$1.6m
Fewer letters posted	\$0.7m	\$2.1m	\$3.4m
Fewer clients appealing decisions	No	Partial	Yes

#### ***Fewer general enquiry calls from smarter messaging***

Providing simple and consistent messaging will increase client trust and confidence, and subsequently reduce the duplication of effort and call volumes while improving the client experience. Estimations for a reduction in general enquiry calls has been kept conservative to account for an increase in calls regarding issues with self-service channels. Because the Do Minimum option does not include significant changes to the self-service channel, these additional enquiries about the digital channel will be minimal, so a greater net reduction in general enquiries from smarter messaging is expected under this option.

#### ***Fewer letters posted***

Greater digitisation of client correspondence will reduce operational expenditure from printing and postage. Digital correspondence is also faster and more targeted to the recipient, so will further reduce enquiries from clients waiting for a letter by post. This benefit is directly related to the level of investment in tailoring communications and the level of digital uptake, as clients need to be using digital channels to receive



correspondence in this way. The Integrated Transactional Service option has the highest level of investment in tailored communications. The Do Minimum option achieves only half the digital uptake of the other two options.

### ***Fewer clients appealing decisions***

Clearer messaging will provide both clients and staff with a better understanding of entitlements. This may result in a reduction in clients appealing decisions and a reduction in effort required to manage and process these appeals. Because the effect the Social Security Act Rewrite project may have on appeals is unknown, specific benefits relating to a reduction in appeals have not been quantified for Simplification.

### **3.2.3 Moving clients to self-service**

In 2013/14, the Ministry processed more than 2.8 million applications for financial assistance and more than 5.8 million actions in relation to changes in circumstances and renewals.

The cost to the Ministry of transactional services is about \$200m,<sup>11</sup> including 2.3 million appointments and around 9 million calls to its contact centres. On average, these transactions cost \$12.33 per interaction.

Simplification will enable clients to self-serve, reducing staff effort on processing transactions and improving the client experience by reducing client effort required to interact with the Ministry.

Specific investments include:

- more transactions online
- centralising transactional processing.

*Table 6: Benefits from moving clients to self-service*

Benefit	Do Minimum	Integrated Front End	Integrated Transactional Service
More efficient entry and scanning of client information	\$5.1m	\$20.5m	\$20.5m
Less staff time spent booking appointments	\$2.7m	\$5.2m	\$5.2m
Fewer interactions through higher cost channels	Partial	Yes	Yes
Ability to scale in the future	No	Partial	Yes
More clients show up to their appointments	Partial	Yes	Yes

<sup>11</sup> The \$200 million includes direct costs and indirect costs such as property, management and other operating expenditure such as IT, but does not include the fully weighted national and regional overhead cost.

### ***Fewer interactions through higher cost channels***

Moving our clients to digital channels will reduce costly interactions through our face-to-face and phone channels. This will not only minimise the cost to serve, but increase the value of interactions with case managers because of the focused attention on outcome-based discussions. Furthermore, reduced foot traffic will reduce the security risk posed to service centre staff. Because the Do Minimum option moves a smaller proportion of clients to self-service, face-to-face interactions will only partially decrease.

### ***More efficient entering of client information***

As clients shift to self-service channels, the entry of application and changes in circumstances information moves from front-line case managers to non-client facing staff. Without any enhancements to technology, such as automatic population of data into back-end systems, benefits will still be generated from centralising the data entry of online transactions.

The following savings contribute to transactional data entry benefits:

- operational efficiency savings from better aligning staff to roles for transactional and outcome-related work
- efficiency savings from improved management of peaks and troughs with workflow management tools.

### ***Ability to scale in the future***

Simplification will enable lower-cost scalability of transactional services to meet demand through digital channels and greater use of automation. Digital transformation will allow the Ministry to respond to changes in demand or policy in a more cost-effective manner – changing volumes in a digital environment does not require significant changes in staff numbers.

Only the Integrated Transactional Service option includes the back-end functionality required to effectively and efficiently scale the service. The Do Minimum option, which does not significantly improve the client experience, does not achieve a high enough level of digital uptake to create the ability to scale in the future.

### ***Less staff time spent booking appointments***

Currently, a large amount of staff time is dedicated to booking appointments, including about 30% of calls to the contact centre to book 1.3 million appointments per year, plus another 1 million appointments that staff book in front-line offices.

Moving clients to digital channels will significantly reduce the number of transactional appointments clients need to attend (see 'Fewer interactions through higher cost channels' above). For the remaining outcome-focused appointments and seminars and any essential transactional appointments, clients using digital channels can be automatically prompted to book an appointment depending on their risk and need profile. With improved functionality and by directing clients to an improved online booking tool, the staff effort required to book appointments for clients will decrease.



Booking appointments online will also provide the Ministry with more information on who and what an appointment is for. This will allow more detailed analysis of face-to-face interactions and provide better control of the process and associated rules.

Because the Do Minimum option achieves only half the digital uptake, only half the benefits from less staff time booking appointments are expected to be generated.

### ***More clients show up to their appointments***

Using self-service, clients will also be better able to find a time that suits them, improving their chances of showing up to the appointment. In the Integrated Front End and Integrated Transactional Service option, text (SMS) reminders will also be sent to clients to further remind them of their appointment, and there will be an overall reduction in appointments for transactional interactions as clients move to self-service.

This strategic response also contributes to increasing digital uptake and independence for New Zealanders as described above.

### **3.2.4 Single transactional client record**

A single transactional client record will give clients and staff a consistent and complete view of client information and interactions. This will give clients greater certainty, remove the need for clients to repeat information, and empower staff with information and insight to better support client outcomes.

Specific investment includes:

- automating system integration
- providing clients with accurate and timely access to their information.

*Table 7: Benefits from a single transactional client record*

Benefit	Do Minimum	Integrated Front End	Integrated Transactional Service
Less re-entering of client information across systems	\$1.1m	\$2.9m	\$5.1m
Fewer general enquiry calls from providing clients with accurate and timely access to their information	No	Yes	Yes

### ***Less re-entering of client information across systems***

Once a client has entered their information digitally, it can be automatically populated from the self-service point of entry into multiple systems, eliminating the need for re-entry of transactional information into back-end systems. This will have a significant impact on the resource demand for processing applications by eliminating additional staff effort required to enter application and changes in circumstances data. As more is invested in automatic population of data into core systems, the greater the reduction in staff time to re-enter client information.



### ***Fewer general enquiry calls from providing clients with accurate and timely access to their information***

Clients will have increased visibility of their information as they are able to view relevant and accurate information digitally in a timely manner. Greater client trust, certainty, and confidence will reduce the number of calls to the contact centre and reduce the number of client appeals.

While all options will provide a single client view through the single client management system, without enhancements to the self-service functionality, usability, and messaging, clients will not have a clear understanding or timely access to their information. As a result, the Do Minimum option will not achieve any reduction in enquiries relating to client information.

### **3.2.5 Smarter processing**

By digitising transactional services, the Ministry will improve the speed and accuracy of transaction processing while making it easier for clients to interact with the Ministry. Automation of transactional processing will increase the speed and accuracy of determining correct entitlement.

Specific investment includes:

- automating rules processing
- automating rules monitoring.

*Table 8: Benefits from smarter processing*

Benefit	Do Minimum	Integrated Front End	Integrated Transactional Service
Fewer rules to process manually	-	-	\$7.5m
Fewer authentications through smarter quality assurance	-	\$0.6m	\$5.5m

### ***Fewer rules to process manually***

Case managers will continue to have outcome-focused discussions with applicants before granting any benefit. In the Integrated Transactional Service option, technology will be implemented to transactional decision making so that simple and non-discretionary decisions will be automated. Based on the application information, this technology will use business rules to process the application as far as possible before human intervention is required. The efficiency of automated decision making will depend on the level of rules that are programmable given the usual constraints of budget, time, and complexity. Benefits will result from a reduction in staff effort spent assessing applications and changes in circumstances.



### ***Fewer authentications through smarter quality assurance***

Currently over 60 processing staff manually verify and clarify every application entered by front-line staff. As a result of clients being responsible for providing more of their information digitally, with greater straight-through population, there will be greater accuracy in the client information we receive and subsequently reduced rework.

The integrity of our payments will also remain a top priority. In the future, we can more smartly monitor and assure our payments by overlaying risk profiles to our clients based on previous and predicted behaviours. Smarter use of rules with fewer exceptions and ongoing monitoring of rules through smarter analytics will result in less checking of people's work for errors and omissions.

The Integrated Transactional Service option is the only option that includes significant improvements to back-end systems and processes, and the only option that will create significant smarter quality assurance benefits. The Integrated Front End option will create minimal savings from a small amount of system integration improvement.

### **3.2.6 Better use of authoritative data**

Smarter use of authoritative data will reduce the time between identifying a client's change in circumstances and adjusting their payment, enabling the establishment of debt sooner and the avoidance of future overpayments.

Specific investment includes:

- electronic lodgement of medical certificates
- the Inland Revenue Information Sharing (IRIS) initiative.

*Table 9: Benefits from better use of authoritative data*

Benefit	Do Minimum	Integrated Front End	Integrated Transactional Service
Less scanning and verification of medical certificates	\$0.7m	\$0.7m	\$1.7m
Reduced overpayments (Crown benefits)	\$40.0m	\$40.0m	\$100.0m
More manageable debt repayments for clients	Partial	Partial	Yes

### ***Less scanning and verification of medical certificates***

Replacing paper medical certificates with direct links to health practitioners nationwide will reduce the processing workload. Reception case managers will no longer need to manually scan paper certificates at the front of house, or link them to the correct client file. Additionally, given the source of information, verification will no longer be required. The remaining step is the assessment of the extent of the client's incapacity, which will be done through an assessor function in the Integrated Transactional Service option only.

### ***Reduced overpayments (Crown benefit)***

Simplification will use authoritative data-matching to calculate entitlements in a more timely and accurate way. Crown overpayments and the need for debt recovery will reduce over time as more overpayments and fraud are identified.

Automating the use of Inland Revenue income data will alert the Ministry earlier of changes in earnings affecting entitlement. Payments can be adjusted as appropriate, reducing ongoing Crown overpayments. Prospective savings from early identification of overpayments will be significant and have been quantified as part of this business case. However, because only the Integrated Transactional Service option includes the back-end system improvements, the full benefits of Inland Revenue data-matching will not be generated under the other two options.

Simplification will also drive voluntary compliance (see section 3.2.1 under 'More clients voluntarily comply by updating their circumstances online', page 47), reducing the current volume of debt established as a result of overpayments. Because the effect Simplification will have on influencing client voluntary compliance is unknown, these Crown benefits have not been quantified as part of this business case. Appendix 5, page 149, outlines how Crown benefits have been estimated and their effect on Crown appropriations, debt establishment, and debt write-offs.

Other authoritative data improvements include matching clients in receipt of long-term accident compensation from ACC and receiving medical certificates directly from authorised health practitioners. For this business case, only the Crown benefits from matching earnings from Inland Revenue have been quantified.

### ***More manageable debt repayments for clients***

The Inland Revenue Information Sharing (IRIS) initiative will increase the total volume of overpayments established as debt, while the average value of overpayments per client will reduce significantly. This will result in significant benefits for our clients, because overpayments will be identified in a more timely manner, meaning any debt that needs to be recovered will more likely be of a more manageable level.

## **3.2.7 Overarching benefits**

### ***Increased employee engagement***

Our staff turn up to work every day to help New Zealanders to help themselves be safe, strong and independent. Staff gain a sense of meaning and satisfaction from their jobs, knowing they are helping New Zealanders. By providing simpler, smarter, and more client-centric transactional services to clients, staff will be able to dedicate more time to helping them achieve better outcomes.

Simplification does mean change – changes to how staff are expected to interact with clients, changes to how transactions are processed and by whom, changes to some front-of-house roles, and changes to the number of staff needed to process transactions. These changes will enhance staff satisfaction and engagement in the long term as staff administrative effort is reduced to enable time to focus on helping New Zealanders.



In the long term, our staff will be more engaged. However, during this change process, staff engagement will likely decrease, as has been seen in other organisations going through similar changes such as Air New Zealand. Not all of our staff will be able to make the transition to the new way of delivering transactional services.

The Do Minimum option will not significantly change the way staff interact with clients while the other two options will. The Integrated Transactional Service option will also remove substantially more transactional workload from staff, allowing them to focus on helping New Zealanders be safe, strong, and independent, further increasing their engagement.

### **Overhead savings**

Simplification will significantly reduce the number of full-time equivalent staff (FTEs) required to deliver transactional services. Reducing direct front-line positions will result in a reduced requirement for front-line managers, support positions, administration expenses, phone costs, and software licences. A reduction in front-line staff will also provide opportunities to reduce the Ministry's property footprint.

Under the Integrated Transactional Service option, a higher overhead saving is generated because of the larger component of organisational restructuring that will reduce direct and indirect resource overhead.

### **Increased capacity to invest in interventions leading to better client outcomes (BPS 1)**

Reducing the cost and time to process transactions will release capacity that can be reinvested in interventions leading to better client outcomes. This includes enabling case managers to focus their attention on discussions relating to getting clients into work and off long-term welfare dependence (Better Public Services result 1), which will further reduce Crown payments (increase Crown benefits). Staff engagement and the change management process are critical to creating and realising the capacity required to reinvest in outcome-focused work.

Making it easier for New Zealanders to access the assistance to which they are entitled will also result in better outcomes for New Zealanders as they build their independence and confidence. Improving the client experience will also increase the proportion of New Zealanders who can easily transact with government easily in a digital environment (Better Public Services result 10). Further, improvements made to matching authoritative data will reduce the compliance burden for clients, encouraging them to remain independent.

Table 10: Overarching benefits

Benefit	Do Minimum	Integrated Front End	Integrated Transactional Service
Increased staff engagement	No	Partial	Yes
Overhead savings	-	\$2.7m	\$6.9m
Increased investment in outcomes (BPS 1)	No	Partial	Yes

### 3.3 Full assessment of shortlisted options against critical success factors and investment objectives

Each option has been reassessed against the critical success factors for Simplification established in the indicative business case. This section outlines the revised assessment.

Critical success factors are the attributes *essential* to the success of the investment. These factors were determined in the indicative business case, and describe how well each option:

- meets the Ministry's strategic objectives and obligations
- fits with government-wide strategic objectives
- optimises value for money for both departmental and Crown investment and expenditure
- optimises other economic benefits
- can be met from likely available funding and addresses the baseline shortfall as outlined in the four-year plan
- is likely to be within the level of available skills required to successfully design and develop the proposed model, and will enable successful delivery of Ministry services given the Ministry's ability to respond to the changes required
- matches the capacity and capability of potential suppliers to design, develop, and deliver the solution, and is likely to result in a sustainable arrangement over the term of the contract
- meets Ministry risk acceptability for project delivery and service delivery.

These factors and their measures are explained further in Table 11. The components of each option are detailed in Appendix 2, page 127.



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Table 11: Critical success factors and measures – factors essential to success

	Description How well the option ...	Measure		
		No	Partial	Yes
Strategic fit and business needs	Meets the Ministry's strategic objectives (from four-year plan) and obligations: • investment approach • Vulnerable children • Investing in Services for Outcomes • helping New Zealanders be safe, strong, and independent • statutory obligations	The option is expected to have no impact or a negative impact on delivering the Ministry's strategic objectives	The option is expected to meet some of the Ministry's strategic objectives	The option is expected to make a significant contribution to the Ministry's strategic objectives
	Fits with government-wide strategic objectives: • Better Public Services result 10 (digital by design/default, better use of data, customer centricity) • Better Public Services result 1 (increased employment) • all of government (GCIO)	The option is expected to have no impact or a negative impact on delivering government-wide strategic objectives	The option is expected to meet some government-wide strategic objectives	The option is expected to make a significant contribution to government-wide strategic objectives
Potential value for money	Optimises value for money for both departmental and Crown investment and expenditure (ie, the optimal mix of potential benefits and costs)	Estimated costs are approximately equal to or exceed likely benefits (payback > 5 years)	Likely financial benefits are above estimated costs (payback ≤ 5 years)	Likely financial benefits are greater than estimated costs (payback < 3 years)
	Optimises other economic benefits	Option is expected to provide no economic costs or benefits or to impose wider economic costs	Other economic benefits are expected to provide some advantage	Other economic benefits are expected to be significant
Potential affordability	Can be met from likely available funding	Option is expected to be unaffordable from all available and additional funding options	Likely to require some additional funding from government	Option is expected to be achieved using currently available funding
Potential achievability	Is likely to be within the level of available skills required to successfully design and develop the proposed model, and will enable successful delivery of Ministry services given the Ministry's ability to respond to the changes required	The solution is expected to require skills and capability exceeding those available and/or is expected to create a level of change that will fundamentally disrupt service delivery	Most aspects of the solution can be designed and developed within the likely level of available skills with some disruption expected to service delivery	The solution can be designed and developed within the likely level of available skills and is not expected to create any consequential disruption to service delivery
Supplier capacity and capability	Matches the capacity and capability of potential suppliers to design, develop, and deliver the solution, and is likely to result in a sustainable arrangement over the term of the contract	Suppliers do not have the likely capacity or capability to design, develop, or deliver the solution, and a sustainable arrangement is not expected to be developed with suppliers	Suppliers are expected to have most of the required capacity and capability to design, develop, and deliver the solution, and is expected to result in a sustainable, but complex, arrangement with suppliers	Suppliers have established the likely capacity and capability to design, develop, and deliver the solution, and there are established examples of sustainable working arrangements for the delivery of the solution in the market
Risk acceptability	Meets Ministry risk acceptability for project delivery	Risk to project delivery is expected to be high, and there are no significant perceivable options to mitigate the risk	Risk to project delivery is expected to be high, and there are some options to mitigate the risk	All risks to project delivery are expected to be able to be mitigated
	Meets Ministry risk acceptability for service delivery	Risk to Ministry service delivery is expected to be high, and there are no significant perceivable options to mitigate the risk	Risk to Ministry service delivery is expected to be high, and there are some options to mitigate the risk	All risks to Ministry service delivery are expected to be able to be mitigated

The investment objectives also form part of the options assessment and are based on the likely impact on each of the key performance indicators (shown in Figure 15).

The full cost-benefit analysis for each option, including quantified and other economic benefits, implementation, capital and ongoing operating costs, and Crown costs and benefits, are in Appendix 3, page 143.



Figure 17: Assessment of Do Minimum

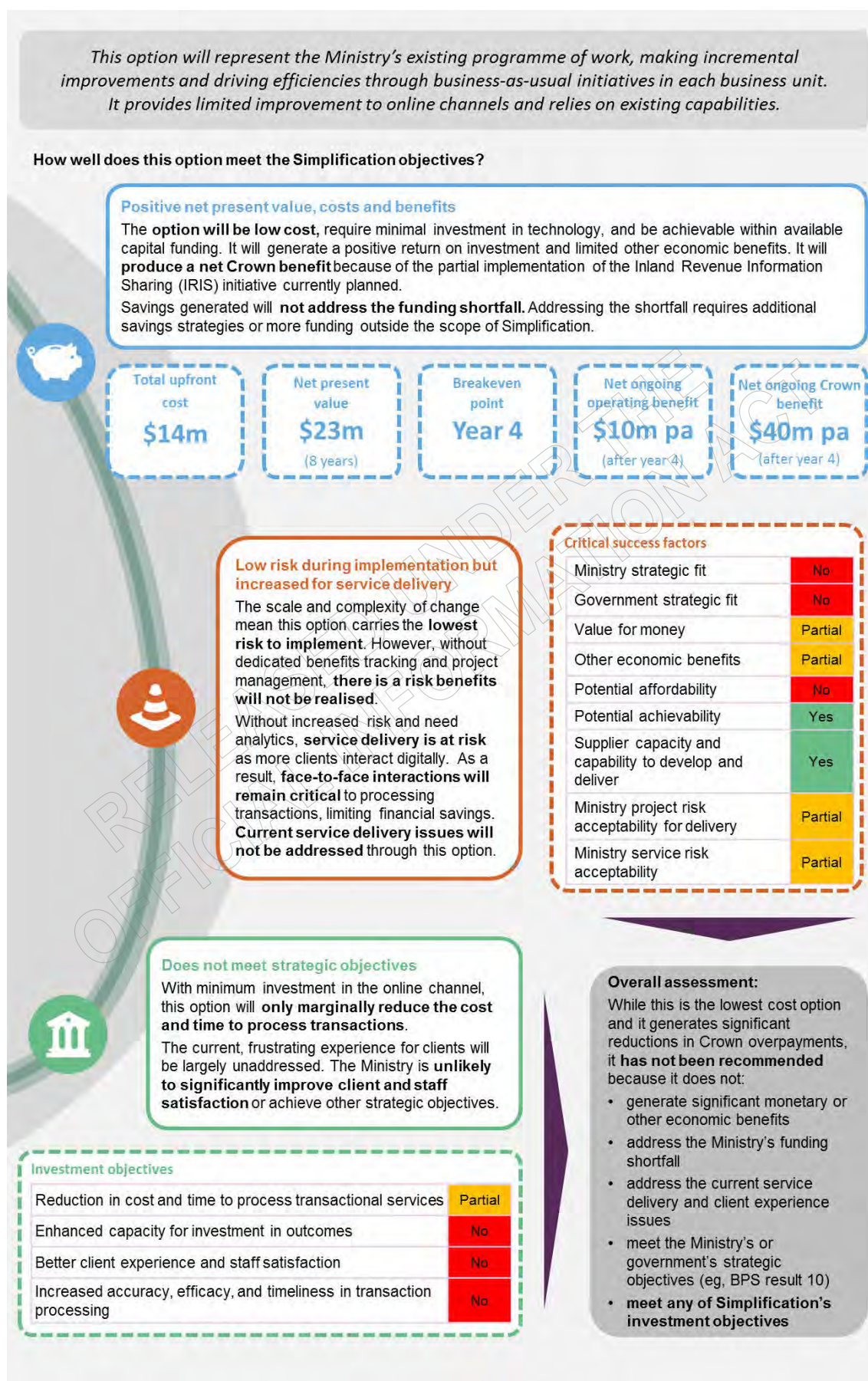
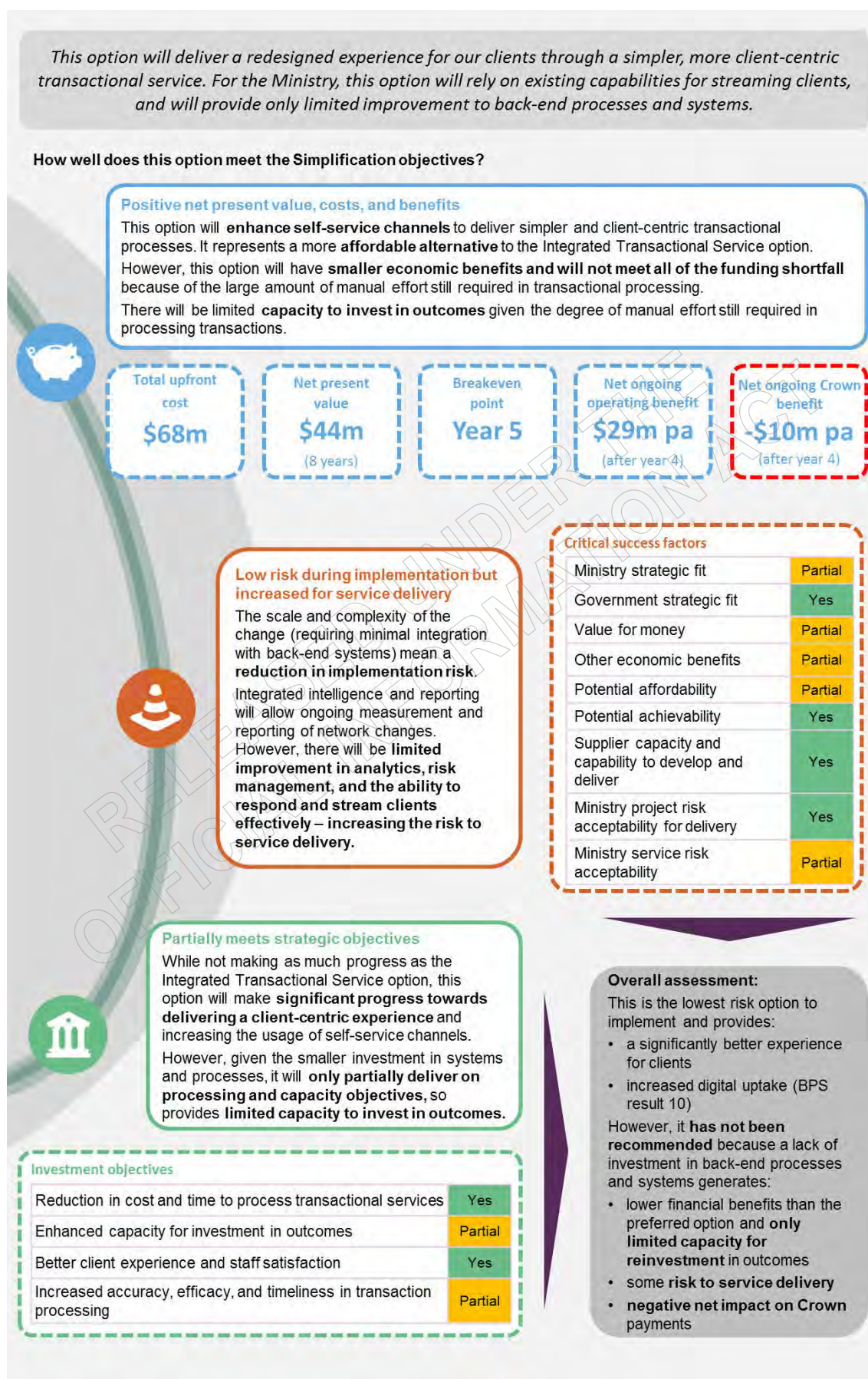




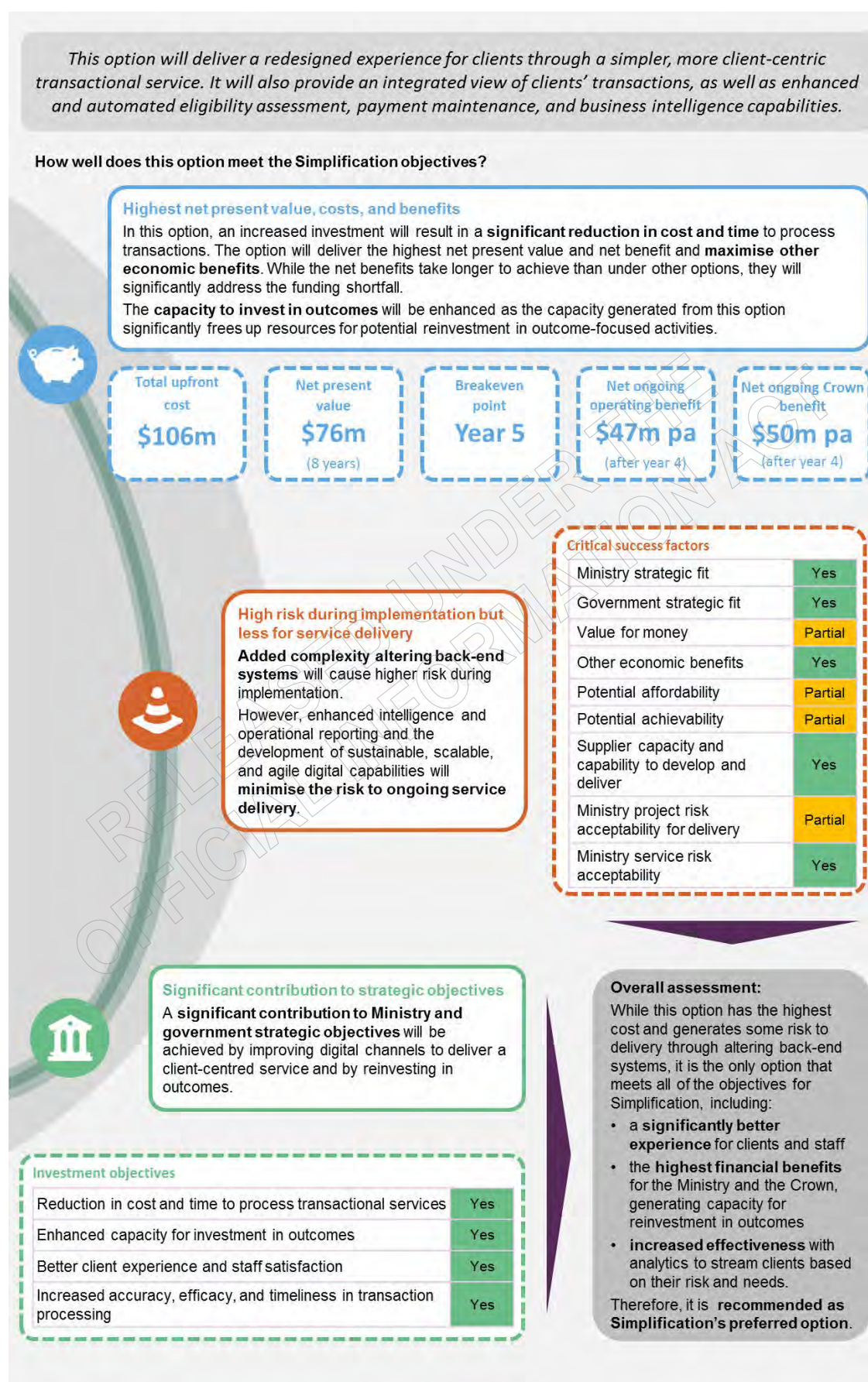
Figure 18: Assessment of Integrated Front End





## Commercial In Confidence

Figure 19: Assessment of Integrated Transactional Service





### 3.4 Risks and uncertainty

The financial cost–benefit model received an external quantitative risk assessment (QRA) to determine a range of uncertainty for total costs and benefits from Simplification. The results from QRA are discussed in the section 4.5, page 70.

Risks and proposed mitigation activities for the recommended option are discussed in section 5.10, page 99.

### 3.5 Recommended option

The Ministry recommends the Integrated Transactional Service option as the preferred option for implementation because it delivers on all of the objectives for Simplification, including:

- generating the highest financial benefits and a good rate of return for both departmental and Crown expenditure, creating substantial capacity for reinvestment in outcomes
- creating a significantly better experience for clients and staff, including building clients' independence through digital services
- increasing effectiveness through the ability to use analytics and back-end automation to stream clients based on their risk and need.

While this option has the highest cost and generates some risk to delivery through altering back-end systems, these costs are affordable (see section 4.4, page 69, on affordability), and risks will be mitigated through our delivery approach (see section 5, page 74, on achieving successful delivery).

## 4 Determining affordability and funding – financial case

### 4.1 Purpose

This section summarises the financial analysis for the preferred option: Integrated Transactional Service. The financial analysis ascertains the funding requirements and overall affordability of the option.

#### 4.1.1 Period of analysis

The expenditure of each option was analysed over the eight-year period 2014/15 to 2021/22 (as was the case in the indicative business case).

#### 4.1.2 Composition of costs

Costs include:

- capital expenditure
- implementation costs paid out of operating appropriations, including change management costs
- ongoing operating costs.

### 4.2 Comparison with costs in the indicative business case

Between the indicative business case (approved in June 2014) and this business case, the estimated:

- up-front investment required has decreased \$43.1 million (Table 12)
- net operating benefits have decreased \$20.3 million (Table 13).

#### 4.2.1 Up-front investment

The work undertaken to refine the costs since the indicative business case has changed the expenditure profile of the option assessed.

- The amount of capital expenditure required has decreased.
- Implementation costs have increased.
- Ongoing operating costs have increased.

Table 12: Up-front investment – variance between indicative and next phase business cases

Up-front investment	Business case		
	Indicative \$m	Next phase \$m	Variance \$m
Capital cost	128.3	66.2	62.1
Ongoing operating & implementation costs	20.7	39.7	(19.0)
<b>Total up-front investment</b>	<b>149.0</b>	<b>105.9</b>	<b>43.1</b>

Note: Table excludes capital charge, depreciation costs, and contingency.



#### 4.2.2 Reduction of capital costs

The Ministry is looking to make the best use of current technology including technology as a service, for which we will incur an annual charge, rather than as an IT asset. Some assets will be leased rather than bought by the Ministry, for example, the platform for developing a mobile 'My Account'. Lease costs are an operating cost.

The Ministry has also looked to leverage other existing IT projects and increase investment in areas that will provide the most benefit (eg, our ability to enable the automatic population of significant amounts of client information into front-line systems).

#### 4.2.3 Increase in implementation costs

Implementation costs increased between the indicative and current business cases because of additional costs for training and development and communications. The impact on staff roles has now been established (along with a detailed people and change management strategy – as outlined in section 5.5).

Table 13: Net operating benefits – variance between indicative and next phase business cases

Net-operating benefits	Business case		
	Indicative \$m	Next phase \$m	Variance \$m
Increase in operating costs	44.6	63.9	(19.2)
Gross benefits	336.0	334.9	1.1
<b>Net operating benefits</b>	<b>291.4</b>	<b>271.0</b>	<b>20.3</b>

#### 4.2.4 Increase in ongoing operating costs

Purchasing technology as a service has seen expected expenditure on IT-related operating costs increase since the indicative business case.

The market engagement resulted in a change to implementation costs. During the engagement, we asked for ideas to specific business problems. Some of these have been included in the detailed design. For example, a tailored communication solution for correspondence with clients has been adopted, which was not considered in the indicative business case costing.

### 4.3 Description of costs

The following analysis is for the preferred option: Integrated Transactional Service.

#### 4.3.1 Capital costs

Capital costs fall into 10 categories. Each category is described in the text following Table 14.



Table 14: Capital costs, 2014/15 – 2012/22

Capital cost	2014/15 (\$m)	2015/16 (\$m)	2016/17 (\$m)	2017/18 (\$m)	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)	Total (\$m)
Digital assistance/ self-service	1.8	10.0	4.1	–	–	–	–	–	15.9
Mobile My Account	0.3	1.0	1.9	–	–	–	–	–	3.1
Straight-through population	3.3	6.6	9.6	–	–	–	–	–	19.5
Analytics and knowledge management	0.7	1.6	1.6	–	–	–	–	–	3.9
Inland Revenue Information Sharing	1.3	3.3	0.8	–	–	–	–	–	5.4
E-lodgements	0.5	0.5	–	–	–	–	–	–	1.0
Tailored communications	0.6	1.2	–	–	–	–	–	–	1.8
Overall infrastructure	1.1	3.8	1.8	–	–	–	–	–	6.7
Other IT	2.4	3.7	0.9	–	–	–	–	–	6.9
Property refurbishment	1.0	1.0	–	–	–	–	–	–	2.1
<b>Total capital</b>	<b>13.0</b>	<b>32.7</b>	<b>20.6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>66.2</b>

**Digital assistance/self-service**

This category includes the cost of shifting clients to the digital channel through improved on-site touch screens and digital assistance applications. Improving the usability of information on the website will reduce the number of calls, and enabling pre-population of existing information will improve the overall client experience.

**Mobile My Account**

This category includes the cost of enabling electronic services that clients regularly use (eg, for declaring income, viewing correspondence, changing contact details, and viewing their next payment) to be used on mobile devices such as smartphones and tablets.

**Straight-through population**

This category includes the cost associated with the automatic population of data into core legacy systems, saving staff time by eliminating re-entry of client information.

**Analytics and knowledge management**

Profiling will result in a more tailored service for clients. Analytics will assist in clients receiving a service more in line with the investment approach. Tailoring the service to the client could eliminate interactions with high-trust clients and digitally capable



clients. Better analytics will also assist integrity staff to identify high-risk transaction types and client behaviours. There is a cost to building and maintaining the models.

This category also includes the cost of implementing the integrated intelligence and reporting function, which will integrate information from multiple sources including client surveys, digital channels, business processes, and ICT systems to enable a co-ordinated, evidence-based response at operational, tactical, and strategic levels.

#### ***Inland Revenue Information Sharing***

This category includes the cost of enabling automated processing of the data received from Inland Revenue instead of the current manual process. This will reduce future overpayments – this benefit is explained in section 3 (economic case).

#### ***E-lodgements***

This category includes the cost for automatic processing of medical certificates, which will reduce manual processing by staff and save client effort by no longer requiring medical certificates to be scanned at a Ministry site. A system cost will be incurred to automate the process.

#### ***Tailored communications***

To reduce calls into our contact centre and follow-up visits by clients to local sites we need to convert the Ministry's high volume of formal and often complex correspondence into simplified, tailored communication to clients in their choice of text (SMS), email, My Account in-box, or letter. As well as reducing client interactions, this will also save printing and postage costs. The capital cost enables the integration between Ministry systems and an out-sourced channel management system.

#### ***Overall infrastructure***

This category includes the cost of purchasing hardware and licences that will support the ICT needed to implement Simplification.

#### ***Other IT***

This category includes costs relating to cyber-security, RealMe verification, a single sign-on for staff, and a cloud platform. These functions are all essential in supporting the overall solution.

#### ***Property refurbishment***

Basic changes to sites are required to facilitate more self-service by clients. This category includes costs for new signage, furniture, wiring, and electrical alterations.

### **4.3.2 Implementation costs**

Implementation costs over the next 2½ years fall into six categories. Each category is discussed in the text following Table 15.

Table 15: Implementation costs, 2014/15 – 2021/22

Implementation cost	2014/15 (\$m)	2015/16 (\$m)	2016/17 (\$m)	2017/18 (\$m)	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)	Total (\$m)
Internal project team	1.7	6.2	4.1	–	–	–	–	–	12.0
External advice	1.2	2.3	2.0	–	–	–	–	–	5.5
Communications	0.3	1.5	–	–	–	–	–	–	1.7
Training and development	0.8	1.6	0.5	–	–	–	–	–	2.8
Change management	–	14.8	–	–	–	–	–	–	15.0
IT related	1.3	1.5	–	–	–	–	–	–	2.8
<b>Total implementation</b>	<b>5.2</b>	<b>27.9</b>	<b>6.6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>39.7</b>
<b>Total up-front investment*</b>	<b>18.2</b>	<b>60.5</b>	<b>27.2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>105.9</b>

\* Total up-front investment includes total capital costs (from Table 14) and implementation costs.

### Internal project team

To deliver a project of this magnitude a project team comprising staff with knowledge of current operating practice, experience in project management, and subject-matter expertise is required. At the completion of Simplification, the Ministry will have established the necessary capability to ensure continuous improvement and user-centred design are embedded.

### External advice

This category includes the cost of engaging expert consultants and contractors for strategic advice, quality assurance, Gateway reviews, procurement, probity, and prototyping.

### Communications

Strong promotion of the online service will be required to increase digital uptake. This cost category includes marketing campaigns, letters to clients, videos, and multi-media communications.

### Training and development

New functions and significant changes in current functions mean front-line staff will require extensive training (eg, in techniques to coach clients to use digital services themselves). This category includes the cost of new learning modules as well as the cost of delivering training. It also includes additional travel and staff insights work associated with the site Simplification champions (who will be existing staff).



### **Change management**

The reduction in the number of front-line staff positions required to achieve the benefits of Simplification will not be achieved by attrition. Therefore, redundancy costs have been included in 2015/16 for about 560 positions (with the redundancy process occurring from July 2016).

The Ministry considered an alternative option emphasising attrition and fewer redundancies (about 240). That option would have been slower to realise benefits and lengthened the change management period. Staff would have experienced a longer period of uncertainty, increasing the risk of business instability. The Ministry preferred a shorter change management period.

### **IT related**

This category includes the cost of purchasing touch screens to be used in sites and improving Ministry websites.

#### **4.3.3 Ongoing operating costs**

Ongoing operating costs fall into six categories. Each category is discussed in the text following Table 16.

*Table 16: Ongoing operating costs, 2014/15 – 2021/22*

Operating costs	2014/15 (\$m)	2015/16 (\$m)	2016/17 (\$m)	2017/18 (\$m)	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)	Total (\$m)
Tailored communications	0.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0	7.4
Knowledge Management		0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.8
Infrastructure	0.1	0.5	0.5	0.5	0.5	0.5	0.5	0.5	3.7
Other IT	0.8	2.3	2.2	2.2	2.2	2.2	2.2	2.2	16.6
Digital assistance	–	–	2.4	2.4	2.4	2.4	2.4	2.4	14.3
Entitlement assessor	–	–	4.7	3.5	2.9	2.9	2.9	2.9	20.0
<b>Total additional operating costs</b>	<b>1.6</b>	<b>4.0</b>	<b>11.1</b>	<b>9.9</b>	<b>9.3</b>	<b>9.3</b>	<b>9.3</b>	<b>9.3</b>	<b>63.8</b>
Gross benefit	–	2.3	49.3	56.3	56.7	56.7	56.7	56.7	334.9
<b>Net operating benefits</b>	<b>(1.1)</b>	<b>(1.9)</b>	<b>38.2</b>	<b>46.4</b>	<b>47.4</b>	<b>47.4</b>	<b>47.4</b>	<b>47.4</b>	<b>271.0</b>

### **Tailored communications**

This category includes a fee for service to the preferred channel manager supplier to manage client communication.



### ***Knowledge management***

This category includes the cost of software maintenance for the knowledge management software that will allow a more tailored approach to our clients.

### ***Infrastructure***

This category includes the ongoing costs of software maintenance for software purchased, such as business process and rules management software. It also includes the fees associated with buying or leasing cloud services such as platform as a service (PaaS) for mobile applications.

### ***Other IT***

This category includes fees and licences for processing medical certificates, RealMe verification, sending texts, calls actioned over the internet rather than telephone lines, and the integrated intelligence and reporting function.

### ***Digital assistance***

This category includes the cost of the new role to be established in sites to help clients in their online transactions.

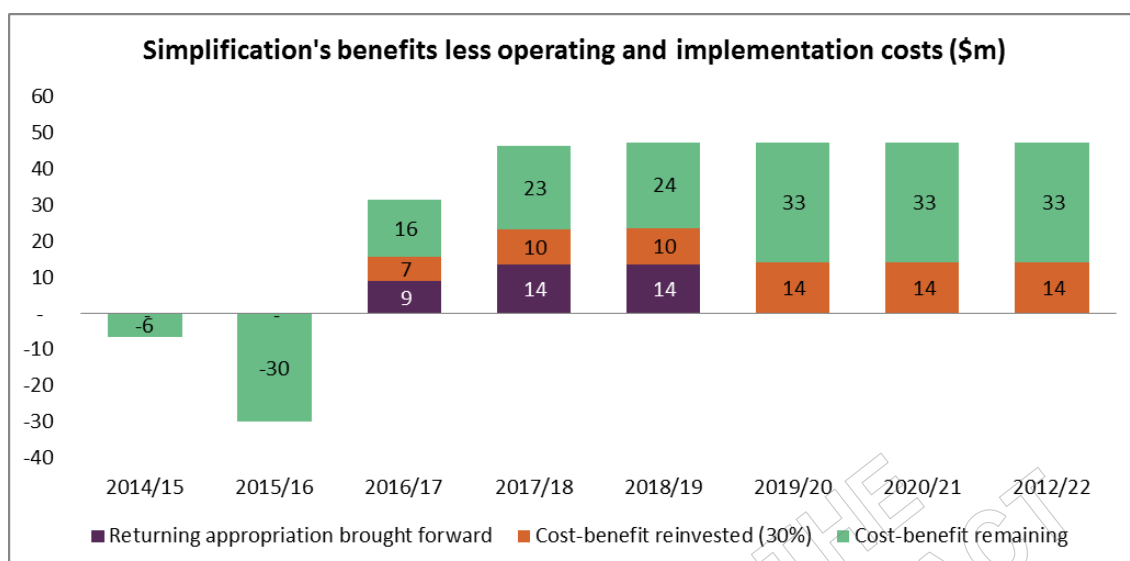
### ***Entitlement assessors***

This category includes the cost for a new role to assess the entitlement of applications. The cost decreases when the system becomes more automated as the assessments will be less manual.

### ***Reinvestment***

The Ministry proposes to reinvest 30% of the estimated savings back into its outcome-focused services (shown in Table 17). The investment approach team advised that an investment of \$10 million per year over four years could generate a Crown spend reduction of \$125 million over the same period. Note that the reinvestment is made up of both internal staff costs and external contracted services costs.

Table 17: Net operating impact of Simplification, 2014/15 – 2021/22



#### 4.4 Affordability and funding

The Ministry is forecasting to spend \$364.8 million on all capital items from 2014/15 to 2018/19. This includes expenditure on:

- IT business improvements
- IT core assets
- core IT strategic action plan enablement
- motor vehicles
- property, including National Office relocation and Child, Youth and Family residential facilities.

Simplification's capital funding requirement of \$66.2 million over the next four years is expected to come from reprioritising the Ministry's capital plan. Both property and IT investments will be affected by the design of new business processes as a result of Simplification, so the current plan will be reprioritised to fund the investment required for Simplification. Because we can fund the capital expenditure required from existing baselines, the associated capital charge and depreciation costs will be sourced from existing funding streams.

Simplification requires \$6.4 million of operating funding for the remainder of 2014/15 and \$29.7 million in 2015/16 for operating and implementation costs. The Ministry will seek approval for this funding to be brought forward by a fiscally neutral adjustment from future years' baselines, thus allowing the Ministry to self-fund the operating cost. The Ministry will also seek to transfer any available 2014/15 underspends in Vote Social Development operating appropriations, once the final 2014/15 audited accounts are completed, towards the Simplification investment implementation costs in 2015/16.

By 2016/17, Simplification will be self-funding and the additional operating funding required will be funded from the savings generated.

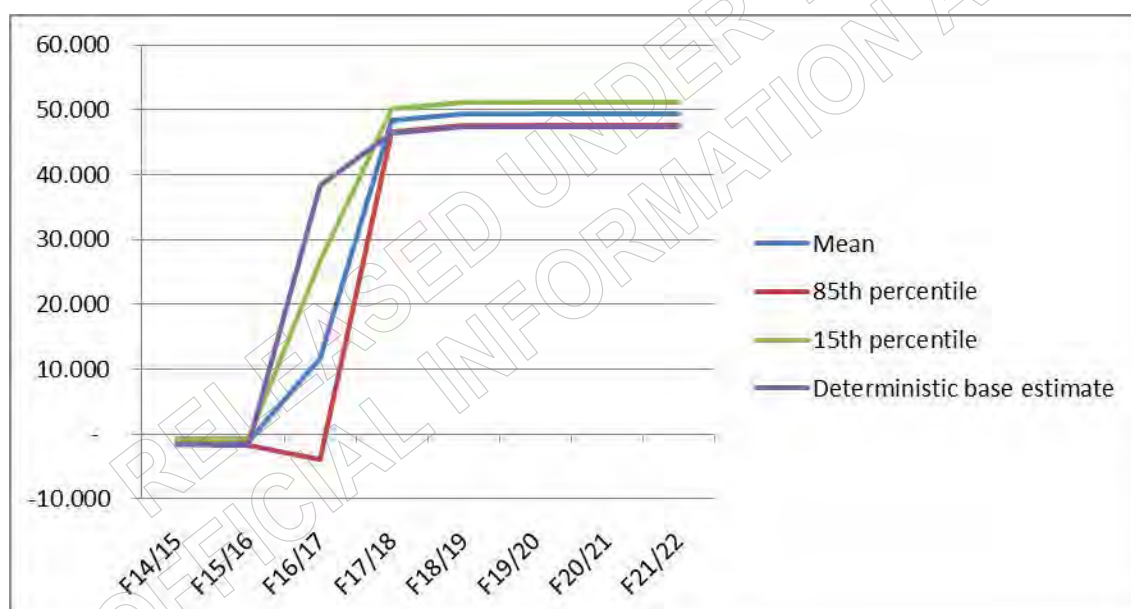
## 4.5 Setting an appropriate contingency for Simplification

Simplification sought external advice on the level of total programme costs. We engaged Broadleaf to provide a thorough quantitative risk analysis (QRA) and Tenzing to review IT costs.

The QRA estimated a 15% chance that total up-front costs of the project would be exceeded by more than \$28.7 million. The QRA also assessed the range of uncertainty for the benefits from Simplification (see Figure 20). The QRA estimated that a 15% chance that the net operating benefits could be lower than as stated in the business case by more than \$33.7 million (over the total period). The most significant uncertainties affecting these results are those related to delay and the cost of development.

Even if both of these pessimistic scenarios came to pass, the QRA estimated that Simplification would still have a significant net present value of \$35.4 million.

Figure 20: Quantitative risk assessment – benefits impact



The relatively high assessment reflects the agile approach, which by its nature means requirements are not fixed for all aspects of capital expenditure. However, it is the agile approach, where deliverables are broken into smaller components, that will give the Ministry the management flexibility to quickly change its approach when something is not operating as expected (ie, rather than continuing to incur more costs, the Ministry would reassess what else could be done or done instead to still achieve the desired end result).

### 4.5.1 Why contingency is needed

Realising the benefits from Simplification is mission critical for the Ministry given the strong contribution Simplification makes to overall strategy and the criticality of the realisable benefits for the Ministry's baseline. We need a contingency to **ensure** we can realise the Simplification benefits, even if unforeseen circumstances arise that require us to spend a little more in order to deliver.



The Ministry has every incentive to manage the costs and deliver the benefits from Simplification given that it is dependent on the level of benefits and has re-prioritised within tight baselines to fund the costs.

#### 4.5.2 Level of contingency set

Contingency is usually set at a level of 85% confidence. If we followed this approach we would set aside \$22.0 million (capital cost) and \$6.7 million (implementation cost), and hold a contingency for the total up-front investment of \$28.7 million.

However, some cost components are more uncertain than others. Our external advice bears this out. The QRA predicts a higher level of uncertainty for IT capital than for other operating expenditure relating to the implementation of Simplification. In addition, the Ministry is more able to re-prioritise and/or manage costs in certain areas, in particular, the operating costs related to implementation.

The Ministry is unlikely to require the full amount estimated for change management (redundancies) of \$14.8 million once additional attrition and redeployment of staff are factored in. Therefore, we do not require any additional contingency on these costs.

On the other hand, the investment required in IT capital is more uncertain because of the greater reliance on agile processes to deliver the IT components of Simplification and contribute to the benefits. Our advice from QRA indicates that a 33% level of contingency may be appropriate. Advice from Tenzing indicates 25–35% for contingency on IT capital. A figure of 30% is in the middle of the range provided by Tenzing and is consistent with the QRA estimate.

The Ministry has more choices in regard to the management of other operating costs from Simplification. In particular, we have more options for reprioritisation. Also, this group of costs is more certain than the IT capital component, so we can estimate them more accurately. The QRA indicated that a 17% level of contingency might be appropriate for this group of costs. However, we have already excluded the conservative change management cost estimate from the operating total. An estimate of 20% contingency for the remainder of implementation operating costs is appropriate. Setting a contingency amount at the following rates on the different areas of our projected implementation cost would yield the contingency estimate displayed in Table 18.

Table 18: Estimated contingency on the different areas of projected implementation cost

Simplification capital and operating cost	\$m	Contingency (%)	Contingency (\$m)
Capital cost	66.2	30%	19.9
Implementation cost	39.7		
Change management component (not subject to contingency)	(14.8)		
Implementation costs (subject to contingency)	24.9	20%	5.0
<b>Total capital and implementation</b>	<b>105.9</b>	<b>23%</b>	<b>24.8</b>



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The contingency on other implementation costs is \$5 million over a four-year period. The Ministry can reprioritise within its much larger total baseline to find these costs in the unlikely event that they arise. Therefore, if we exclude this amount from the contingency we arrive at the recommended level in Table 19.

Table 19: Recommended level of contingency

Simplification capital and operating cost	\$m	Contingency (%)	Contingency (\$m)
Capital cost	66.2	30%	19.9
Implementation cost	39.7		
Change management component (not subject to contingency)	(14.8)		
Implementation costs (subject to contingency)	24.9		
<b>Total capital and implementation</b>	<b>105.9</b>	<b>19%</b>	<b>19.9</b>

Contingency will be found by reprioritising the Ministry's capital plan. Any contingency required will be withheld from project budgets and access to it will require a variation approved by the Chief Executive. Any access to the contingency will be reported to joint Ministers.

### 4.6 Financial costing approach

To determine the cost of the proposed solutions we took the following steps.

1. We identified and blueprinted the future state solution for an integrated transactional service.
2. We described and costed the current state.
3. A timeframe of changes was agreed and mapped against other changes already planned in the Ministry. The integrated change programme was prioritised to ensure the changes that delivered the greatest benefit were sequenced correctly.
4. We estimated costs for each component, considering:
  - experience on previous projects
  - the knowledge of component specialists
  - relevant input from the market engagement
  - volume modelling based on forecast transactions
  - how the component would be integrated into the Ministry and whether there would be any ongoing operating costs, including additional staff, or whether current resources could be reprioritised.

### 4.7 Assumptions made during financial analysis

For the purposes of the financial analysis, the following assumptions have been made.

#### **4.7.1 Assessment period**

The project start date for valuation purposes is assumed to be 1 March 2015.

The operational life of the proposed assets is assumed to be eight years as per the indicative business case. This is the appraisal period over which the costs are assessed.

#### **4.7.2 Discount rate**

The Treasury specifies a public sector discount rate of 9.5% per year.

All costs and benefits are expressed in today's dollar terms.

As a risk-adjusted real discount rate is used, no further explicit allowances are made for price or wage inflation over the assessment period.

#### **4.7.3 Taxation**

All dollar figures are expressed in GST-exclusive terms.

Tax is omitted from the cost analysis as it is assumed to be the same across the options.

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## **5 Achieving successful delivery – management case**

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### **5.1 Purpose**

This section describes the Ministry's proposed approach to delivering the investment proposal successfully with active management of the sequencing, integration, and governance of the changes required to deliver the outcomes.

### **5.2 Delivery approach – early and ongoing delivery with clear progress targets**

We will continue to do things differently as we move to delivering simplified transactional processes and an improved client experience. We will deliver the proposed changes in just over 2½ years, rolling out a first set of tangible changes from March 2015. This set will be followed by continuous delivery of changes in an environment that is agile, committed to learning, and well monitored.

Table 20 (over the page) summarises the four stages of implementation, including the changes delivered, targets to be achieved, and reports to provide Ministers with 'off-ramps' if required. More information about the programme timeline and deliverables is in section 5.3.

## In Confidence

Table 20: Changes delivered at each of the four implementation stages

Stage	1 Getting ready	2 Simplifying processes for current clients and their current assistance	3 Simplifying processes for new clients and new assistance applications	4 Simplifying processes for staff
Period	October 2014 to March 2015	March 2015 to November 2015	November 2015 to June 2016	June 2016 to June 2017
Purpose	Get the Simplification programme ready for delivery and prototype some early changes with clients	Progressively roll out a great digital experience for current clients so they can manage their own information where and when it suits them	Extend digital services to new clients and new benefit applications to allow all transactional clients to interact with the Ministry online	Properly integrate digital channels into the back-end systems to get greater efficiency and control over new applications
Key changes delivered or activities completed	<ul style="list-style-type: none"> <li>Secure key programme resources</li> <li>Prototype some key design areas with clients (eg, appointment reminders and digital assistance models)</li> <li>Procure first set of vendor support</li> <li>Create additional capacity in the business with quick wins in the contact centre</li> <li>Prototype and develop capabilities for the integrated intelligence and reporting function</li> </ul>	<ul style="list-style-type: none"> <li>Redesign the online portal to be user-centric and allow clients to simply manage their information</li> <li>Improve website content so it is more searchable and clients can find the information they need</li> <li>Revitalise service centres (eg, kiosks and signage) and introduce the onsite digital assistance function to support clients to digital independence</li> <li>Enhance use of existing contact centre technology to provide digital assistance, more self-service, and optimal call time</li> </ul>	<ul style="list-style-type: none"> <li>Redesign the online application experience for clients to be user-centric and minimise client effort</li> <li>Improve the application to respond dynamically based on information provided by the client</li> <li>Embed digital assistance capabilities throughout the application process</li> <li>Optimise the application for tablets</li> <li>Start proactively notifying clients about changes to the status of their applications and let them track progress</li> </ul>	<ul style="list-style-type: none"> <li>Integrate systems to enable the straight-through population of back-end systems to reduce the effort from re-entering data</li> <li>Simplify processes and apply rules smartly to minimise exception handling, unnecessary process steps, and manual checking activities</li> <li>Enable the pre-population of applications based on information we know about the client</li> <li>Enhance risk- and needs-based intelligence to tailor the client experience</li> </ul>



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Key changes delivered / activities completed <i>continued</i>		<ul style="list-style-type: none"> <li>• Redesign appointment booking so clients can self-manage</li> <li>• Implement proactive text (SMS) notifications of appointments to encourage clients to attend interviews</li> <li>• Implement the integrated and enhanced assurance and integrity model</li> <li>• Enhance the use of Inland Revenue information to minimise overpayments</li> <li>• Accept medical certificates direct from general practitioners to reduce client effort</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a single integrated view of clients across assistance types</li> <li>• Allow clients to upload, submit, and view their documentation securely</li> <li>• Start delivering client correspondence securely and digitally</li> <li>• Let clients choose how they wish to be communicated with</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce the assessor function to enable specialisation of staff</li> <li>• Leverage authoritative data to minimise client effort and verify client information</li> </ul>
Progress expected	<ul style="list-style-type: none"> <li>• Current digital uptake is 2% for changes in circumstances and 18% for applications.</li> </ul>	<ul style="list-style-type: none"> <li>• Digital uptake is at 60% for changes in circumstances and 30% for applications</li> <li>• 60% of clients use the digital channel to book and manage their own appointments</li> <li>• 65% of medical certificates are lodged electronically</li> </ul>	<ul style="list-style-type: none"> <li>• Digital uptake is at 90% for changes in circumstances and 70% for applications</li> <li>• 75% of clients using the digital channel do not need assistance</li> <li>• 90% of clients use a digital channel to book and manage their own appointments.</li> <li>• 100% of medical certificates are lodged electronically</li> </ul>	<ul style="list-style-type: none"> <li>• Digital uptake is at 90% for changes in circumstances and 85% for applications</li> <li>• 85% efficiency gain in processing achieved with greater integration of back-end systems</li> </ul>
Cost to date	\$9 million	\$37 million	\$61 million	\$106 million
Checkpoints and ministerial reports	Report to joint Ministers by end of stage confirming progress on implementation planning and seeking approval to progress to the next stage	Progress checkpoints 1 and 2 (shown in Figure 21, page 80); report to joint Ministers by end of stage for approval to continue to the next stage before the next major wave of changes	Progress checkpoints 3, 4, and 5 (shown in Figure 21); report to the Cabinet Committee on State Sector Reform & Expenditure Control by end of stage for approval to continue to next stage before and significant organisational and people change and further investment in system changes	Progress checkpoint 6 (shown in Figure 21); reports to joint Ministers throughout this stage as required.



## 5.3 Delivery plan and timeline

### 5.3.1 Constraints and principles

The agile and co-design approaches create significant opportunities for the Ministry to deliver change faster, more cheaply, and in a learning environment that improves staff and client uptake of the changes.

The approach has a different constraint profile to the traditional 'waterfall/large delivery' project method. In acknowledging these constraints, the Ministry has developed principles to guide delivery planning. Table 21 summarises these constraints, principles, and impact.

Table 21: Principles guiding delivery planning

Constraint	Principles to manage	Impact on delivery plan
The Ministry cannot be sure of its digital design and simplified processes until it co-designs with clients and staff.	Know <i>what</i> needs to be achieved <i>when</i> , but be <i>adaptive</i> to what is happening at the front line in how you get there	The Ministry will use an agile delivery approach to deliver the specific transaction. This flexibility will allow the Ministry to modify the approach based on what is working but ensure change is within a clear plan of what needs to be achieved overall.
The Ministry needs new technology and people capabilities to support some of the proposed changes. Delivering these new capabilities needs to be cautious and careful as they represent the largest cost components of the journey and rework will be expensive.	Base the timing of the implementation plan around the most inflexible parts and create agility around these	Required capabilities have been organised into three tranches, each enabling a set of smaller releases of functionality that have a direct impact on the client experience. This allows the plan to be fixed around the larger capability drops, but be agile around the scope and timing of the smaller releases.
This type of delivery is new to the Ministry, so requires new business practices, technology, and ways of delivering change. The Ministry risks getting these things wrong.	Quickly identify areas of uncertainty and risk and mitigate them early	Prototypes and iterative approaches will be used early and often to test key design approaches, new technologies, and new ways of working and quickly adjust to ensure success.  Resources with appropriate expertise such as in agile methods will be sourced for project roles.
Demands on the Ministry's workforce will fluctuate as it makes these changes (eg, when clients first move to digital channels they will require additional digital assistance, but this requirement is expected to decline over time).	Build additional workforce capacity early Maintain flexibility in how that capacity is used during transition Minimise the number of substantial organisational changes by waiting until the client experience is confirmed and assured	Quick wins will free up staff time to support the transition.  External suppliers will provide additional capacity where this makes sense.  The sequence of the plan creates capacity and stabilises the business before any significant structural and people change for benefit realisation.

### 5.3.2 Plan features

#### ***Co-design and collaboration with clients and staff***

The Simplification approach is based on the insights provided by clients and staff about what will make their lives easier. As the project moves into the delivery phase, the Ministry must ensure it continues to involve clients and staff so it does not stray from this core tenet of Simplification.

Involvement of staff and clients will take many forms, including:

- prototyping ideas and concepts to test what works for staff and clients before locking in any designs
- collecting staff and client feedback actively throughout the process and responding accordingly
- co-designing change readiness and learning and development approaches with staff.

The proposed investment includes the ability to track client and staff usage and sentiment through analytics. This is vital to ensuring we do not lose sight of what staff and clients are experiencing, so can change the design and delivery as the project progresses.

#### ***Two-speed delivery approach***

The Ministry will continue its two-speed approach of being cautious and careful when changing core payment and processing systems, but agile and iterative when rolling out the front-end or digital aspects of the proposed new experience. This approach is vital to ensuring we can respond to what clients and staff are telling us about what works and what does not.

The implementation plan realises this two-speed approach through drops of capability that are delivered using the more traditional delivery approach and releases of functionality that utilise the capability drops.

Releases of functionality will use the same aspects of agile methodology that Simplification used to develop the detailed design for the preferred option for this business case and will continue through design, testing, development, and implementation.

Incremental rapid design and development provides opportunities to repeatedly learn and adapt what is being implemented. Prototypes and stakeholder collaboration will enable rapid development and testing of concepts to ensure success and fill benefit gaps. (Accelerated prototypes and initiatives, see Appendix 11, page 163.)

#### **'Capability drops'**

A capability drop makes available a new piece of technology or way of working for Simplification to use to deliver real changes to clients.

### 5.3.3 Timeline and deliverables

The project is estimated to take about 2½ years and consists of four main stages. Each stage has clearly defined outcomes and progress targets to be achieved.

1. **Getting ready** – mobilising the Simplification team and prototyping some key design areas with clients.
2. **Simplifying processes for current clients and their current assistance** – developing a digital channel so existing clients can manage their personal data and inform the Ministry of changes in their circumstances.
3. **Simplifying processes for new clients and new assistance applications** – using new technology capabilities to simplify the online application process for all clients.
4. **Simplifying processes for staff** – simplifying the back-end processing of client transactions for staff.

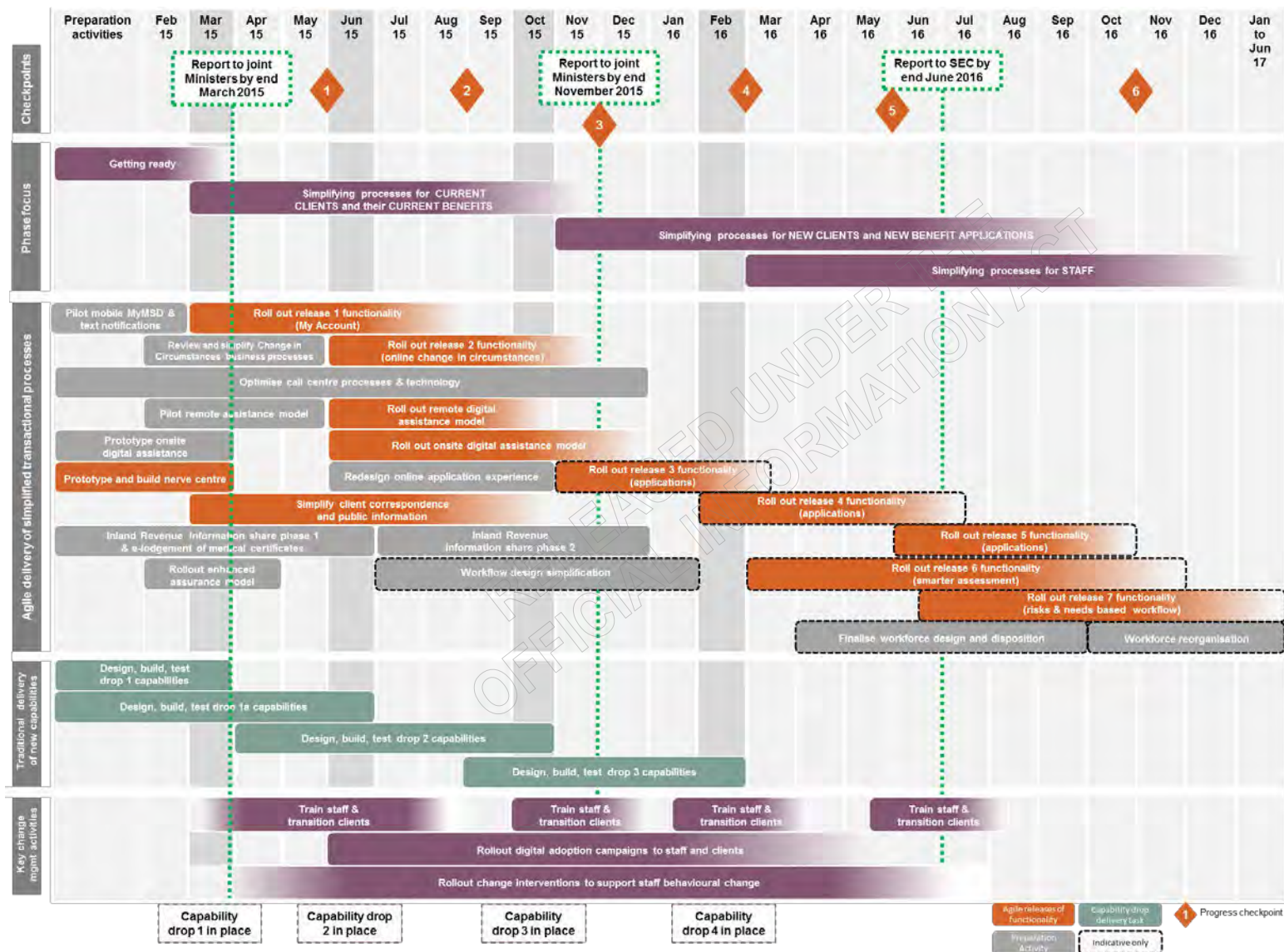
Figure 21 shows the timing for these stages and the major activities occurring within each one. See also the earlier information on the changes delivered in each stage in Table 20, page 75. The expected impact on functions undertaken by staff are summarised in section 5.5, page 81.

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Figure 21: Proposed Simplification stages, February 2015 – June 2017



## 5.4 Factors to ensure successful implementation – overview

Our approach to implementation recognises that to be successful we must:

- equip and engage clients and staff to design, adopt, and deliver the change
- balance a high degree of agility with strong leadership
- track and monitor the results through to benefits realisation
- use private sector capabilities more effectively.

We intend to undertake genuine co-design with clients and staff, follow a two-speed delivery approach supported with tailored management and governance arrangements, and use ongoing extensive support from the private sector, including learning from the experiences of other agencies and jurisdictions.

Successful execution of the delivery plan will require us to be flexible and adaptive around the design and delivery of the client experience, yet controlled and focused around how we deliver major new capabilities and realise the required benefits.

To manage and govern delivery so Simplification is implemented successfully we are:

- taking a change management approach built on **authentic engagement with clients and staff** when designing and delivering the change to ensure ownership and alignment (see section 5.5)
- **involving operational leaders in design governance** to ensure decisions can be made at the pace required and with sufficient controls to manage risk (see section 5.6, page 87)
- a **programme management approach** that combines the control inherent within the Managing Successful Programmes (MSP) methodology with the responsiveness of agile solution delivery (see section 5.7, page 91)
- **integrating assurance and monitoring** to help prevent issues and take early course correction rather than being the 'ambulance at the bottom of cliff' (section 5.8, page 92)
- developing an **integrated intelligence and reporting function** to support fact-based decision making and the ability to predict the trade-offs and implications of decisions on results and benefit realisation (see section 5.9, page 95)
- following a robust and proactive **risk management approach** that is aligned with the Ministry's overall risk management framework (see section 5.10, page 99)
- following a **sophisticated procurement approach** that engages the capabilities of the private sector more extensively throughout the design and delivery (see section 6, page 105).

## 5.5 Change management – authentic engagement with clients and staff

Simplification does mean change for people – both for the people we work with and for staff with new ways of interacting and processing transactions. It will be difficult to realise the full benefits from the proposed investment if staff do not feel sufficiently engaged and trained to support and encourage clients to use new digital channels and

self-manage for transactional services. Therefore, careful and well-planned management of the people dimension of this change is fundamental to success.

To equip and engage everyone requires continual co-designing and testing of concepts with users as well as a sophisticated change management strategy. Continuous monitoring of behaviour, uptake of new services, and satisfaction will mean design and delivery can be quickly adapted as often as required.

Co-designing with clients and staff is critical to ensure new services and processes will work when they are rolled out. User involvement in co-design will take many forms, including prototyping ideas and concepts before locking in any designs, collecting and responding to staff and client feedback actively, co-designing change readiness and learning and development approaches with staff.

Many people will experience the changes positively, but some will be apprehensive as they learn to access new digital channels. The inclusion of significant assisted digital support will mitigate this risk for clients. No client will be deprived of financial assistance or support because they cannot or will not use the digital channel. All efforts will be made to build their digital confidence and skills and encourage the use of this more efficient channel.

Staff are highly connected with the Ministry's purpose and are committed to making a positive difference for the many individuals and families they deal with every year. That commitment is one of our core strengths. The focus of change management will be to build on these existing core values.

### 5.5.1 Changes to workloads and functions

Simplification does mean change – changes to how staff are expected to interact with clients, changes to how transactions are processed and by whom, changes to some front-of-house roles, and changes to the number of staff needed to process transactions. These fundamental changes in culture are summarised in Figure 22.

Figure 22: Fundamental shift in culture and how value is derived for our people



The main changes for staff relate to new functions and activities, such as digital assistance, and associated employment relations implications; a staff–client interaction model that is a new way of working for staff; and the iterative implementation (rather than a 'big bang' approach), which will create an environment of ongoing change.



Simplification will reduce the overall time to process transactions and will better align transactional work to roles. The work eliminated through Simplification will be equivalent to 743 full-time equivalent positions. The number of redundancies is estimated at up to 560, after staff attrition and re-deployment, with the redundancy process occurring from July 2016. The Ministry will support staff through this process, and does intend to reinvest 30% of the estimated savings into employment-related outcome services.

Once Simplification is fully implemented, the following workloads and functions will change.

- Front-line staff will no longer need to scan documents, book appointments, enter and re-enter client information, or clarify and verify information. This will remove 657 full-time equivalents (FTEs) of case management work (out of about 2,000).
- Fewer calls will come through the contact centre as general enquiries will decrease and clients will no longer need to talk to someone to book appointments, apply for hardship assistance, or update their changes in circumstances. This will remove 157 FTEs of customer service work (out of about 460).
- Quality assurance activity will be significantly reduced as smarter processing and analytics eliminate manual assurance interventions. This will remove 46 FTEs of quality assurance work (out of about 50).
- Centralised processing staff will no longer need to authenticate transactions from smarter processing, analytics, and better use of authoritative data. This will remove 60 FTEs of centralised processing work (out of about 180). However, this reduction will be offset by an increase of 75 FTEs to process more exceptions for digital transactions, including data re-entry and attaching scanned documents to a client record.
- The equivalent of 46 front-line roles will drive uptake through a new digital assistance function that will inform, educate, and encourage clients to self-serve. Capacity generated from the change in the case management function will be used to assist clients to use digital channels until capacity can be released or reinvested.
- The equivalent of 56 new assessment roles will make judgement-based assessment decisions, including clarification and verification of information provided by the client.

### **5.5.2 A people-centric approach to change management**

The approach to people and change management proposes we first understand what it is that our staff connect with and value in their work, then provide them with opportunities and tools to be involved in the way we introduce change.

#### ***Front-line leaders to lead the change***

The changes made through Simplification will need to be embedded and continuously improved long after the project has finished. Therefore, our front-line leaders need to own, champion, and believe in the change, and communicate this to their people.

Involving operational leaders in the design and delivery of the Simplification project will support this ownership – and ensure the changes being developed truly reflect operational realities.

### ***Co-design with staff and clients***

Staff know the Ministry's business and work with clients at the front line every day. Therefore, involving them closely in developing the service delivery model and evaluating proposed changes is essential for success. Training for staff will be based on input and insights from clients gathered by the programme design team and a reference group of staff. All training modules will be piloted before being implemented.

We will work with groups of staff, seeking their input as we develop and test ideas, so they are involved in the change experience rather than having change management 'done to them'. Rather than tell them how we will help get them ready for change, we will work with them to understand what will be most helpful and supportive.

### ***Bring the future to life***

It is important to introduce the future with a strong picture of the beneficial changes the client will experience. Staff will be given opportunities to experience the future through prototyping and walk-throughs to help them to understand what the proposed changes will mean for them, for clients, and for the Ministry. Model office testing spaces and other approaches that have been proven to communicate Simplification design concepts succinctly, powerfully, and memorably will continue to be used.

### ***Be open and transparent***

Clear, honest, and regular communication is important for empowering people, keeping other stakeholders informed and involved, supporting service design and training development, and supporting and building the Ministry's reputation. This principle includes working in partnership with the PSA, engaging with it early and regularly to identify the right solutions to issues.

### ***Simplification champions to support their teams***

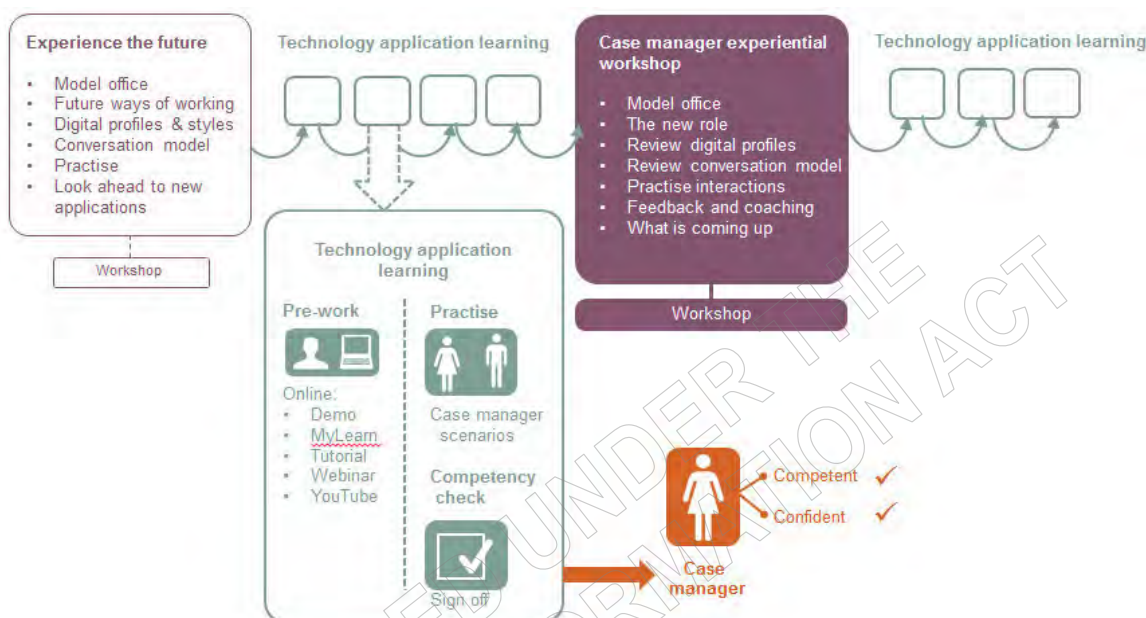
Simplification champions, the 'faces of change', will support leaders to lead change. A network of champions will link the project team and regions to reduce the challenges associated with the geographic dispersion and size of our workforce. As local change agents, champions will be responsible for on-training in the regions. Champions will be engaged early in the implementation and play a critical role in information sharing, communication, and providing feedback and input to change interventions.

### **5.5.3 An agile approach to learning**

Instead of a 'big bang' approach to implementation, Simplification proposes an 'iterative' implementation. This approach provides opportunities to continuously learn, adapt, and improve, but it does mean change will be ongoing for a longer period. This needs to be reflected in the change management approach. The Ministry's people are used to change and are experienced in managing through ambiguity – but we need to support them with the right tools, learning, and communication.

Simplification's learning approach will combine different activities (eg, workshops, scenarios, and online demonstrations) to give staff multiple opportunities to first learn about new systems and processes and then to apply and practise these skills (Figure 23). This approach differs from the more traditional training approach that relies heavily on classroom-based learning.

Figure 23: Simplification learning approach



### Technology application learning

New self-service systems will mean clients can complete an increasing number of functions themselves. For each new piece of functionality, staff must be able to:

- use the functionality
- encourage and coach the client to use the functionality
- help the client to self-serve to answer questions for themselves.

Our user-centred design approach means new functionality should be easy to use and intuitive, thus reducing the learning time. Front-line staff will be assessed and signed off as competent once they can demonstrate new technologies to clients and coach clients to use self-service channels without 'taking over the controls'. The focus is on effective coaching and transfer of knowledge, not just personal understanding of the technology.

### Case manager experiential workshops

The proposed new front-of-house role represents a significant change for front-line staff in service centres, where they will move out from behind desks and scheduled client appointments into a role where they encourage clients to independently apply for assistance using online channels.

Before the introduction of the new role, staff will attend a workshop to make sure they are confident and competent using a consistent conversation model to coach clients on



the new functionality. These workshops will be piloted with representatives from the front line so the workshops can be adjusted to ensure they will meet staff needs effectively.

### Other training

Other targeted training will be provided to contact centre front-line staff, general and specialist assessors, Central Processing Unit staff, service centre trainers, regional training coordinators, service centre managers, third-party providers, and staff from Work and Income, StudyLink, and Seniors.

### 5.5.4 Simple communications to engage all our people

Simplification recognises the critical role of communications in driving, informing, and supporting the new way of delivering transactional services to New Zealanders and the associated new model for staff–client interaction.

### Communication and engagement principles

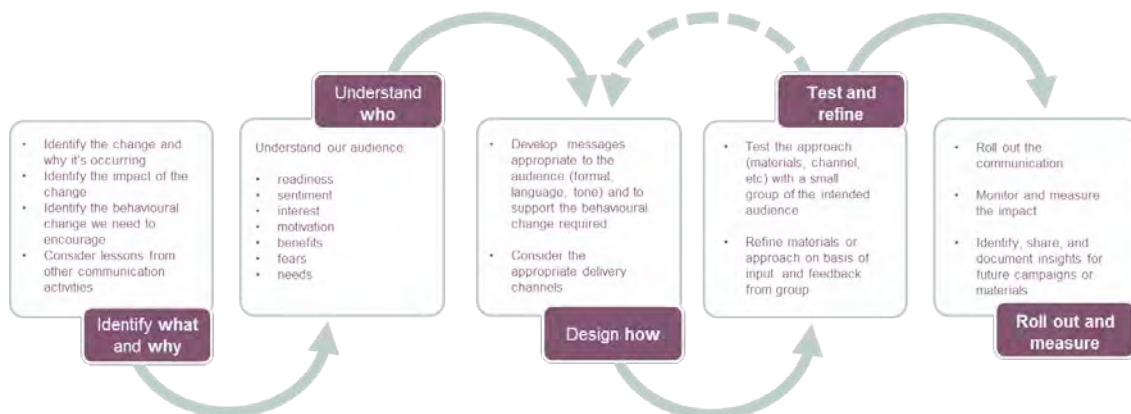
Four principles will underpin all communications and support change throughout the Simplification journey as illustrated in Figure 24.

Figure 24: Communication and engagement principles



Our communications will continue to take a design-led approach (illustrated in Figure 25), drawing on the insights of our audiences to make sure our messaging and materials will work.

Figure 25: Communication approach



The Ministry has tended to go straight from the ‘what and why’ to design and roll out – potentially affecting effectiveness of communication. By taking the time to understand the audience’s needs, motivations, and preferences as well as the desired impact of the communication, materials, and campaigns to inform and motivate action can be delivered.

Simplification is committed to investing in a deliberate programme of communication activity to support the goals of the project. Organisations don’t just change because of new systems, processes, or structures; they change because people adapt to new ways of doing things. One size does not fit all when it comes to communicating clearly.

Simplification proposes:

- reviewing the language we use and the content we provide
- ensuring we are using channels appropriate for audience
- being prepared to sell the benefits to clients, staff and stakeholders
- investing in creating a variety of resources that will enable understanding (eg, website, print collateral, training, and on-site workshops)
- investing in a marketing approach to encourage digital uptake and behavioural change
- being prepared to talk transparently about the real and desired impacts of change.

Multiple projects are under way, so to avoid inundating staff we will make sure we consider Simplification messages and timing of communication campaigns supporting capability drops with those of other projects.

Simplification is being implemented iteratively, so we will make sure communications are aligned with the phases of implementation, always building on earlier communications, reiterating key messages and encouraging on-going involvement and participation to inform service improvement changes (eg, by using feedback channels, co-design activities, and satisfaction measures).

Uptake of digital services is a key enabler of the new way of working. To encourage this we will take a targeted approach to actively promote the benefits of our new service: identifying the audience and intelligence to support our strategy, using different channels and messaging to encourage change, and continuing to measure the impact of campaigns and adapting accordingly.

We will bring the change to life and involve the people it will effect. We will be creative with the ways we do this, using traditional approaches (such as presentations and workshops), multimedia, and two-way digital channels, and will explore how we can enable our Simplification champions, leaders, and partners (eg, non-governmental organisation providers).

## 5.6 Governance and decision making

The agile approach means the Ministry must make frequent and important decisions on aspects of the design – especially the client- and staff-facing aspects. This requires a design governance group that is readily available to Simplification and with appropriate authority and responsibilities.

## Commercial In Confidence

The Simplification Steering Group will be ultimately responsible for the overall design of the solution and the customer and staff experience delivered. This group will have a particular focus on the riskier areas of design such as security and privacy.

To address this challenge we are proposing to layer our governance arrangements and then delegate authority for specific decision types down through these layers. These layers are illustrated in Figure 26 and described in Table 22.

To provide Simplification with a readily available design group, the Simplification Steering Group will delegate some design decisions to a group of operational leaders. These operational leaders will be given a clear span of authority to focus on operational design decisions (such as system look and feel and staff workflow).

Unlike a more traditional programme management approach, we will not be utilising sub-project boards to govern specific delivery initiatives. The integrated nature of the initiatives and their individually small scale does not warrant this additional level of governance oversight.

Figure 26: Layered governance arrangements and delegations

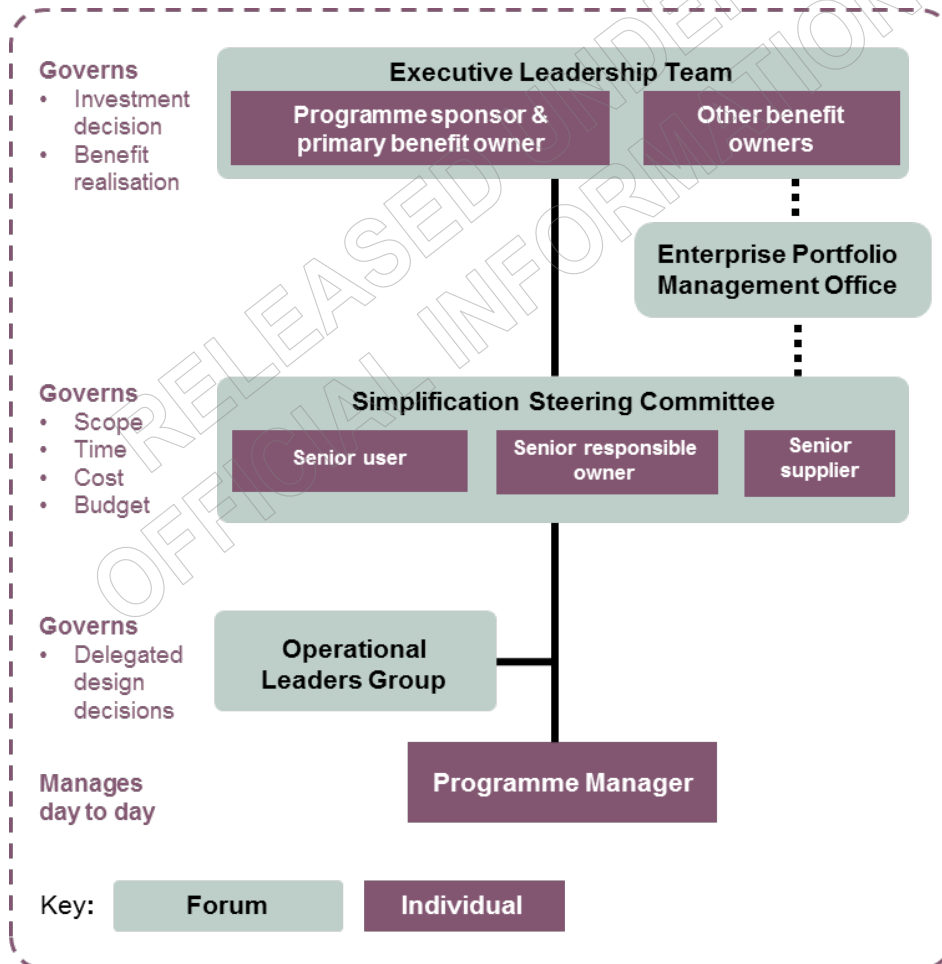




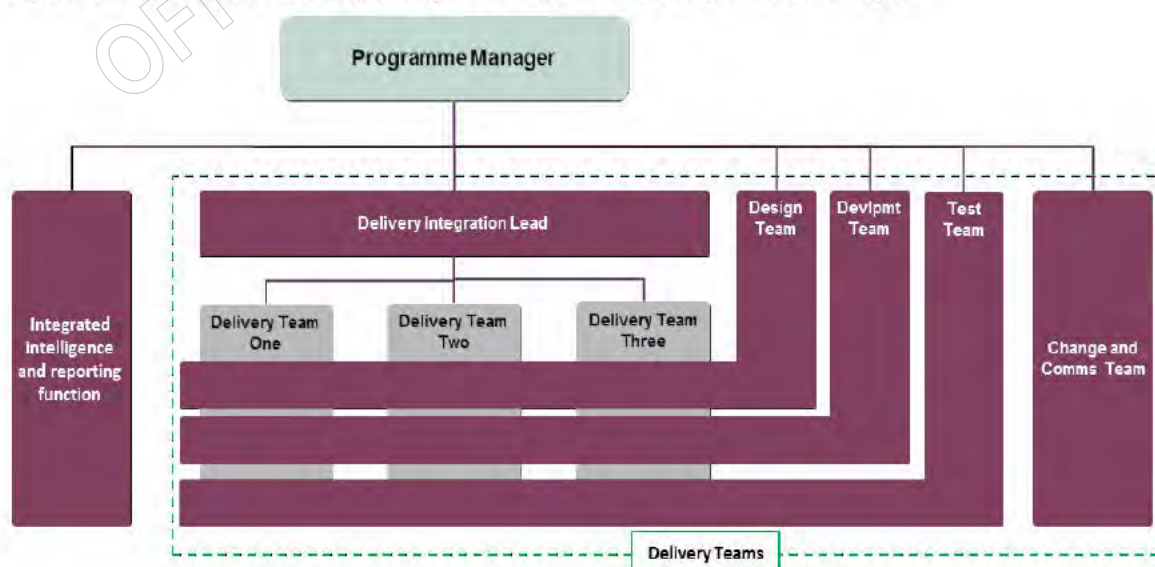
Table 22: Layered governance arrangements and delegations – roles and responsibilities

Forum or role	Description and main responsibilities
<b>Executive Leadership Team</b>	<p>The Executive Leadership Team will:</p> <ul style="list-style-type: none"> <li>govern the overall investment decision (ie, making sure Simplification remains strategically aligned, considering where it sits in terms of investment priorities)</li> <li>govern benefit realisation as it relates to the overall investment decision</li> <li>receive ad hoc reports as required or at major decision points.</li> </ul>
<b>Programme sponsor and primary benefit owner</b>	<p>The programme sponsor and primary benefit owner will be a tier two leader with the most direct relationship to the operational impact of the Simplification changes (ie, the key transactional services owner).</p> <p>As sponsor, this role will be accountable for the overall investment return of Simplification. As primary benefit owner, this role will be responsible for realising most the benefits that Simplification will enable.</p> <p>The programme sponsor will receive the fortnightly status reports on programme progress in alignment with Steering Group meetings.</p>
<b>Other benefit owners</b>	<p>Simplification may deliver benefits that are outside the operational control of the programme sponsor and primary benefit owner. Other benefit owners will be identified and required to approve the level of benefit they will achieve.</p>
<b>Simplification Steering Group</b>	<p>The Simplification Steering Group will be responsible for governing the <i>delivery</i> of the programme within the investment decision approved by the Executive Leadership Team (including scope, time, and cost). It will also approve important elements of solution design where the impact is significant (eg, roles and structure design, security design).</p> <p>Its main functions will be to:</p> <ul style="list-style-type: none"> <li>provide thought leadership</li> <li>drive a shared understanding of and purpose for Simplification across the Ministry</li> <li>resolve critical trade-offs, including between project costs, timing, and benefit realisation</li> <li>determine where decisions need to be made</li> <li>approve deliverables</li> <li>monitor progress towards achieving strategic targets.</li> </ul> <p>This group will meet monthly but receive fortnightly status reports on programme progress.</p>
<b>Senior responsible owner</b>	<p>The senior responsible owner will:</p> <ul style="list-style-type: none"> <li>be the sponsor's delegate</li> <li>be responsible for the overall delivery of the programme</li> <li>receive weekly status updates from the programme manager.</li> </ul> <p>Given the time demands on this role, it will likely be a tier three role.</p>
<b>Senior users</b>	<p>Senior users will be key managers of transactional services and will give input into decisions from users' perspectives.</p>



Forum or role	Description and main responsibilities
Senior suppliers	<p>Senior suppliers will be the main suppliers of the delivery services being utilised within the programme (eg, external providers). These will be confirmed once procurement activities are complete.</p> <p>The Chief Information Officer (CIO) will represent the internal delivery of technology enablers.</p>
Operational Leaders Group	<p>The steering group will delegate authority to the operational leaders to decide elements of the design. This is expected to be primarily in the area of the user interface (ie, digital front end), the operational processes, and the deployment approach. The operational leaders will meet often, readily, and on an ad hoc basis to make decisions so the programme can progress.</p> <p>The areas on which operational leaders will make decisions will be carefully considered and framed to ensure high-risk areas (such as security and privacy) receive the appropriate level of oversight.</p>
Programme Manager	<p>The Simplification Programme Manager will take day-to-day accountability for the delivery of the programme.</p> <p>The Programme Manager will be supported by delivery teams that collectively make up a multidisciplinary project team (see Figure 27).</p> <p>A core team will drive and run the project with the assistance of teams contributing critical specialist skills and insight (eg, legal and information technology). External experts will provide the project with capability, skills, and experiences the Ministry does not have.</p>
Enterprise Portfolio Management Office	<p>The Enterprise Portfolio Management Office will play a crucial role in providing guidance to the Simplification Steering Group and Executive Leadership Team on the overall position of Simplification within the Ministry's broader investment portfolio.</p> <p>It will receive the fortnightly programme status reports for inclusion into the overall portfolio reporting framework.</p>

Figure 27: Delivery teams supporting the Simplification Programme Manager



## 5.7 Programme management approach

The delivery of the proposed investment will be through a Simplification programme controlled and managed using a combination of:

- the Ministry's accepted programme management methodology (MSP) (adapted after consultation with external and internal experts)
- suitable solution development lifecycle methodologies
- the Simplification people and change management approach.

### ***Programme management methodology***

MSP is a best-practice programme management methodology used for controlling large-scale investments. By design, it separates programme management and control (ie, the governance and management dimensions such as stage-gate design, risks and issues management, review, and assurance) from the delivery method (ie, the process to create the product). This separation is essential for Simplification as the two-speed delivery approach means using different delivery methods.

MSP is being utilised as its core principles align closely with the overall Simplification approach (eg, adding value, learning from experience, and designing a coherent capability). However, some aspects of a more traditional programme management approach will not be adopted. For example, there will not be sub-projects under Simplification with their own governance structures.

### ***Solution development lifecycle methodologies***

A solution development lifecycle (SDLC) is the process used to design, build, and deliver new solutions into the business. A solution could be technology, process, people, or a combination of all three.

The SDLC will typically consist of activities such as planning, requirements definition, solution design, solution build or configure, testing, and roll-out. The exact approach to each of these activities and how they fit together are heavily dependent on what the solution is for. What is suitable for industrial-strength data sharing will not be suitable for rapid design and delivery of new user interfaces or a front-of-house interaction model. This, coupled with our proposed use of third-party suppliers (who may have their own SDLC), means we will need to use a combination of delivery approaches to be successful.

The approaches will fit into one of two broad categories: agile or waterfall solution development.

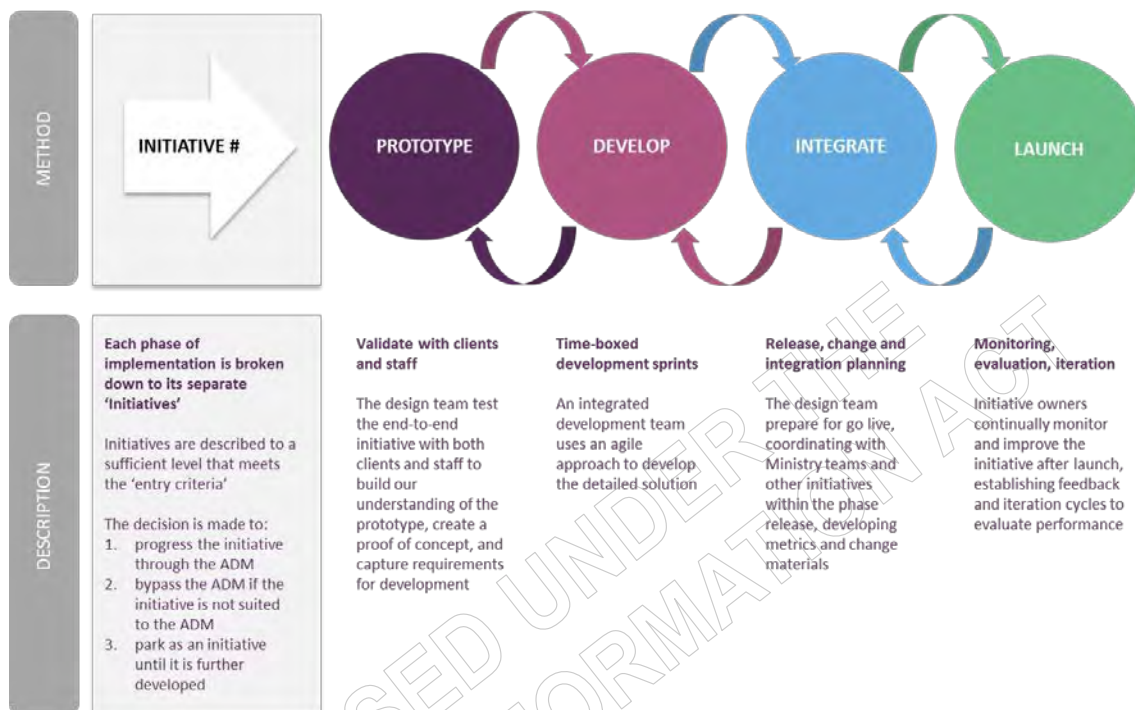
**Agile** solution development is an iterative design approach using sprints to progressively build out more detail in a solution. It is designed to get early feedback on the solution from end-users, so will be a good fit for those aspects of the proposed solution that will have heavy client or staff use. We utilised aspects of an agile approach during the initial phases of Simplification.

Figure 28 summarises this accelerated delivery method. Each phase of implementation is broken down to its separate initiatives. Each initiative is developed and described to a sufficient level that meets the entry criteria, before a decision is made to:



- progress the initiative through the accelerated delivery method
- bypass the accelerated delivery method if the initiative is not suited
- park the initiative until it is further developed.

Figure 28: Agile methodology – accelerated delivery method (ADM)



**Waterfall** solution development is a more structured approach to solution development that emphasises clarity of the current activity before moving on to avoid rework and incomplete solutions. It is the standard approach for large and complex solutions where rework is expensive and time-consuming.

These SDLC approaches will include the project management aspects (eg, time, cost, and budget) required for successful delivery. These aspects will be integrated into the broader MSP framework as required.

## 5.8 Active and integrated assurance and monitoring

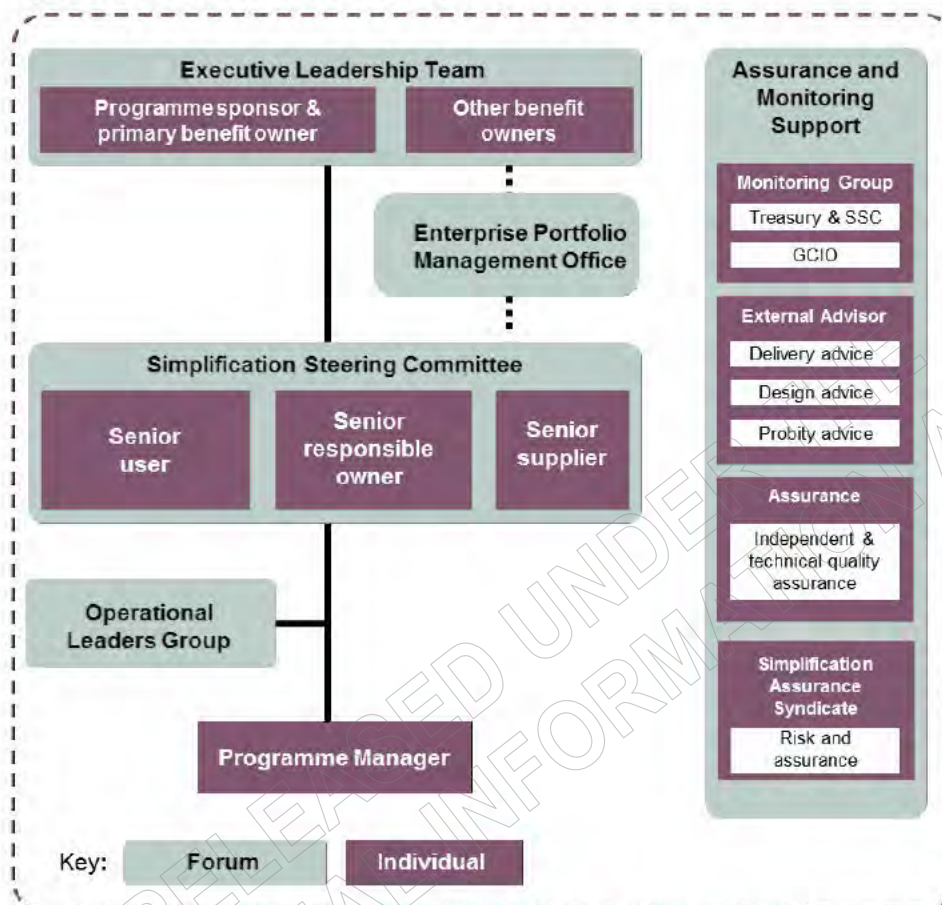
Simplification will have many parts moving at different rates. The programme team, Operational Leaders Group, and Simplification Steering Group will be managing multiple risks and issues throughout the delivery timeframe.

In that context it is easy to develop 'tunnel vision' or get caught up in 'milestone fever' (ie, that nothing matters other than hitting a deadline). One of the most effective methods to mitigate these risks is by using an active and integrated regime of assurance and monitoring.

Rather than thinking of assurance activities as hurdles, we want to use them as a key mitigation for the risks mentioned above. This will require us to work with assurance providers differently – being open and well informed throughout every assurance process not just at checkpoints.

However, we will, however, also need assurance and monitoring partners with specific skill sets. These are illustrated in Figure 29 and described in Table 23. The planned activities for each group are described in Appendix 8, page 158.

Figure 29: Assurance and monitoring



Note: GCIO = Government Chief Information Officer; SSC = State Services Commission.

Table 23: Assurance roles

Assurance group	Role
<b>Monitoring Group</b>	<p>Central agencies will continue to provide:</p> <ul style="list-style-type: none"> <li>ongoing advice to the project to help it succeed</li> <li>independent assurance to Ministers about the risk status and progress of the project.</li> </ul> <p>The Government Chief Information Officer will have an ongoing monitoring role. Given the extent of new capabilities proposed to be delivered through Simplification and the need for joined-up solutions across government, we would hope the Government Chief Information Officer would also play a significant advisory role.</p>



Assurance group	Role
<b>External advisers</b>	<p>Throughout the life of the programme, external advisers will likely be used to provide advice and guidance on the design, delivery and probity of the programme. For example:</p> <ul style="list-style-type: none"> <li>• an independent probity auditor will provide independent advice on the transparency, fairness, integrity, and accountability of procurement processes</li> <li>• the probity function will be responsible for reviewing all aspects of procurement activity during market engagement and implementation.</li> </ul>
<b>Assurance</b>	<p>We will use a combination of internal and external providers for both independent and technical quality assurance.</p> <p><b>External</b></p> <p>Independent quality assurance will continue to be used to assess project management tools and techniques and how project management has been implemented to ensure project success, the Ministry's capability and capacity, as well as development outcomes at critical stages of the project.</p> <p>The IQA review will cover initiation, development, and delivery phases of the project and will assess the quality and comprehensiveness of:</p> <ul style="list-style-type: none"> <li>• stakeholders' understandings of the project</li> <li>• measures to adequately address significant project risks and issues</li> <li>• how the project team is reducing risks to improve project performance</li> <li>• the project's outputs and whether they are realistic, achievable, and supportive of full benefit realisation</li> <li>• change management planning</li> <li>• budget management and control processes and whether they are realistic and achievable</li> <li>• project management artefacts generated by the project</li> <li>• current governance arrangements for the project (and their effectiveness)</li> <li>• the next phase business case and whether it is realistic and achievable</li> <li>• quality of project delivery</li> <li>• post implementation cost-benefit analysis</li> <li>• design outcomes and fitness for purpose</li> <li>• delivery of benefit enablers and benefits realisation.</li> </ul> <p><b>Internal</b></p> <p>The Ministry's Risk and Assurance team provides Simplification with independent assurance, advice, and risk activity to evaluate and improve the effectiveness of risk management, controls, and governance processes. It will also provide independent assurance over the development of detailed design, including prototyping. During implementation, Risk and Assurance will review Simplification's internal assurance processes.</p>



Assurance group	Role
<b>Simplification Assurance Syndicate</b>	<p>The Simplification Assurance Syndicate was created to provide Simplification with constructive and relevant feedback to ensure all issues and matters receive appropriate consultation and consideration. The syndicate's main function is to ensure the models, systems, and processes Simplification designs are strong in terms of integrity and assurance. The syndicate will do this by:</p> <ul style="list-style-type: none"> <li>• providing independent quality assurance and advice</li> <li>• providing risk management challenge, insight and advice</li> <li>• challenging ideas and testing assumptions through the Simplification design and delivery phases</li> <li>• acting as an advisory group (the Simplification project team makes decisions on deliverables).</li> </ul>

## 5.9 Benefits management

This section explains the proposed approach to realising the benefits from Simplification, specifically the benefits management approach (section 5.9.1) and the benefits extraction process (section 5.9.3).

### 5.9.1 Integrated intelligence and reporting function

An integrated intelligence and reporting function will enable co-ordinated, responsive, evidence-based decisions. This function will bring together organisation-wide information about transactional services to identify opportunities for further improvement, track progress towards targets, and highlight risks. Governance groups and programme management, with operational business leaders, will use this function to manage delivery and adjust implementation.

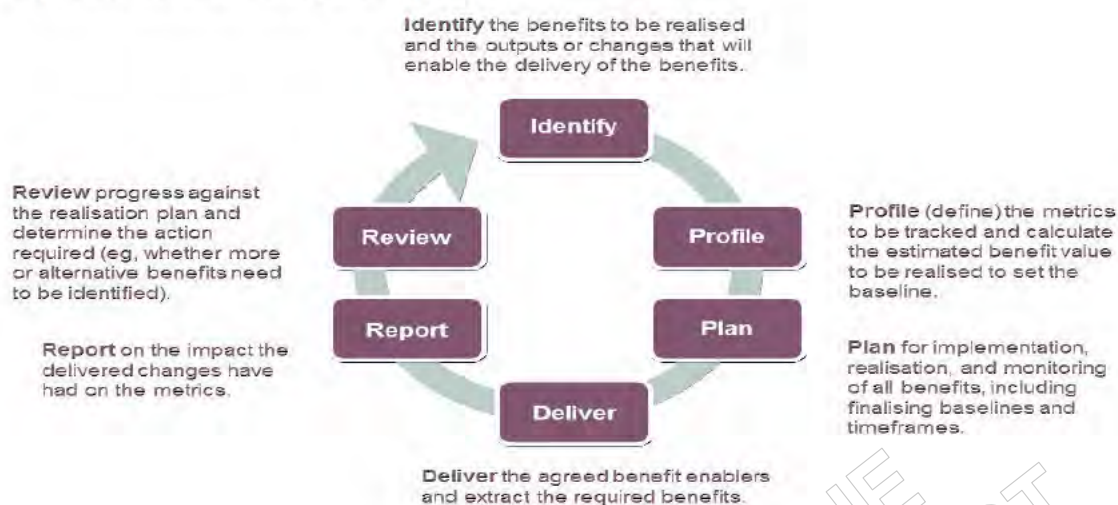
Governance and programme management will use the integrated intelligence and reporting function to build enduring capability to enable continuous improvement of the Ministry's operations.

Frequent and ongoing tracking of the progress targets and active management will ensure the Ministry achieves the levels of digital uptake and manual processing required to achieve the overall benefits from Simplification.

### 5.9.2 Benefits management approach

To support the realisation of benefits, Simplification will use the six-step benefit management approach shown in Figure 30.

Figure 30: Benefits management approach



### Identify

The project has identified the areas of benefit that will be realised be Simplification. For each benefit area, the enablers required to deliver those benefits are also defined (see Table 24). See sections 3.1 and 3.2 for more detail about the benefit areas.

Table 24: Enablers for each benefit area

Benefit area	Realisation approach	Enablers
<b>1: Reduced cost to process transactional services</b>	Move data entry effort to clients through self-service and data reuse <i>(more efficient entry and scanning of client information, less staff time spent booking appointments)</i>	Improved digital channel experience (more functionality, easier to use, more accessible) Introduction of telephony self-service Digital assistance to support clients using self-service channels Data reuse within the Ministry and broader sector
	Reduce call durations at the contact centre <i>(fewer general enquiry calls)</i>	Voice authentication to save call centre staff time Skills-based routing
	Reduce staff processing time <i>(less re-entering of client information across systems, fewer rules to process manually, fewer authentications, less scanning and verification of medical certificates)</i>	Straight-through data processing between key systems Process automation (eg, for medical certificates)



Benefit area	Realisation approach	Enablers
	Reduce the number of calls into the contact centre ( <i>fewer general enquiry calls</i> )	Improved digital channel experience (more functionality, easier to use, more accessible) Digital assistance to support clients using online channels Simplified communications to reduce follow-up calls
	Reduce the amount of out-bound correspondence ( <i>fewer letters posted</i> )	Rationalisation and simplification of letters Increased usage of digital communications
2: Better client experience leads to improved reputation and staff satisfaction	Encourage self-service and digital uptake	Integrated intelligence and reporting function to track client sentiment and adjust service offering Campaign and communication management to public self-service channels
3: Increased accuracy, efficacy and timeliness in processing transactions	Simplify and standardise workflow processes	Process redesign Role redesign and simplification Workflow management and monitoring tool set
	Consolidate and reuse business rules	Introduce business rules engine Develop common rules source

### Profile

Simplification has developed a top-down and bottom-up estimate of staff effort across the Ministry. This estimate involved identifying the amount of time staff spend completing particular activities (eg, time in client interviews, time completing data entry, time completing data re-entry). Based on this information the Ministry has established its benefits baseline.

From this baseline and identified benefit enablers, the Ministry can profile the impact of the changes proposed. This is done by adjusting a set of variables for each transaction type.

The variables modelled are:

- total number of transactions (**volume**)
- proportion of total volume completed through a self-service channel (**uptake percentage**)
- proportion of total volume completed through a self-service channel that requires data re-entry into client management systems (**re-entry percentage**)
- effort required to complete re-entry into client management systems (**re-entry effort**)
- proportion of total volume that have straight-through processing into core systems (**straight-through percentage**)
- effort required to enter information into core systems (**core system effort**).



The Ministry used experience from other organisations, best practice guidance, and results from the quantitative risk assessment to adjust these variables to reasonable levels. The resulting calculations have been used to set the benefit targets in terms of staff savings, telephony savings, and print and postage costs.

### ***Plan***

Although the Ministry understands the changes that need to be implemented to achieve the benefits, uncertainties and constraints (eg, how uptake percentage will track in reality) mean it cannot be sure what the implementation journey will look like.

To manage the impact of this risk on benefit realisation the Ministry has set checkpoints along the implementation roadmap to check benefit tracking. At these points, it has set goals for what the modelling variables should be. The Ministry will use the integrated intelligence and reporting function to track progress against these goals so corrective action can be taken as soon as possible.

### ***Result of identify, profile, plan – benefit realisation plan***

The information from the first three stages (identify, profile, plan) will form the basis of the benefit realisation plan each benefit owner will sign off. The benefit realisation plan forms the contract between Simplification and the person ultimately responsible for delivering the benefits.

The plan defines the:

- benefit area (eg, staff saving)
- target (eg, \$15 million of staff savings)
- enablers required to achieve the target (eg, telephony self-service)
- progress goals.

If Simplification delivers against the plan, the benefit owner must achieve the benefit target.

### ***Deliver, report, review***

If this business case is approved, the Ministry will move to delivering the agreed benefit enablers. Throughout the course of Simplification, if those enablers are changed (ie, de-scoped or delayed), the programme will need to review the benefit realisation plan with the affected benefit owner. The integrated intelligence and reporting function will support reporting on the benefit progress goals and co-ordinate review activity required should an issue arise.

### **5.9.3 Benefit realisation process**

Simplification will be responsible for delivering the benefit enablers and meeting the benefit progress goals (eg, the percentage uptake) as set out in section 5.3. This will result in staff time being freed up (ie, additional capacity within the business).

The conversion of this additional capacity into staff savings will be the responsibility of the benefit owners. In line with the implementation principle of maintaining flexibility in the workforce, additional capacity will be utilised in a variety of ways:

- initially additional capacity will be kept to support transitional workload requirements
- about 30% of additional capacity will be reinvested into other areas of the business (eg, outcomes)
- attrition will be used to progressively convert additional capacity into staff savings
- targeted redundancy to convert the remaining capacity into staff savings.

The final approach will depend on the environment that exists at that time. The key to enabling this management decision will be for Simplification to ensure it is meeting its progress targets.

## **5.10 Risk management approach**

### **5.10.1 Alignment with the Ministry's overall risk management framework**

Simplification's approach to risk management aligns with the Ministry's overall risk management framework. The Ministry's risk rating calculation matrix is in Appendix 9, page 160.

### **5.10.2 Risk minimisation strategy**

The risk minimisation strategy for Simplification focuses on identifying risks as they arise, assessing their impact on the project objectives, and reassessing on a regular and ongoing basis.

A structured approach to identifying, assessing, and controlling risks that emerge during the course of delivery will be used.

### **5.10.3 Implementation risks**

Delivering the recommended solution will not be easy. It will require the Ministry to take a different approach to its transactional processes as well as new delivery approach. These changes will need to occur within the context of other Ministry and sector wider change. All of these factors contribute to a degree of implementation risk for Simplification.

An initial assessment of these risks has been completed and is contained in Table 25. A description of each risk is included, along with indicative initial and residual risk ratings and a high-level indication of current or planned mitigations.

Table 25: Risks and mitigations

Risk event	Initial risk rating	Risk management (mitigation activities)	Residual risk rating
<b>Programme mobilisation and initiation risks</b>			
A focus on newer initiatives or reprioritisation of resources dilutes organisational commitment.	Very high	Manage priorities and delivery of results and assign accountability	High
A change in leadership at the ministerial or executive level results in new priorities for the Ministry and a loss of consistency in governance.	High	Gain chief executive sponsorship of Simplification objectives Incorporate the importance of leadership and resourcing continuity in messaging	Medium
<b>Delivery risks</b>			
The Ministry is unable to execute the new two-speed delivery approach that Simplification requires to be successful. This results in delays, additional costs, and/or poor quality.	Very High	Take a learn by doing approach to prototyping and delivery Utilise external expertise in delivery and advisory roles Incorporate lessons from other jurisdictions and market engagement Stage implementation to allow capability to be built up sequentially	High
A lack of commercial capability in the Ministry to manage working with commercial partners in a variety of ways, including non-traditionally, results in poor implementation of initiatives. This leads to cost and schedule overruns, as well as a loss of credibility.	High	Work closely with the Ministry's internal procurement team to identify required capability early and jointly develop a plan to secure the required capability sets Utilise external expertise in delivery and advisory roles where that makes sense	Medium
Client co-design is unsuccessful in practice, resulting in poor solution design and/or client uptake of the solution.	High	Take a learn by doing approach to prototyping and delivery Adopt a collaborative approach in dealing with client co-design groups Maintain appropriate risk controls	Low



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Risk event	Initial risk rating	Risk management (mitigation activities)	Residual risk rating
The Ministry's information technology function's large work programme in 2015 ties up the resources required for Simplification. This lack of capacity could affect the delivery schedule or increase costs to secure external providers.	High	<p>Use a planned implementation approach that allows for visibility of information technology (IT) function capacity</p> <p>Gain executive-level engagement with the chief information officer</p> <p>Use external resources from the market and/or cloud-based solutions</p> <p>Look to utilise additional capacity to pre-empt some demand ahead of schedule.</p>	Medium
The scale of operational policy changes are difficult to manage	High	<p>Sustain strong executive-level sponsorship</p> <p>Challenge old practices and policies with an innovative approach</p> <p>Involve staff and operation leaders in co-design and implementation</p> <p>Define clearly the control process with appropriate governance structure</p>	High–medium
<b>Governance and assurance risks</b>			
<p>Simplification is unable to sustain senior management commitment to the project because:</p> <ul style="list-style-type: none"> <li>the phased implementation approach results in more opportunities for decision makers to back away from committing to Simplification delivery</li> <li>localised poor results cause delays or cancellation of subsequent implementation phases.</li> </ul>	High	<p>Promote the value of an incremental approach to stakeholders</p> <p>Gain executive-level sponsorship</p> <p>Demonstrate the level of benefit through the next phase business case to maintain commitment</p>	Medium
Early implementation failures given the agile and incremental nature of planned implementation, cause a negative reaction– stakeholders lose confidence in the delivery approach and Simplification's ability to deliver is subsequently eroded	High	<p>Develop and maintain a stakeholder management plan</p> <p>Promote the learn by doing approach to prototyping and delivery in messaging</p> <p>Secure appropriately experienced project resources</p>	Medium



## Commercial In Confidence

Risk event	Initial risk rating	Risk management (mitigation activities)	Residual risk rating
The all-of-government assurance model the Simplification programme of work uses, including the Gateway process, may be poorly aligned with agile and iterative principles of planned programme delivery. If alignment is not achieved, value will not be gained out of the assurance process.	Medium	Work with central agencies and the GCIO to tailor the assurance approach (including Gateway) to the needs of the programme to ensure maximum return from the assurance activities for all stakeholders.	Low
Simplification's exposure of existing problems in the Ministry results in a lessening of support	Medium	Gain executive-level sponsorship Incorporate 'being part of the solution' in communications messaging	Low
<b>Benefit realisation risks</b>			
Current initiatives planned or underway across the Ministry duplicate effort, fragment the approach to achieving Simplification's objectives, and erode the benefits case for Simplification.	High	Use the Operational Leaders Group to maintain alignment between Simplification and Ministry business units Develop and maintain a stakeholder management plan Look to utilise the developing EPMO capability to provide cross-ministry oversight.	Medium
Turning staff capacity savings into fewer full-time equivalents too early in the Simplification implementation timeline disrupts the drive towards digital uptake and results in a long-term dis-benefit.	Medium	Link the implementation plan to benefits realisation schedule Align the next phase business case to the proposed benefits schedule Ensure the approach to people and change management supports staff to drive digital uptake while realising savings	Low
The business reprioritises staff assigned to assisted digital roles under Simplification to outcomes tasks. This results in a loss of digital uptake and a consequent failure to achieve Simplification's objectives.	High	Use a dedicated training scheme to embed the assisted digital role Have clear role expectations Use executive and management leadership to drive the focus on assisted digital Track role performance using the integrated intelligence and reporting function	Medium



## Commercial In Confidence

Risk event	Initial risk rating	Risk management (mitigation activities)	Residual risk rating
Simplification increases total Crown welfare liability, resulting in funding issues at a government level. This is likely to be a small-scale impact at this stage.	Medium	Develop an accurate business case model to determine potential liability impacts Monitor through the integrated intelligence and reporting function	Low
The Ministry is not consistent in its realisation of benefits, compromising Simplification's long-term viability. Consistent benefits realisation is critical to the achievement of Simplification's objectives, including being self-funding.	High	Gain executive-level sponsorship Monitor benefit delivery through the integrated intelligence and reporting function Use a phased implementation approach to allow for checkpoints to reassess benefit delivery	Medium
<b>Change management risks</b>			
Simplification's heavy dependency on front-line staff to drive and sustain changes to the way the business operates results in inconsistent buy-in across the business and benefit targets not being realised.	High	Develop and maintain a workforce transition plan Focus on the staff engagement success measure Track role performance using the integrated intelligence and reporting function	Low
During the negotiation of the collective bargaining agreement with the PSA (which is due for renewal in April 2016), Simplification is negatively affected.	High	Maintain positive engagement with the PSA Develop and maintain a stakeholder management plan Maintain a flexible, iterative approach to delivery	Medium
Staff do not like the new digital roles or do not have the capability to support the new model of working	High	Develop and maintain a workforce transition plan Focus on staff engagement Track and manage performance Supplement the current workforce if required	Low



## Commercial In Confidence

Risk event	Initial risk rating	Risk management (mitigation activities)	Residual risk rating
<b>Ongoing operational risks of new operating model</b>			
Moving to an online-based client management system increases the external threat to information security.	High	Develop and maintain an IT security plan Coordinate closely with the IT strategic roadmap Maintain appropriate capability to respond to IT security threats Gain assurance about security from the Government Chief Information Officer	Medium
Simplification changes (which are at a very large scale across a broad network) cause an imbalance between maintaining control of changes and being consistent across the network.	High	Leverage Simplification's digital environment to enhance consistency across the country Take a learn by doing approach to prototyping and delivery	Low
Simplifying transactional services creates a disconnect with the outcomes services for job seekers.	Medium	Heavily involve the co-design team to ensure alignment between the transaction and outcomes business processes.	Low

## 6 Supporting Simplification with private sector ideas and capability – commercial case

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### 6.1 Introduction

This section explains how the Ministry intends to engage and work with external providers to support the success of the proposed investment to simplify transactional services.

The overall lessons from the interactive market engagement process, how that process worked, and the extensive opportunities identified are highlighted in section 6.2. The procurement strategy necessary to take advantage of these opportunities is outlined in section 6.3, and the resulting multi-method procurement plan is outlined in section 6.4.

### 6.2 New approach to market engagement for the business case

The Simplification procurement approach acknowledges that the Ministry cannot transform its processes and capabilities on its own and that exciting, yet relatively low-risk, possibilities likely exist beyond the Ministry's current capacity. These possibilities were borne out by the initial market engagement.

The Ministry is committed to smart procurement that supports the realisation of the benefits required from the proposed investment. The market engagement in this phase has meant we have learned from other organisations about being as flexible and nimble as possible, recognising and mitigating risks actively while we build the internal capability to deliver services in a digital world.

Our market engagement in this phase and our procurement plan for the next phase of work are in accord with the *Government Rules of Sourcing* and associated principles of government procurement.<sup>12</sup>

#### 6.2.1 Overall lessons from initial market engagement

Three key lessons were apparent from the initial market engagement.

**Market capability for digital transformation is established and mature.** The private sector has been implementing client-centred, digital change for some time with organisations of all sizes. Specialist capability, products, and services support a vibrant and well-established industry. A wealth of expertise, support, and lessons is available from both peer organisations (eg, Inland Revenue, the Australian Tax Office, and the Australian Department of Human Services) and the private sector (eg, ANZ and Air New Zealand).

**Simplification is not about bleeding (or even leading) edge processes and technology;** it's about better utilising current technology simply to catch up and deliver the service New Zealanders need and expect. The Ministry can use proven, lower-risk approaches to improve its business relatively quickly and cost-effectively.

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<sup>12</sup> New Zealand Government (2014) *Government Rules of Sourcing*, 2nd ed. Wellington: Ministry of Business, Innovation and Employment. The Ministry also received independent procurement probity advice and assurance throughout this market engagement phase.

**The Ministry does not have to transform by itself.** Plenty of good private sector organisations can support the Ministry's digital transformation, helping build capability and awareness while working alongside the Ministry to deliver value quickly. Procurement of private sector capability can help the Ministry implement fast learning initiatives and support us to sustain the Ministry's core transactional systems. This is consistent with the 'two-speed approach' to technical and business development that is embedded in the Simplification approach to design and implementation.

### 6.2.2 How the interactive market engagement worked

The Ministry initiated an interactive market engagement process rather than a traditional request for information (RFI). The benefit of this process was early, constructive, and comprehensive engagement. This meant the Ministry could share more, learn more, and stimulate more interest among diverse suppliers for co-designing viable, creative solutions for delivering Simplification.

The engagement did not specify preferred solutions or convey overly detailed (and premature) lists of requirements. We did not shortlist suppliers for subsequent procurement; instead the engagement focused on the desired outcomes from Simplification. We clearly conveyed the Ministry's desired future state, including desired client experience as well as the real current state of processes and systems.

We asked organisations for ideas that could contribute to closing the gap between our current state and our desired client experience while delivering solid business value. This approach encouraged responses to be creative rather than constrained and to come from small and medium-sized specialists, who had part of the solution, as well as large full-service providers. This gave the Ministry a broader range of options than may have been generated through a traditional RFI process.

Numerous useful ideas from the market were then incorporated into the design process and are included throughout this business case.

#### ***Open invitation to participate***

In July 2014, the Ministry formally invited suppliers (current and potential) to participate in the Simplification Interactive Market Engagement, including to attend a briefing to find out more before submitting a response. The invitation was published on the Government Electronic Tenders Site and was open to any supplier.

Four briefings occurred in late July with responses to the invitation due in early August.

#### **Making it real for suppliers**

A goal of the interactive market engagement briefings was to 'make it real' for suppliers – to make them think about how they would want processes to work for them and their families. For example, would suppliers spend 6% of their disposable weekly income to come to an appointment where they would spend most of their time sitting and watching their data being typed and re-typed into multiple Ministry systems and their documents being scanned and photocopied? This is the reality for many Ministry clients.

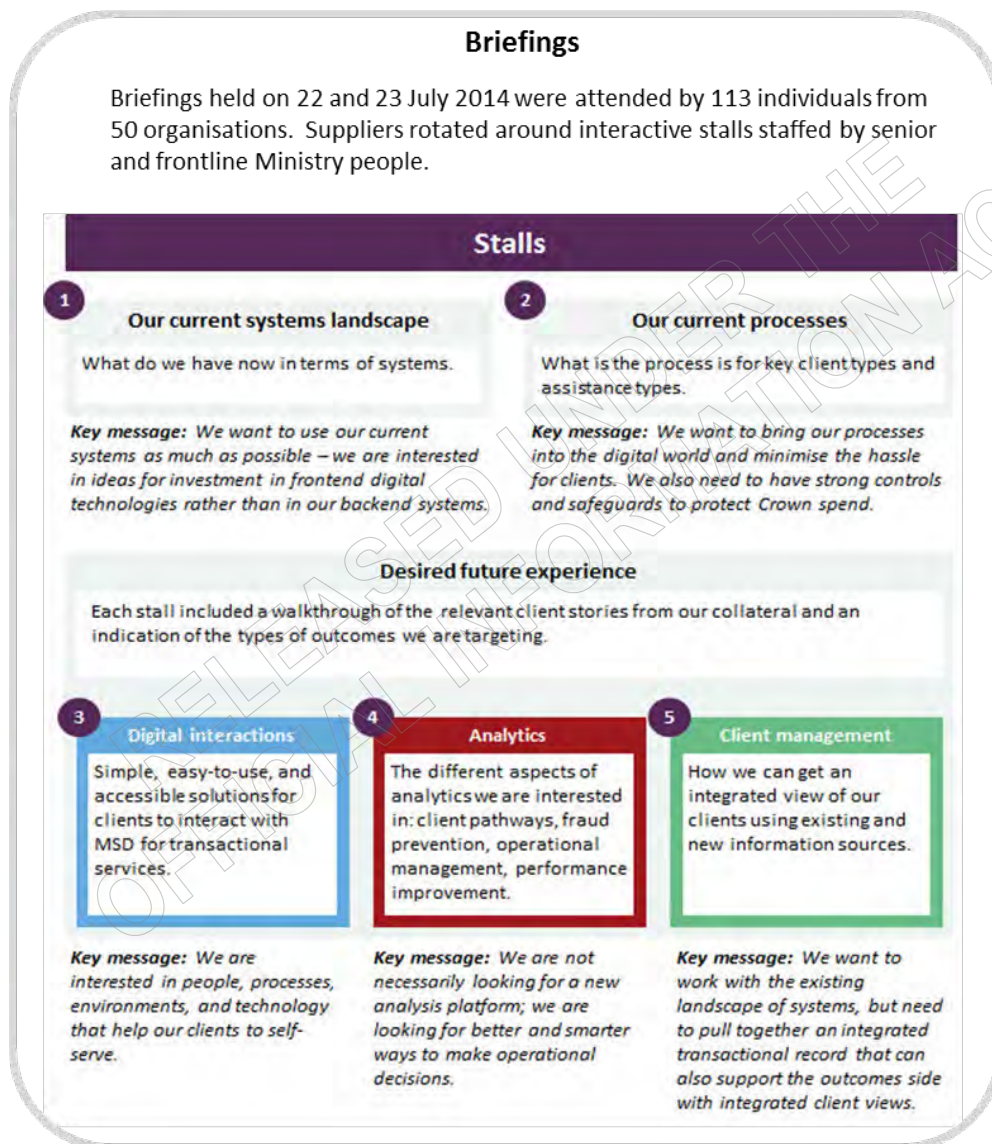


## Representatives from a variety of organisations attended the briefings

Front-line and senior Ministry staff fronted the briefings, which 113 representatives from 50 organisations attended.

After a scene-setting introduction, small groups circulated around five thematic stalls to learn about the genuine experiences of Ministry clients, the challenges the Ministry faces in its delivery of transactional services, and the outcomes desired from Simplification.

Figure 31: Thematic 'stalls' at the market engagement briefings, July 2014

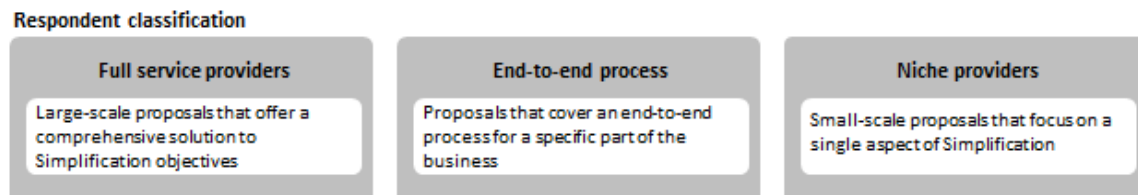


## Diverse responses to the invitation

No constraints were placed on the manner in which suppliers could respond as long as key information about their organisation and potential offering were included. The 41 responses ranged from traditional text-heavy responses to animated videos showing an excellent understanding of Simplification (Figure 32).

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Figure 32: Diverse range of respondents

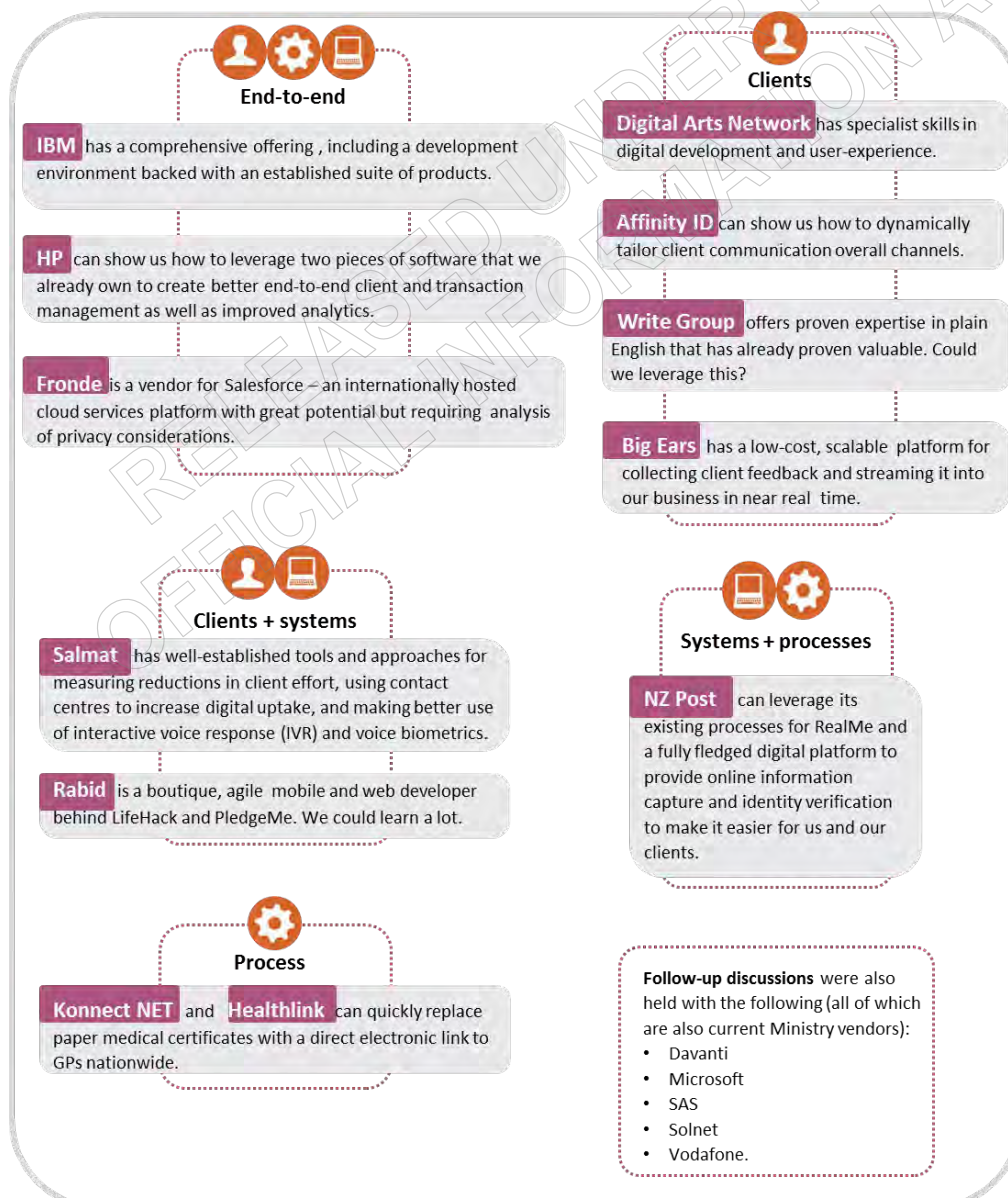


The responses were assessed against four weighted criteria. Sixteen respondents were then invited to the interactive discussions (see further Appendix 10, page 161).

### Interactive engagement discussions

The 16 respondents invited to interactive engagement discussions about their ideas. The learnings from these discussions informed the content of this commercial case as well as the costings in the economic case (section 3).

Figure 33: Market engagement – summary of vendor discussions, August to September 2014





### 6.2.3 Private sector services, products, and capabilities to be procured during the next phase of Simplification

From the discussions, the Ministry identified extensive opportunities to improve the client experience and harness technology.

Figure 34: Opportunities to improve the client experience and harness technology



### Procurement to support the delivery of Simplification

The Ministry proposes to procure the following capabilities, services, and products as an integral part of the delivery of Simplification. The table describes each area of procurement and the outcomes we are seeking. Wherever possible, the outcomes will be built into the contractual and monitoring arrangements implemented through negotiation with suppliers.

Detailed information about several of the more significant procurement opportunities outlined above (web and mobile platforms as a service (PAAS) and the potential to use contact centre services to drive digital uptake) are presented in Appendix 10, page 161.

Table 26: Capabilities, services, and products to be procured

What the Ministry will procure	Description	Outcomes sought
Text (SMS) reminders for clients	A platform linked to the Ministry's appointment system that allows the Ministry to customise text messages to remind clients of upcoming appointments and allows a confirmation response.	<p>A reduction in the number of 'no shows' (currently averaging up to 30% of all scheduled appointments).</p> <p>An increase in the average productivity of case managers and the proportion of time spent face to face with clients – particularly case managers engaged in work-focused case management.</p> <p>Savings in time and resource (correspondence, contact centre, and case management) spent repeatedly re-scheduling clients.</p>



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What the Ministry will procure	Description	Outcomes sought
Technical mobile prototype	A technical proof of concept to test the viability of making specific, limited information from the Ministry's core systems of record available to an external platform capable of using web services for mobile and web-based development.	<p>Specific, limited information from the Ministry's core systems of record is made available to an external platform capable of using web services for mobile and web-based development.</p> <p>Technical information and experience to support the subsequent procurement of:</p> <ul style="list-style-type: none"> <li>larger scale web and mobile development platforms as a service (PaaS)</li> <li>the provision of web services from the Ministry's core systems of record.</li> </ul>
Client-centred design prototype	A capability-building experience for Simplification in working with an external specialist digital design organisation to design a client-centred, mobile web-accessible offering	<p>Completion of a prototype, 'clickable' design based on authentic client testing and co-design.</p> <p>The potential to use the design as the basis for a full-scale trial version with minimal further development.</p>
Electronic supply of medical certificates	Nationwide capability for general practitioners to send medical certificates in the Ministry's required format directly to the Ministry from the general practitioners own practice management system.	<p>Savings in handling and processing costs for medical certificates in Ministry service centres.</p> <p>Reduction in client effort.</p> <p>Improved engagement with general practitioners.</p> <p>Reduced potential for fraud.</p>
Simplified letters, email messages, and text (SMS) messaging	Conversion of the Ministry's high volume of formal and often complex correspondence to simplified, tailored communication to clients in their choice of text, email, or even letter.	<p>Reduction in production and postage cost for letters.</p> <p>Savings in front-line effort through reduced failure demand in the Ministry call centres and reduced follow up in Ministry service centres.</p>
Web and mobile development PaaS	An externally hosted environment for designing, developing, testing, deploying, and maintaining mobile and web-based applications and services.	<p>Faster and cheaper development and deployment of web and mobile-based services.</p> <p>Access to proven development tools, deployment environments, and off-the-shelf applications that can be easily customised.</p>



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What the Ministry will procure	Description	Outcomes sought
Support for web and mobile services development	Specialist support and capability to make information from the Ministry's core systems available for mobile and web-based delivery.	<p>Information to support increased mobile and web-based interaction is made available from the Ministry's core systems to enable the development of client-centred services through accessible web services and application programming interfaces (APIs).</p> <p>The Ministry's systems can receive and process information back from web- and mobile-based systems.</p> <p>Designers and developers then use the information to construct client-centred services using the PaaS procured above.</p>
Customer feedback and sentiment analysis	At least two distinct means of providing specific, near real-time feedback on the Ministry's transactional service delivery performance.	<p>Contemporaneous feedback on Simplification initiatives as they are rolled out.</p> <p>Comparative feedback to gauge improvement relative to traditional Ministry services.</p> <p>Specific, real-time suggestions for service improvement that feed directly into the adaptive approach of implementation – helping to ensure the Ministry remains on track to deliver Simplification benefits.</p>
Chat solutions to support staff	Provision of real-time technical support to staff over a web chat application.	<p>Reduction in the cost of various help desk and specialist assistance resources across the Ministry.</p> <p>Increase in accuracy of decision making by front-line staff.</p>
Contact centre services to drive digital uptake	Using an external provider's technical and people capabilities to handle a significant slice of routine calls, but with targets for registering clients with digital channels, including the Ministry's My Account, voice-enable technology, and other mobile services (as the latter is implemented over the course of Simplification).	<p>Increase in the take-up of digital services by clients who have been 'sold' on the services.</p> <p>Reduction in subsequent calls volumes from these same clients.</p> <p>Savings in contact centre and service centre resources from fewer calls and appointments.</p> <p>Reduced client effort and improved satisfaction with transactional services.</p>



What the Ministry will procure	Description	Outcomes sought
Expert client-centred design and agile mobile development	Specialist capability and assistance with agile design of client and user experience, services, user interfaces, and development and deployment of digital services.	<p>Ready access to those who are already experienced in all aspects of design and delivery in an agile, digital environment.</p> <p>Increased likelihood of successful development and deployment of digital services.</p> <p>Development of capability as staff work alongside the experts.</p>

### 6.3 Smarter strategy for procurement – one size does *not* fit all

It was apparent after discussions that no single vendor could offer the capability to realise the full range of benefits from Simplification. It was also apparent that many smaller companies outshone their larger competitors in particular specialist areas. Although the larger vendors had broader ranges of possible offerings, the smaller ones had high-quality skills and experience in specific areas and could offer far more nimble approaches that would enable faster realisation of required benefits.

We were genuinely excited and impressed by the variety of specialist capability revealed during the development of this business case. The Ministry's engagement team for this phase considered that the most innovative, inspiring, and insightful presentations were delivered by local organisations.

The Ministry considered whether a request for proposal (RFP) for a large, integrating service provider could deliver the range of benefits, especially if a certain percentage of the overall value was required to be delivered by specialist subcontractors (similar to government procurement arrangements now implemented in the United Kingdom).

However, as a result of the experience of the market engagement during the development of the business case and in the Ministry's wider experience:

- larger providers often make positive statements about their ability to partner with smaller specialists, but the desire to maximise their own share of contract revenue often results in the smaller party being squeezed out of the arrangement over time
- the dominant culture of large professional services firms and the innovative, pioneering culture of smaller firms are often fundamentally incompatible, leading to an unsustainable arrangement
- the integrating firm often charges a premium for collaborating with smaller providers – this premium can remain in the hands of taxpayers if the Ministry manages groups of providers effectively.

The Ministry concluded that success requires a smarter procurement strategy, implemented through a multi-method procurement plan rather than the traditional 'one size fits all' method.



The Ministry proposes engaging a variety of vendors to access their unique capabilities, services, and products; spread risk; utilise different experiences; and leverage proven approaches to digital transformation and client-centred business change.

Such a plan would match the length and type of procurement to support and deliver the phased implementation proposed in section 5.

### 6.3.1 Application of multiple procurement methods to meet different needs

The Ministry's procurement strategy involves utilising four main procurement methods.

- **Short and sweet prototype initiatives sourced directly** to prove concepts, test new ways of working, and build capability within the Ministry for the challenges associated with full-scale implementation.
- **Single-stage procurement** where we are already clear about the capability, services, and products of providers that will help the Ministry achieve its objectives.
- **A trusted group of experts** in client-centred service and product design and agile mobile development who can work closely with Ministry staff to build capability while delivering results fast.
- **Two-stage procurement** (register of interest (ROI) and subsequent RFP) for an area of significant business impact for the Ministry where more information on market capability and commercial viability is required before deciding whether to proceed.

### 6.3.2 Procurement principles

In addition to the government procurement principles<sup>13</sup> (and the Government Rules of Sourcing), the Ministry will apply the following principles to all procurement undertaken for Simplification to ensure value for taxpayers and clients and to maximise the likelihood of success.

The principles underpin procurement processes, but will also help to shape final agreements with suppliers.

#### ***Non-exclusivity***

The Ministry must be free to make full use of a competitive market to ensure the best value for taxpayers and the best level of services for clients. This might mean engaging with more than one organisation for the provision of the same capability or service.

#### ***Balancing predictability for the outsourced provider and control for the Ministry***

We will get the best value from vendors when there is a balance between the certainty of revenue for the vendor that will drive their innovation and economies of scale (and, therefore, the best price for the Ministry) and the level of control retained by the Ministry to ensure the quality of service to New Zealanders.

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<sup>13</sup> The Ministry will follow the Government Procurement Principles, which are to plan and manage for great results, be fair to all suppliers, get the right supplier, get the best deal for everyone, and play by the rules.

### ***Flexibility to scale services and add new services***

An important principle of an agile approach to business change is the ability to learn rapidly and adapt. If uptake of digital services proves more popular than expected, we will need to rapidly scale up to meet demand.

Also, given the pace of digital innovation, it is likely that delivery methods will change during the two–three year horizon for implementing Simplification. The Ministry needs to retain the flexibility to deliver transactional services using any new methods that might be required.

### ***Balancing cost–effectiveness and quality carefully to reflect the fact the Ministry is trusting the outsourced provider with its client experience***

Whether vendors are providing services on behalf of the Ministry or providing vital capability for the design and development of new solutions, we are trusting them with a role in providing services to vulnerable New Zealanders. A basic yet fair, reliable, and accessible service cannot be compromised to achieve the lowest price from any supplier. New Zealanders' privacy and the security of their information must be protected as part of any arrangement with a private sector organisation.

### ***Building commercial capability as an integral part of the procurement approach***

The Ministry expects that engagement with suppliers in a dynamic, digital environment will be an enduring feature of its delivery of services. Consequently, the procurement approach will engage and involve Ministry leaders and experts in the development, oversight, and ongoing management of the commercial relationships required to implement Simplification. This approach will build commercial capability and confidence across the Ministry.

## **6.3.3 Suitability of a public–private partnership for Simplification**

The market engagement during the development of this business case confirmed the conclusions outlined in the indicative business case about the potential for a public–private partnership (PPP).

Establishing a full scope PPP would require a private organisation to make a significant investment in Ministry transaction processing. That organisation would then require a reasonably predictable income stream over a number of years to pay for the investment and generate a profit. In return, the Ministry would purchase transaction-processing services.

Given current high levels of complexity, duplication, and lack of integration in this part of the Ministry's business, developing a PPP (where significant components or perhaps the entire transactional service is outsourced) without first simplifying and rationalising core transactional processes would almost certainly result in an arrangement with:

- excessively high or unpredictable transaction costs between the provider and the Ministry because of a lack of consistency of services
- higher implementation costs, because the provider sets prices to account for high complexity and uncertainty of service provision
- higher transition and implementation risks, because of the complexity of transitioning from a highly fragmented service to a single service

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- risks of service failure to clients because of current levels of process, rules, and system complexity not being addressed
- the contract between the Ministry and the provider being insufficiently stable or enforceable over the longer term.

The longer-term feasibility of a PPP is improved significantly by implementing Simplification. The recommended option does not preclude a PPP in the future; in fact, it enhances future flexibility as the service is simplified, made consistent, and integrated.

The option recommended in this business case creates a platform for significant opportunities for partnerships between the Ministry, private sector, and wider non-government sector.

### 6.3.4 Apportionment of risk between the Ministry and potential suppliers

While a multi-method procurement approach delivers the flexibility and value critical to the success of Simplification, it leaves the Ministry with the critical responsibility of pulling the procured components together and ensuring they are part of an integrated, overall approach to delivering transactional services to the Ministry's clients.

The integration task has three components.

- A **commercial** component – to ensure purchasing and contracting align with development and delivery timeframes and requirements, and that procurement principles are upheld.
- A **systems integration** component – to ensure suppliers working on different aspects of systems development are aligned, and that developments are compatible with each other and with existing Ministry systems.
- A **service design and delivery** component – to ensure private sector suppliers play an integral part in the development and deployment of new, client-centred business processes.

The Ministry's transactional services are core government services that are a lifeline to low-income and vulnerable New Zealanders. The practical reality is that service delivery failure at any point, whether by the Ministry or a contracted supplier, will be sheeted home to the Ministry and the government. Regardless of the procurement approach or contractual arrangements put in place, the Ministry will be unable to transfer this reputational risk to external providers.

The procurement approach, however, will manage risk by ensuring incentives and penalties align with performance for contracted suppliers and that there is appropriate governance, oversight, and monitoring over the procurement process and the ongoing management of delivery. We will continue to seek appropriate strategic procurement advice to ensure we are getting the best value from the private sector.

The Ministry has strengthened its internal procurement capability with a dedicated, expert resource to support Simplification and oversee the procurement plan and management of commercial relationships during the implementation phases. The Ministry has existing and established expertise relating to integrating systems



development work across multiple providers derived from the existing, highly outsourced approach to information technology.

### 6.3.5 Requirements for success

To be successful and sustainable this procurement strategy requires:

- mature and strong, yet nimble, governance, decision making, accountability, and assurance structures and processes (discussed in section 5)
- integrated and active risk identification and management (discussed in section 5)
- where practicable, the Ministry to retain the intellectual property developed throughout Simplification so it can continue to build internal capability
- procurement processes to be relatively low cost, transparent, interactive, and fair to encourage creativity and maintain interest from the full spectrum of potential suppliers.

## 6.4 Procurement plan – multi-method

Matching the length and type of procurement method to the phase of implementation and desired outcomes will broaden the choice of potential vendors available to assist the Ministry to build its capability and modernise its transactional services quickly in some areas and cautiously in others.

If such a multi-method plan were effectively executed and governed, the Ministry would be able to procure the best mix of goods and services in the most cost-effective and relevant manner in the time available to ensure successful implementation.

The procurement plan is tailored to address different components of the solution while taking into account timeframes.

### 6.4.1 Direct procurement for pilots and prototypes

The indicative business case for Simplification gained approval and budget for Simplification pilots and prototypes. These low-value, low-risk mini-projects:

- refine Simplification concepts before wider roll out
- provide opportunities for us to learn to work in a more agile way ahead of large-scale implementation
- illustrate Simplification concepts in action to build commitment to the larger change
- test the capability of prospective suppliers' capability along with their technology and products.

Prototypes and pilots are described in Appendix 11, page 162. Those with an element of direct procurement are set out below.<sup>14</sup>

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14 This direct procurement falls within one of the exemptions from open advertising in the *Government Rules of Sourcing* (rule 15(9)(e)): New Zealand Government (2014) *Government Rules of Sourcing*, 2nd ed. Wellington: Ministry of Business, Innovation and Employment.

### ***Text (SMS) reminders for clients***

We are expanding our use of an SMS platform from one of our existing suppliers to pilot reminders for clients of upcoming appointments. Clients will be able to confirm their appointment – or ring to reschedule. We will measure the reduction in time-wasting client no-shows.

### ***Client feedback***

A small provider with a proprietary method of providing authentic, near real time 'voice of the customer' feedback will be engaged in prototype work to prove the usefulness of the technology and also to provide client feedback on one of our other prototype projects.

### ***Technical mobile prototype***

One of the Ministry's existing technology providers will undertake a technical proof of concept to take information from one of our core systems of record and make it accessible to a cloud-based development platform. This prototype is not about building an application, rather it is about testing the enabling technical processes that will support the development and deployment of mobile and web-based solutions during the implementation of Simplification.

### ***Client-centred design prototype***

Ministry staff will work with a digital design firm to design and develop a clickable mobile service prototype in collaboration with clients. This will provide us with valuable experience in working with an organisation specialising in agile, client-centred design and development as well as providing a potentially useful design for later development.

### ***Pilot for outsourced contact centre services to increase digital uptake***

A reduced scale pilot will be implemented before 30 June 2015 using an outsourced contact centre provider or providers to drive the uptake of existing digital services. The pilot will give the Ministry experience in contracting and working with an outsourced provider or providers and will help to develop approaches to encouraging the uptake of digital services on a larger scale over the rest of the Simplification roll out.

## **6.4.2 Accelerated implementation of electronic medical certificates**

The Ministry requires about 440,000 medical certificates each year from working-age clients to assess their capacity for paid work. Currently, these certificates are posted in hard copy to the Ministry or delivered by hand to local sites for further manual processing.

Market engagement identified several providers who have systems that can integrate with the practice management systems of most, if not all, general practitioners and deliver electronic versions of the certificates directly to the Ministry without any additional effort by the client. General practitioners would no longer have to print the certificates.

This information will initially be entered manually into the Ministry's core systems by centralised processing staff. A later stage will expand the process to include other

medical certificates (eg, to assess the level of disability support) and allow the information to be transferred electronically directly into the Ministry's core systems.

We already have a thorough understanding of our requirements and the potential suppliers of this service. We are aware of the likely range of costs and benefits (and estimates have been included in this business case). Consequently, we will conduct a rapid, single-stage procurement process over the next few months with the aim of completing initial implementation by February 2015.

The receipt of electronic medical certificates is now a core part of all three options discussed in this business case, but involves manual processing and entry into the Ministry's core systems under the Do Minimum and Integrated Front End options.

#### **6.4.3 Single-stage procurement for well-defined capabilities, products, and services**

The market engagement process provided clear information about some of the essential capabilities, products, and services that the Ministry will need to source from the private sector to implement Simplification successfully, generate benefits, and manage risk. The Ministry does not need to return to the market to refine its requirements in these areas before procurement.

Therefore, single-stage procurement processes in the following areas will support the implementation plan outlined in section 5.3.

##### ***Simplified letters, email messages, and texts***

To reduce calls into our contact centre and follow-up visits to our local sites we need to convert the Ministry's high volume of formal and often complex correspondence into simplified, tailored communication to clients in their choice of text (SMS), email, or even letter. Making this change is an essential component of both the Integrated Front End and Integrated Transactional Service options discussed in section 3.

We can purchase this capability as a service (currently available and operating) from credible private sector providers and avoid the expense and risk of modifying our core systems to produce better communication with clients. Successful implementation requires this change to be completed before July 2015 for 3.3 million letters generated from the Ministry's core SWIFT system – with letters generated from our other systems added progressively over time.

##### ***Web and mobile development Platform as a Service***

The development of accessible digital services for the Ministry's clients can be done more quickly using one or more of the externally hosted environments for designing, developing, testing, deploying, and maintaining mobile and web-based applications and services. The Ministry can pay for the platform as needed, and avoid the cost and risk of constructing its own bespoke combination of hardware and software.

Specialist designers and developers assisting the Ministry (procured according to section 6.4.5) will find it more straightforward to use the established array of development and distribution tools available on existing platforms provided by larger organisations.



## Commercial In Confidence

Several procurement options will be explored in more detail, especially around current all-of-government syndicated and common capability contracts and whether the scope of these established services meets the Ministry's requirements.

Regardless of the approved procurement approach, the Ministry will ask a small number of providers to propose a solution so the Ministry can be confident the best value-for-money solution for the Ministry as a whole (not just Simplification) will be procured. This will allow this platform to be available to support the progressive development and deployment of web and mobile services and applications from May 2015.

### ***Support for web and mobile services development***

Over 2015, the Ministry will make more digital services available to clients and, in some cases, staff. Successful implementation will require information to travel to and from our core systems from our new, accessible digital front end. Specific expert support and capability are required to make information from the Ministry's core systems available for mobile and web-based delivery through accessible web services and application programming interfaces (APIs).

This expertise is well established in the marketplace. The Ministry spoke to several suppliers during the market engagement phase who could supply these skills. Open, yet focused, procurement is the best approach.

Fortunately, the Ministry has already developed a small number of accessible pathways to and from our core systems as part of an earlier foray into online service. We can use these existing pathways to get started on the development of web and mobile applications and services while new pathways are constructed.

### ***Customer feedback and sentiment analysis***

Simplification is a client-centred approach to transactional services. Gaining client insight and feedback during implementation will be critical for ensuring we address issues as they arise and remain on track to deliver benefits.

During the market engagement, the Ministry canvassed ways of providing specific, near real-time feedback on the Ministry's transactional service delivery performance. We are experimenting with an approach to client feedback as part of our short programme of prototypes and pilots.

We have a clear understanding of our business requirements and the range of tools and suppliers that could support us. We need to get client feedback mechanisms under way quickly to guide implementation. Hence, a focused, single-stage procurement approach is best.

These feedback tools must be well integrated into the Ministry's approach to security – especially if any specific threats are made against staff. On a more positive note, the feedback mechanisms should also provide valuable information to help us reduce the levels of client frustration and anticipate issues.

### ***Chat solutions to support staff***

Members of the project team visiting the Department of Human Services in Australia saw staff supporting each other with technical queries and case-related information over a web chat application. This provides a near real-time way of accessing relevant support and assistance – especially when combined with an accreditation system for staff skills.

Several equivalent products are on the market. The Ministry already has a limited licence for one of these products.

Procurement is scheduled to deliver a solution in 2016/17 – in time to support other staff changes during implementation.

#### **6.4.4 Two-stage procurement for contact centre services**

A key lesson from this phase of Simplification is that we must use all opportunities to drive the uptake of digital services, if we are to realise the benefits of improved service and reduced cost. The experience of large public sector and private sector organisations that have used third-party providers of contact centre services to drive digital uptake (and drive down the cost and volume of calls) is discussed in Appendix 12, page 165.

A significant Australasian provider of contact centre services responded to the Ministry during the market engagement phase, providing useful insights and ideas. It would not be cost-effective to seek to fully replicate this capability during the implementation timeframe for Simplification. Therefore, the use of the private sector is an important contributor to success.

Using contact centre services to drive digital uptake is a critical part of our implementation approach and will ensure we can reduce subsequent calls and face-to-face contact, thereby realising savings. However, the experience of similar agencies clearly shows the Ministry will need time to build skill in managing outsourced contact centre arrangements and managing delivery risks. Consequently, the procurement approach for contact centre services has the following steps.

- A trial will be managed as part of our programme of pilots and prototypes (described in section 6.4.1). This trial will provide knowledge and experience and produce some short-term benefits in encouraging clients to use the Ministry's existing digital channels.
- A two-stage procurement process will select a longer-term provider (or providers) to operate in a flexible way, alongside the Ministry's contact centres to provide a specific focus on driving digital uptake.
  - The first phase will clarify the capability and readiness of alternative providers to assist us and allow us to refine our understanding of requirements and likely cost structures.
  - We will then shortlist organisations for a second phase based on a request for proposal.

#### **6.4.5 Selection of a group of trusted experts in agile, client-centred design, and development and deployment of digital services**

The Ministry will need ready access to specialist capability and assistance with agile design of client and user experience, services, user interfaces, and development and deployment of digital services. Experience with design, development and deployment of mobile solutions will be particularly valuable in realising a 'mobile first' approach to the development of the Ministry's new digital services.

We will approach the government's existing web service panel, which contains a large number of potential providers of these capabilities, and post a general notification on GETS so we get the specific, end-to-end capability we require.

This capability is required at the very beginning of our implementation plan, so the Ministry will approach the market early in 2015 and select a group of about three to six providers by March 2015.

#### **6.4.6 Oversight and governance of the procurement effort**

Section 5.6 details the governance arrangements for the next phases of Simplification. The realisation of this procurement plan will be governed by the Simplification Steering Group with operational decisions delegated as necessary to the Operational Leaders Group. The level of decision making will be consistent with existing government and Ministry financial delegations. The selection of a provider (or providers) of outsourced contact centre services may require the Chief Executive's agreement regardless of value – given the strategic importance of this decision.

The panel for any significant procurement recommendations will include senior representatives from the Operational Leaders Group and Simplification as required.

The Ministry will retain specialist procurement advice throughout the implementation phases of Simplification and will seek external assurance of our probity on an ongoing basis between November 2014 and June 2015.

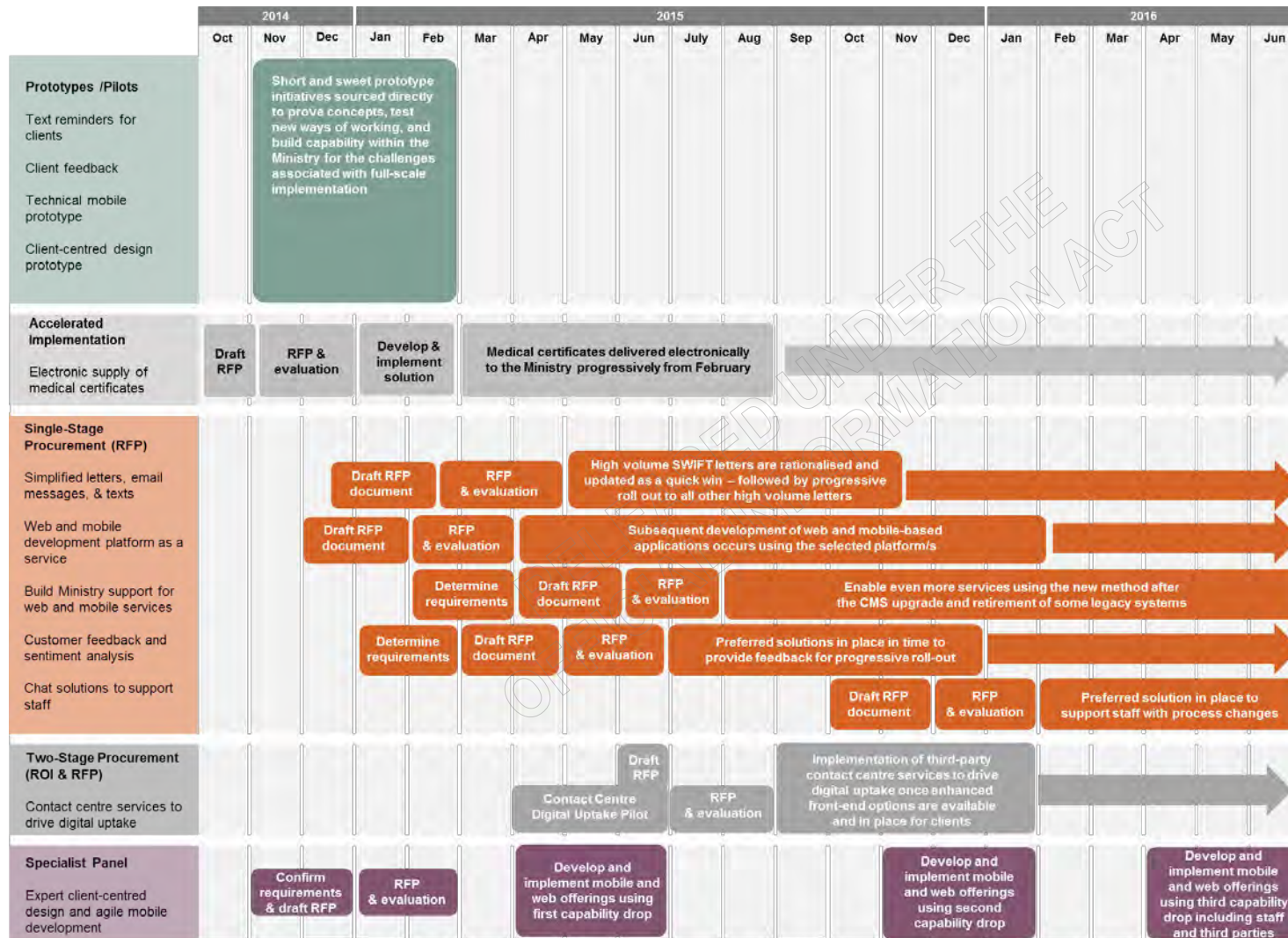
#### **6.4.7 Procurement plan – timeframes and sequencing**

Figure 35 shows the timeframe and sequencing for the Simplification's proposed procurement plan from October 2014 to June 2016.



## Commercial In Confidence

Figure 35: Procurement plan for Simplification, October 2014 – June 2016



## Appendices

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The appendices contain the following supplementary information predominantly relevant to the specific sections identified. Other supplementary information referred to in or supporting this business case is available on request from Simplification.

### **1 Introduction**

Appendix 1: Chief Executive's letter

### **2 Revisiting the indicative business case**

Appendix 2: Description of the three options assessed

### **3 Determining value for money and trade-offs – economic case**

Appendix 3: Cost–benefit analysis by option, 2014/15 – 2021/22

Appendix 4: Estimating the increase in non-beneficiary grants (Crown costs)

Appendix 5: Estimating the value of data-matching with Inland Revenue (Crown benefits)

Appendix 6: Quantitative and qualitative research and analysis of client propensity to use digital services

Appendix 7: Estimating future digital uptake and assistance

### **5 Achieving successful delivery – management case**

Appendix 8: Assurance plan

Appendix 9: Ministry's risk rating calculation matrix

### **6 Supporting Simplification with private sector ideas and capability – commercial case**

Appendix 10: Interactive market engagement – respondent assessment

Appendix 11: Accelerated prototypes and initiatives

Appendix 12: Significant procurement opportunities





## Appendix 1: Chief Executive's letter

25 November 2014

IN CONFIDENCE

Hon Minister Anne Tolley  
Minister for Social Development

Dear Minister

### **Simplification: Next phase business case to implement client-centred transactional services at the Ministry of Social Development**

This next phase business case for the Ministry of Social Development's Simplification programme of work recommends an investment proposal to simplify services relating to the provision of financial assistance and support ('transactional services'). This proposal will make services more effective for clients, reduce operational costs, and create opportunities to reinvest in outcome-focused services.

I confirm the following.

- I have been actively involved in the development of the business case.
- The investment proposal will provide substantial benefits for clients and staff, improving the service with simpler, more transparent processes and digital self-service channels, as well as minimising the effort required to transact with us.
- The investment proposal delivers on the objectives agreed in the Simplification indicative business case (June 2014).

I confirm the Ministry will:

- fund from existing baselines the up-front capital (\$66.2 million) and implementation (\$39.7 million) costs (\$105.9 million over three years)
- request that \$36.1 million be brought forward by a fiscally neutral adjustment from future years' baselines to allow the Ministry to self-fund the implementation costs in 2014/15 and 2015/16
- fund, from the savings generated from 2016/17, additional operating funding required.

## Commercial In Confidence

Simplification will have significant organisational impacts for the Ministry and will provide a total net benefit of \$47.4 million year on year. The Ministry intends to reinvest at least 30% of the estimated savings into its employment-related outcome services. We will also actively support staff through this change.

I am confident we can implement the Simplification investment proposal successfully. The private sector and other public sector organisations have implemented or are implementing client-centred digital change. We can quickly build our capability and awareness if we work with organisations and people who have the necessary skills and experience.

This letter fulfils the requirements of the current Better Business Cases guidance. Should these requirements or the key assumptions on which this case is based change significantly, revalidation of this letter of support should be sought.

Yours sincerely



Brendan Boyle  
**Chief Executive**

## Appendix 2: Description of the three options assessed

This appendix describes the options assessed in this business case: Do Minimum, Integrated Front End, and Integrated Transactional Service (the preferred option).

Do Minimum option	
Solution scope	
<b>Clients</b>	<p>This option <b>delivers incremental improvements to drive efficiencies</b> for transactional services initiated by clients (ie, beneficiaries, non-beneficiaries, seniors, students, and carers).</p> <p><b>Existing analytics, streaming, and risk management</b> will be used to ensure clients are receiving the right services in line with the investment approach.</p>
<b>Channels</b>	<p>Incremental improvements in the availability and usability of digital capabilities will deliver a more user-centric experience.</p> <p>The quality of information provided to clients will continue to be improved.</p> <p>Face-to-face and contact centre channels will <b>encourage clients to use the digital channel</b>. Access will continue to be enabled with existing self-service kiosks in local offices.</p> <p>Channels continue to vary between working-age, senior, and student clients.</p> <p>Signage will be installed at local service centres to encourage self-service.</p> <p>Enhanced IVR will provide an alternative self-service channel for clients, and improve the classification and routing of calls in the contact centre, reducing both costs and client effort.</p>
<b>Products</b>	<p>Transactional services relating to main benefits, New Zealand Superannuation, and supplementary and hardship assistance will be improved.</p>
<b>Process</b>	<p>Processes will continue to allow for variation based on existing streaming and risk assessment functionality.</p> <p><b>Business rules and policies will be simplified incrementally</b> and applied smartly to minimise exception handling, unnecessary process steps, and manual checking activities where it makes sense. However, these will continue to be mostly manual steps.</p> <p>Processes and rules will be continuously monitored and improved as part of business as usual.</p>
<b>Information</b>	<p>Authoritative data will be used to minimise effort for information capture, verification, and debt prevention by <b>extending arrangements with Inland Revenue</b>, as well as receiving medical certificates directly from health practitioners.</p>



## Do Minimum option

<b>Technology</b>	<p>Incremental enhancements of digital capabilities using existing technology, delivered as part of planned upgrades to the online interface, will deliver a more user-centric experience.</p> <p>Service centres will <b>continue to be equipped with PC-based self-service kiosks</b> to provide digital access.</p> <p><b>Existing IVR technology</b> in the contact centre will be utilised to increase self-service for clients, and the classifying of client needs; voice authentication will be used to decrease non-valuable time spent with our staff.</p> <p><b>Enhanced use of proactive text (SMS) notifications</b> across assistance types will provide more information and added certainty to clients, and reduce contact centre traffic; these messages will emphasise migration to digital channels.</p> <p>Some digital applications and some changes in circumstances will be <b>partially populated automatically into back-end systems</b> based on planned changes to legacy systems.</p> <p>Existing business rules will <b>remain primarily in core systems</b> with some client streaming, workflow, and routing.</p> <p><b>Medical certificate</b> information will be received <b>electronically</b> from health practitioners, removing the need for clients to take a paper copy into service centres. Manual processing of medical certificates will occur centrally.</p>
<b>People</b>	<p>Current business units would be retained and clients will receive a slightly different service across the Ministry.</p> <p>There is a <b>reduced reliance on front-line staff for data entry</b>, data management and processing as clients having greater ownership of their information and there is an increased use of centralised processing functions.</p> <p>While there is <b>no direct change to staff roles</b>, the relative resourcing of staff across contact centres, service centres, and centralised processing shifts towards increased back-end processing.</p> <p>The proportion of staff delivering <b>transactional support centrally increases</b>, including at contact centres.</p> <p>The number of front-line FTEs devoted to transactional processing decreases. There are savings in salary costs because the centralised positions are in a lower band. A corresponding marginal reduction in higher-skilled FTEs is <b>achieved by attrition</b>.</p>
<b>Partners</b>	<p>The design of transactional service enables (rather than precludes) involvement from third parties by making the service more easily accessible through digital channels, more transparent and consistent, and allowing for separated management of transactional services from outcomes services.</p> <p>The market will be engaged in transactional services through delivering relevant transactional information, including:</p> <ul style="list-style-type: none"> <li>• text reminders for clients</li> <li>• electronic supply of medical certificates</li> <li>• simplified letters, email messages, and text</li> </ul>



## Do Minimum option

<b>Location</b>	There will be an <b>opportunity to reduce the property footprint as leases expire</b> due to reduced space requirements and using co-location across service lines and government organisations
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## Implementation model and project delivery

<b>Implementation model and project delivery</b>	<p>This option involves incremental change, leveraging business-as-usual and currently planned initiatives. It would result in in-house transactional service delivery with specialist skills purchased.</p> <p>This option does not require a fully supported Simplification project, but initiatives would need to be co-ordinated to ensure benefits are realised.</p>
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## Delivering against investment objectives

<b>Reduction in cost and time to process transactional services</b>	<p>Transactional cost to serve decreases because of a partial increase in clients using self-service channels. However, the overall time to process may not decrease without greater investment in straight-through population and rules automation.</p> <p>Staff do less rework and double handling with the contact centre and central processing centre responsible for authorising and completing more transactions.</p> <p>Cost savings are achieved with:</p> <ul style="list-style-type: none"> <li>• fewer FTEs as clients self-serve</li> <li>• lower-cost FTEs completing selected transactions</li> <li>• a marginal reduction in the Ministry's geographical footprint.</li> </ul> <p>The accuracy of transactional services is expected to remain the same.</p>
<b>Enhanced capacity for investment in effective interventions leading to better client outcomes</b>	Savings generated would only partially reduce the current deficit in the Ministry's four-year plan. There is no enhanced capacity for investment in outcomes.
<b>Better client experience leads to improved reputation and staff satisfaction</b>	<p>This option is not particularly client-centric. This option makes some incremental improvements to the online channel and a more complete IVR service; however, there is limited investment for new digital technology and a redesigned user-centric experience.</p> <p>Clients get limited choice in how we interact with them. Those preferring phone-based support can get that preference met, while clients preferring face-to-face support may be steered to other channels. As clients are encouraged to self-serve, face-to-face interactions would need to be shorter.</p> <p>Some clients will be dissatisfied with the changes to service delivery, because they will not get face-to-face support for, eg, application processing.</p>



## Do Minimum option

### Increased accuracy, efficacy and timeliness in processing client transactions

Efficiencies are made by changing how some transactional processing is completed, but without a significant information technology development component, for example, by:

- extending the role of contact centres to complete transactions currently transferred to a service centre
- redesigning processes to reduce the time required to complete them
- centralising processes that do not require client contact – processes can be completed more efficiently and at a lower cost
- enabling more transactions to be completed online.

The key initiative delivering efficiencies is the time reduction for face-to-face interactions.

Client compliance and fraud detection would increase with the first phase of implementation of the Inland Revenue Information Sharing (IRIS) initiative.

## Assessment against critical success factors

### Ministry strategic fit (investment approach, Vulnerable children, One MSD, Investing in Services for Outcomes)

This option is driven by saving costs to reduce the four-year deficit, and is not focused on achieving the Ministry's strategic objectives. This option is not 'One MSD', as it still has duplication of processes and information across services.

Cost reduction is the main driver in this option. With minimum investment in the online channel, this option will marginally reduce the cost and time to process transactions. Furthermore, the current frustrating experience for clients will be largely unaddressed. The Ministry is unlikely to improve client and staff satisfaction or achieve other strategic objectives.

This option makes improvements within existing services, capabilities, and investments, changing how and where staff process transactions. However, this option makes no progress in addressing:

- the need for more automation of simple transactions
- fragmented and inconsistent service delivery of similar or the same business processes across services
- the need to support clients with complex needs that cut across services
- significant increase in capacity for investment in outcomes.

### Government strategic fit (Better Public Services, all of government, commercial partnerships)

This option might contribute to Better Public Services result 10, because there would be some enhancements to encourage greater digital uptake, but it would not allow additional investment in outcomes (which is required to contribute to Better Public Services result 1).



## Do Minimum option

<b>Value for money (costs compared with expected benefits)</b>	The option is low cost, requiring minimal investment in technology, but does not generate significant financial savings. It generates a positive return on investment within four years and generates substantial benefits to Crown payments through the partial implementation of the Inland Revenue Information Sharing (IRIS) initiative.
<b>Other economic benefits (eg, benefits to clients, business, taxpayers, and government)</b>	Other economic benefits are limited to enabling clients to help themselves through self-service, with an expected 45% of transactions completed digitally. Face-to-face interactions will subsequently reduce as more clients move to digital. With the partial implementation of IRIS, there will be a reduction in overpayments made in the future.
<b>Potential affordability</b>	Savings generated do not address the funding shortfall. Addressing the shortfall requires an additional savings strategy such as targeting overheads by restructuring regional and national offices – a strategy outside the scope of Simplification.
<b>Potential achievability (skills available to design and develop, change readiness)</b>	This option would be delivered through business-as-usual initiatives, minimising all change impact on staff. Minimal additional capability to design and develop a solution is required.
<b>Supplier capacity and capability to develop and deliver (with a sustainable arrangement)</b>	Existing suppliers in the competitive market could design and develop this option.
<b>Ministry risk acceptability for project delivery</b>	A high risk exists that benefits would not be realised without aggressive project management.
<b>Ministry risk acceptability for service delivery</b>	<p>Without increased risk and need analytics, service delivery is at risk as more clients interact digitally. As a result, face-to-face interactions will remain critical to processing transactions, limiting financial savings.</p> <p>Current service delivery issues will not be addressed through this option. Without focusing on the Ministry's strategic objectives, this option will put the Ministry's service delivery at risk in the long term.</p>



## Integrated Front End

## Service scope

<b>Clients</b>	<p>This option <b>delivers streamlined integrated front-end support</b> for transactional services initiated by clients (including beneficiaries, non-beneficiaries, seniors, students and carers)</p> <p>The way transactional services will be delivered acknowledges the different client profiles that represent the types of clients the Ministry interacts with: online transactor, channel traditionalist, option seeker, and support seeker. Each profile has its own needs, which drive variation in the way in which transactional services are delivered.</p> <p>Using existing analytics, streaming, and risk management, the client experience will vary slightly based on their competency and capability, circumstance complexity, integrity, and the investment approach.</p>
<b>Channels</b>	<p><b>Digital channels will be the primary means for client interactions</b> regarding transactional services, reducing the need for clients to interact through more expensive channels.</p> <p><b>Some enhancement</b> of the online interface, through an emphasis on the user experience, content and functionality, will increase desirability, provide certainty for clients, and enable an end-to-end digital experience (where possible).</p> <p><b>Adoption campaigns</b> focused on building client digital awareness and education, and promoting the benefits of the digital channel will accelerate digital uptake, and subsequently reduce transactional costs.</p> <p>Face-to-face and contact centre channels will complement the role of digital channels by <b>providing digital assistance</b>, driving digital uptake, enabling access to the digital channel via a new self-service devices in local offices.</p> <p><b>Existing channel management capabilities</b>, particularly in the contact centres, will be utilised to enable a co-ordinated approach to all client interactions.</p> <p><b>Channels will be consistent in their look and feel</b>, information and data, and the result the client gets, providing clients with confidence and certainty and a seamless experience across channels. Channels continue to vary between working-age, senior, and student clients.</p> <p>The <b>design of service centres will be revitalised</b> to promote self-service and digital independence, and enable the on-site digital assistance function.</p> <p>IVR will provide an alternative self-service channel for clients, and improve the classification and routing of calls in the contact centre, reducing both costs and client effort.</p>
<b>Products</b>	<p>The delivery of transactional services for all assistance types will be changed including main benefits, student loans and allowances, NZ Superannuation, and supplementary and hardship assistance.</p>



## Integrated Front End

<b>Process</b>	<p><b>Processes will be consistent across assistance types and channels</b> to simplify transactional services for clients, but will allow for variation based on client characteristics (including need and risk), based on existing streaming and risk assessment functionality.</p> <p>There will be some straight-through population of data from self-service channels into back-end systems to eliminate duplicate entry of data and information.</p> <p>Business rules and policies will be simplified and applied smartly to minimise exception handling, unnecessary process steps, and manual checking activities where it makes sense. However, these will continue to be mostly manual.</p> <p>Processes will clearly define the <b>interface with the outcomes service</b> to ensure a seamless experience for clients and maximise opportunities for minimising Crown expenditure.</p> <p>Processes and rules will be continuously monitored and improved through business as usual.</p>
<b>Information</b>	<p>Authoritative data will be used to minimise effort for information capture, verification and debt prevention; in particular extending arrangements with Inland Revenue, as well as receiving medical certificates directly from health practitioners.</p> <p><b>A single client view</b>, across assistance types, will empower staff with easily accessible (as appropriate), quality information needed to serve clients.</p> <p>An <b>enhanced knowledge base</b> will provide consistent plain English support to both our staff and clients, to ensure common language in all of our client interactions and assistance that is simple to understand.</p> <p><b>Existing analytics will stream clients</b>, identify outliers based on risk and needs.</p> <p><b>Key performance metrics</b> for transactional services will cascade through the organisation to front-line staff to ensure alignment towards the desired organisational outcomes.</p>
<b>Technology</b>	<p>A more user-centric experience and enhanced functionality will <b>increase desirability and usability of the public website, digital applications</b>, and management of changes in circumstances through <b>self-service portals</b>.</p> <p>The platform for application capture will allow easy ongoing improvements, provide self-service digital assistance, and respond based on the information provided.</p> <p>The staff and client <b>online portals will have a consistent look and feel</b>, by client type, to minimise training requirements and support digital assistance, and <b>consistent information and data</b> to ensure quality interactions.</p> <p>Service centres will be equipped with self-service devices for digital access and services for on-boarding clients with RealMe verified accounts.</p> <p>Where desirable, <b>mobile solutions</b> (eg, apps or responsive websites) will minimise client effort to comply with our requirements such as notifying us of changes in their circumstances.</p>



## Integrated Front End

**Technology**  
*continued*

Existing IVR technology in the contact centre will be utilised to increase self-service for clients and classify client needs; voice authentication will be used to decrease time spent with staff.

Enhanced use of proactive text (SMS) notifications across assistance types will provide more information and added certainty to clients, and reduce contact centre traffic. Messages will emphasise migration to digital channels.

Some **enhancement to existing FAQs**, video tutorials, accessibility options, and other features will support clients as they interact with the Ministry digitally, thus minimising client effort and unwanted migration to more expensive channels.

Some digital applications and some changes in circumstances will be partially populated automatically into back-end systems.

Existing business rules will remain primarily in core systems with some client streaming, workflow, and routing.

**Existing analytics capability** will be used to maximise the value of the information available to us.

**Current workforce scheduling tools** within the contact centres will be used to ensure they are optimally resourced.

**New channel management technology** will enable a co-ordinated and more efficient approach to a significant number of client communications.

**Improved knowledge management platform and content** will enable clients find the right information and support staff to provide the right advice and decisions.

**Automation of backdated processing** of financial entitlement based on income information received from Inland Revenue.

Medical certificate information will be received electronically from health practitioners, removing the need for clients to take a paper copy into service centres. Manual processing of medical certificates will occur centrally.

**People**

A significant shift in staff behaviour will occur as they change from 'doing it for the client' to informing, educating, and encouraging clients to '**do it for themselves**'. There would not be substantial changes to the workforce model, but some redundancies would occur as a result of the increased efficiency of processing transactions.

Current business units would be retained internally, but clients would receive a consistent service across the Ministry.

Reliance on data entry, data management and processing will reduce as we move to clients having greater ownership of their information and the **use of more authoritative data, automation and increasing effectiveness** of the transactional front line.

**A new front-of-house function** will help clients to use digital channels, driving uptake by informing, educating, and encouraging clients to self-serve.

Contact centre staff will carry out simple transactions with a **greater emphasis on informing, educating, and encouraging clients** to use the digital channel.



## Integrated Front End

<b>Partners</b>	<p>The design of transactional service enables (rather than precludes) involvement from third parties by making the service more easily accessible through digital channels, more transparent and consistent, and allowing for separated management of transactional services from outcomes services.</p> <p>The market will be engaged in transactional services with:</p> <ul style="list-style-type: none"> <li>• text reminders for clients</li> <li>• technical mobile prototype</li> <li>• client-centred design prototype</li> <li>• electronic supply of medical certificates</li> <li>• simplified letters, email messages, and text</li> <li>• web and mobile development platform as a service</li> <li>• support for web and mobile services development</li> <li>• customer feedback and sentiment analysis</li> <li>• chat solutions to support staff</li> <li>• contact centre services to drive digital uptake</li> <li>• expert client-centred design and agile mobile development.</li> </ul>
<b>Location</b>	<p><b>Front of house offices will be revitalised</b> to promote self-service for clients, including upgrading kiosks and installing signage.</p> <p>There will be an opportunity to reduce the property footprint because of reduced space requirements and from using co-location across service lines and government organisations</p>

## Implementation model and project delivery

<b>Implementation model and project delivery</b>	<p>This option will have a phased implementation with some partnering with external providers to design the solution and deliver the project. The transactional service will be delivered mostly in-house once implemented, with specialist skills purchased as specified in section 6 (commercial case).</p>
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## Delivering against investment objectives

<b>Reduction in cost and time to process transactional services</b>	<p>Investment in self-service user experience allows for transactions to be completed through cheaper channels. Information the client enters themselves will be populated straight-through where possible, or will be entered into back-end systems centrally, allowing for a decrease in time. Accuracy will also be improved by the new processes.</p>
<b>Enhanced capacity for investment in effective interventions leading to better client outcomes</b>	<p>This option generates most of the required savings to meet the funding shortfall, but limited capacity to reinvest in outcomes given the level of manual effort still required to process transactions.</p>
<b>Better client experience leads to improved reputation and staff satisfaction</b>	<p>The client experience and staff satisfaction are improved, resulting in fewer complaints and higher staff retention.</p>



## Integrated Front End

**Increased accuracy, efficacy and timeliness in processing client transactions**

Accuracy and efficacy improve because of the technology improvements and the Inland Revenue Information Sharing implementation, but without the full investment in automation and straight-through population, a rules engine, and risk and needs analysis tools, there will be no proactive identification of fraud or client non-compliance.

## Assessment against critical success factors

**Ministry strategic fit (investment approach, Vulnerable children, One MSD, Investing in Services for Outcomes)**

This option is a step towards 'One Ministry', and benefits generated will allow dedicated outcome-focused staff. Benefits generated are not enough to allow additional investment in outcomes, but changes would align to the investment approach for tailoring services to client profiles.

**Government strategic fit (Better Public Services, all of government, commercial partnerships)**

Significant savings in transactional processing cost and time will enable the Ministry to dedicate staff to focus on getting clients off long-term welfare dependency for Better Public Services result 1. The improved digital channel will significantly contribute to Better Public Services result 10.

**Value for money (costs compared with expected benefits)**

This option generates a positive return on investment and reduces resource requirements as transactions are moved to lower cost channels, partially automated or eliminated. However, the up-front investment will take five years to pay back.

**Other economic benefits (eg, benefits to clients, business, taxpayers, and government)**

Enhanced digital channels generate other economic benefits: improving digital uptake across government, contributing to Better Public Services result 10, and reducing cost and time for clients to transact with the Ministry. Self-service will also allow clients to be more independent and enable them to stay in work longer (Better Public Services result 1), but without additional capacity to reinvest in outcomes, these benefits will be limited.

Without substantial investment in automated population and processing, the Ministry's ability to scale its service and better utilise authoritative data to drive voluntary compliance will be limited.

**Potential affordability**

This option requires a sizeable investment in technology, but is achievable with available capital funding. Savings generated are not sufficient to address the entire funding shortfall.

**Potential achievability (skills available to design and develop, change readiness)**

This option is not expected to cause any consequential disruption to service delivery.

**Supplier capacity and capability to develop and deliver (with a sustainable arrangement)**

Suppliers in the competitive market can design and deliver this option.



## Integrated Front End

<b>Ministry risk acceptability for project delivery</b>	The agile methodology of the project is untested within the Ministry and poses some risk to project delivery. However, the degree of technology change results in a lower risk option than the Integrated Transactional Services option.
<b>Ministry risk acceptability for service delivery</b>	The option improves the Ministry's core service with enhanced transactional services. However, without increased risk and need analytics, service delivery is at risk as more clients interact digitally. As a result, the remaining required face-to-face interactions will reduce the total potential financial savings.

## Integrated Transactional Service

## Solution scope

<b>Clients</b>	<p>This option <b>delivers streamlined, end-to-end integrated support</b> for transactional services initiated by clients (including beneficiaries, non-beneficiaries, seniors, students and carers).</p> <p>The way transactional services will be delivered acknowledges four different client profiles that represent the types of clients the Ministry interacts with: Online Transactor, Channel Traditionalist, Option Seeker, and Support Seeker. Each has their own needs, which drive variation in the way transactional services are delivered.</p> <p>The client experience will be tailored based on the client's competency and capability, circumstance complexity, and integrity and on the investment approach. This ensures we <b>acknowledge client needs and risks</b> associated with moving towards a digital environment.</p>
<b>Channels</b>	<p>Digital channels will be the primary means for client interactions regarding transactional services, <b>enabling clients to 'do almost everything themselves'</b>. This will reduce the need for clients to interact through more expensive channels.</p> <p><b>An enhanced online and mobile interface</b>, through an emphasis on the user experience, content and functionality, will increase desirability, provide certainty for clients, and enable an end-to-end digital experience (where possible).</p> <p>Adoption campaigns focused on building client digital awareness and education, and promoting the benefits of the digital channel will accelerate digital uptake, and subsequently reduce transactional costs.</p> <p>Face-to-face and contact centre channels will complement the role of digital channels by providing digital assistance, driving digital uptake, thus enabling access to the digital channel (via <b>kiosks and Wi-Fi</b>).</p> <p>Clients will be able to <b>choose which channels they wish to interact with</b> and which methods they wish to be communicated through, providing an experience that balances the Ministry's needs of the Ministry and preferences of the client.</p> <p><b>New channel management capabilities</b> will be utilised to enable a co-ordinated approach to all client interactions.</p>



## Integrated Transactional Service

<b>Channels</b> <i>continued</i>	<p>Channels will be consistent in their look and feel, information and data, and the result the client gets, providing clients with confidence and certainty and a seamless experience across channels.</p> <p>The <b>design of service centres will be revitalised</b> to promote self-service and digital independence, and enable the on-site digital assistance function. IVR will provide an alternative self-service channel for clients and improve classification and routing of calls in the contact centre, reducing costs and client effort.</p>
<b>Products</b>	<p>The delivery of transactional services for all assistance types will be changed including main benefits, student loans and allowances, NZ Superannuation, and supplementary and hardship assistance.</p>
<b>Process</b>	<p>Processes will be consistent across assistance types and channels to simplify transactional services for clients, but will allow for variation based on client characteristics (including need and risk).</p> <p>Straight-through population of data from self-service channels into back-end systems will eliminate duplicate entry of data and information.</p> <p>Business rules and policies will be simplified and applied smartly to minimise exception handling, unnecessary process steps, and manual checking activities where it makes sense.</p> <p>Processes will clearly define the interface with the outcomes service to ensure a seamless experience for clients, and maximise opportunities for minimising crown expenditure.</p> <p><b>New client-centred capabilities</b> will focus on monitoring, managing, and designing the client experience for ongoing improvement in client interactions.</p> <p><b>An integrated intelligence and reporting function</b> will provide reactive and proactive monitoring, evaluation and analysis of transactional services and the implemented changes. Processes and rules will be continuously monitored and improved.</p>
<b>Information</b>	<p><b>Application will be prepopulated with information</b> we already know about our clients to reduce client effort.</p> <p>Leveraging external sources, authoritative data will be used to minimise effort for information capture and verification; in particular extending arrangements with Inland Revenue, Customs, Immigration, Internal Affairs, as well as receiving medical certificates directly from health practitioners.</p> <p>A single client view, across assistance types, will empower staff with easily accessible (as appropriate), quality information needed to serve clients. A relevant subset of the <b>information will be available to the assisted digital function</b> within service centres.</p> <p>An enhanced knowledge base will provide consistent plain English support to both our staff and clients, to ensure common language in all of our client interactions and assistance that is simple to understand.</p> <p><b>Analytics will enable risk- and needs-based intelligence</b> to stream clients, identify outliers, and identify opportunities for continuous improvement.</p> <p>Key performance metrics for transactional services will cascade through the organisation to front-line staff to ensure alignment towards desired organisational outcomes.</p>



## Integrated Transactional Service

### Technology

A user-centric experience and enhanced functionality will increase desirability, and usability of the public website, digital applications and self-service portals. **Accurate and timely data** will be easily accessible and enable ongoing agile development

The platform for application capture will allow easy ongoing improvements, provide self-service digital assistance, and enable **forms that prepopulate and respond** based on the information provided.

The staff and client online portals will have a consistent look and feel, by client type, to minimise training requirements and support digital assistance, and consistent information and data to ensure quality interactions.

The **front of house function will be supported by mobile devices** with the ability to do simple tasks such as general enquiries. Service centres will be equipped with self-service devices and Wi-Fi to provide digital access and services for on-boarding clients with RealMe verified accounts.

Where desirable, mobile solutions (eg, apps or responsive websites) will minimise client effort to comply with our requirements such as notifying us of changes in their circumstances.

Existing IVR technology in the contact centre will be utilised to increase self-service for clients, and the classifying of client needs; voice authentication will be used to decrease non-valuable time spent with our staff.

Enhanced use of proactive text notifications across assistance types will provide more information and added certainty to clients, and reduce contact centre traffic; these messages will emphasise migration to digital channels.

**Enhanced smart FAQs**, video tutorials, accessibility options, and other features will support clients as they interact with us digitally, thus minimising client effort and unwanted migration to more expensive channels.

Most digital applications and changes in circumstances will be populated automatically into back-end systems.

**Enhanced business rules** will enable client streaming, **dynamic applications that respond to client input** and the information we hold, identification of exceptions, and **automated workflow** and routing.

**An enhanced analytics capability** will enable us to maximise the value of the information available to us, including tailoring our digital services and interactions and how we process applications through risk and need profiling.

Current workforce scheduling tools within contact centres will be extended across transactional services to ensure services centres, contact centres and virtual processing teams (eg, assessors) are optimally resourced.

**New channel management technology** will enable a co-ordinated and more efficient approach to all client communications.

**An improved knowledge management platform and content** will enable clients to find the right information and support staff to provide the right advice and decisions.

**Automation of backdated processing** of financial entitlement based on income information received from Inland Revenue.

**Medical certificate information** will be received electronically from health practitioners, removing the need for clients to take a paper copy into service centres. Processing of medical certificates will be mostly automated.



## Integrated Transactional Service

<b>People</b>	<p>A significant shift in staff behaviour will occur as staff change from 'doing it for the client' to informing, educating, and encouraging clients to '<b>do it for themselves</b>'.</p> <p>Substantial changes to the workforce model will result in significant redundancies with increased efficiency and effectiveness of transactional processing through automation.</p> <p>Transactional services roles will be <b>distinct from the outcomes services</b> roles, and specialised to support the redesigned service.</p> <p><b>A single transactional service</b> will serve all clients across the Ministry.</p> <p>Within transactional services, the client-facing front-of-house function will be separated from a new assessment function.</p> <p>Reliance on data entry, data management, and processing is lower as we move to clients having greater ownership of their information and the use of more authoritative data, automation, and increasing effectiveness of the transactional front line.</p> <p>A new front-of-house function will assist clients to use digital channels, driving uptake by informing, educating, and encouraging clients to self-serve.</p> <p>A new assessor function will verify and clarify applications and changes in circumstances. This will result in outcome-focused staff providing minimal transactional services, enabling them to dedicate more time to helping clients gain employment and protecting vulnerable children.</p> <p>The transactional services function will shift from a behaviour of doing it for the client, to enabling client self-management and assisting the client to do it for themselves.</p> <p>Contact centre staff will carry out simple transactions, with a greater emphasis on informing, educating and encouraging clients to use the digital channel.</p>
<b>Partners</b>	<p>The design of transactional service enables (rather than precludes) involvement from third parties by making the service more easily accessible through digital channels, more transparent and consistent, and allowing for separated management of transactional services from outcomes services.</p> <p>The market will be engaged in transactional services with:</p> <ul style="list-style-type: none"> <li>• text reminders for clients</li> <li>• technical mobile prototype</li> <li>• client-centred design prototype</li> <li>• electronic supply of medical certificates</li> <li>• simplified letters, email messages, and texts</li> <li>• web and mobile development platform as a service</li> <li>• support for web and mobile services development</li> <li>• customer feedback and sentiment analysis</li> <li>• chat solutions to support staff</li> <li>• contact centre services to drive digital uptake</li> <li>• expert client-centred design and agile mobile development.</li> </ul>



## Integrated Transactional Service

<b>Location</b>	There will be an opportunity to reduce the property footprint due to reduced space requirements and using co-location across service lines and government organisations
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### Implementation model and project delivery

<b>Implementation model and project delivery</b>	This option will have a phased implementation with some partnering with external providers to design the solution and deliver the project. The transactional service will be delivered mostly in-house once implemented with specialist skills purchased as specified in section 6 (commercial case).
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### Delivering against investment objectives

<b>Reduction in cost and time to process transactional services</b>	<p>This option generates the maximum reduction in cost and time to process transactional services.</p> <p>In this option, a significant reduction in cost and time to process transactions results from increased investment as does improved accuracy of transactional services.</p> <p>The transactional service would be more efficient than under other options, because it:</p> <ul style="list-style-type: none"> <li>• can interact with clients to complete transactions using digital and IVR channels</li> <li>• entails fewer costly interactions because more can be completed through self-service</li> <li>• has simple processes and smart rules that minimise exception handling, unnecessary process steps, and manual checking activities</li> <li>• enables staff specialisation for outcomes, digital assistance, and transactional processing and assessment</li> </ul>
<b>Enhanced capacity for investment in effective interventions leading to better client outcomes</b>	<p>The capacity to invest in outcomes is enhanced as benefits generated allow significant freeing up of resources for reinvestment in outcome-focused activities.</p> <p>In the future, staff training demands are expected to be less because complex transactions are streamed to specialist assessors.</p>
<b>Better client experience leads to improved reputation and staff satisfaction</b>	A fully integrated transactional service proactively delivers a better client experience and is likely to enhance staff engagement and retention.
<b>Increased accuracy, efficacy and timeliness in processing client transactions</b>	<p>Technology innovation in straight-through population, rules automation and risk- and needs-based analysis will significantly improve Ministry accuracy, efficacy, and timeliness in processing client transactions.</p> <p>Data sharing with other agencies will combat fraud and enhance client compliance.</p> <p>Investment in risk- and needs-based intelligence increases the Ministry's ability to manage risks to ongoing service delivery.</p>



## Integrated Transactional Service

## Assessment against critical success factors

<b>Ministry strategic fit (investment approach, vulnerable children, One MSD, Investing in Services for Outcomes)</b>	<p>This option makes a significant contribution to Ministry and government strategic objectives by:</p> <ul style="list-style-type: none"> <li>reducing the cost of transaction services to reinvest in outcomes</li> <li>improving digital channels to deliver a client-centric service.</li> </ul>
<b>Government strategic fit (Better Public Services, all of government, commercial partnerships)</b>	<p>This option makes a significant contribution to Ministry and government strategic objectives by:</p> <ul style="list-style-type: none"> <li>improving digital channels to deliver a client-centred service</li> <li>reinvesting in outcomes.</li> </ul>
<b>Value for money (costs compared with expected benefits)</b>	<p>This option is more expensive and takes five years to achieve net benefits, but delivers the highest positive net present value. Net benefits take longer to achieve, but are in excess of the funding shortfall,<sup>15</sup> and provide capacity to reinvest in outcomes. This option generates a substantial positive return on investment</p>
<b>Other economic benefits (eg, benefits to clients, business, taxpayers, and government)</b>	<p>This option maximises other economic benefits including benefits to clients. The high net present value also provides value for money for government and taxpayers.</p>
<b>Potential affordability</b>	<p>This option requires a sizeable investment in technology, but is achievable with available capital funding. This option will generate enough benefits to address the shortfall.</p>
<b>Potential achievability (skills available to design and develop, change readiness)</b>	<p>The level of change required to integrate transactional services across the Ministry means some disruption to service delivery is expected.</p> <p>The project would be achievable with available internal capability and some external capability to design and develop the solution.</p>
<b>Supplier capacity and capability to develop and deliver (with a sustainable arrangement)</b>	<p>Technology requirements are similar to what other public and private organisations already have. However, there will be complex contracts to manage with suppliers, which will be managed through the tailored approach to market engagement and project management.</p>
<b>Ministry risk acceptability for project delivery</b>	<p>The option's large scope and complexity increase the risk for project delivery.</p>
<b>Ministry risk acceptability for service delivery</b>	<p>Enhanced intelligence and operational reporting, and the development of sustainable, scalable and agile digital capabilities, will minimise the risk to ongoing service delivery.</p>

<sup>15</sup> The funding shortfall identified in MSD (2013) *Ministry of Social Development Budget 2014: Four-year plan* (Budget sensitive). The four-year plan is currently being revised



### Appendix 3: Cost–benefit analysis by option, 2014/15 – 2021/22

Cost–benefit analysis of the Do Minimum option, 2014/15 – 2021/22 (in \$ millions)

Component area	Cost–benefit component	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Up-front investment	Capital costs	(3.2)	(4.6)	(1.9)	(0.4)	-	-	-	-
	Implementation costs (opex)	(0.8)	(2.8)	(0.7)	-	-	-	-	-
	Total up-front investment	(4.0)	(7.4)	(2.6)	(0.4)	-	-	-	-
Ongoing operating	More efficient entry and scanning of client information	-	-	5.1	5.1	5.1	5.1	5.1	5.1
	Less re-entry of client information across systems	-	-	1.1	1.1	1.1	1.1	1.1	1.1
	Fewer rules to process manually	-	-	-	-	-	-	-	-
	Less staff time spent booking appointments	-	-	2.7	2.7	2.7	2.7	2.7	2.7
	Fewer general enquiry calls	-	-	1.9	1.9	1.9	1.9	1.9	1.9
	Fewer letters posted	-	0.4	0.7	0.7	0.7	0.7	0.7	0.7
	Less scanning and verification of medical certificates	-	-	0.7	0.7	0.7	0.7	0.7	0.7
	Fewer authentications through smarter quality assurance	-	-	-	-	-	-	-	-
	Overhead savings	-	-	-	-	-	-	-	-
	Total ongoing operating benefits	-	0.4	12.4	12.4	12.4	12.4	12.4	12.4
	Ongoing operating costs	(1.2)	(2.3)	(2.4)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
	Total ongoing operating costs	(1.2)	(2.3)	(2.4)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
	Net operating benefit	(1.2)	(2.0)	9.9	10.3	10.3	10.3	10.3	10.3
Departmental	Net departmental benefits after costs	(5.1)	(9.4)	7.4	10.0	10.3	10.3	10.3	10.3
	Net present value (departmental)	\$23.1m						Whole-of-life cost	\$22.8m
Crown	Crown benefits –reduced overpayments	-	20.0	40.0	40.0	40.0	40.0	40.0	40.0
	Crown costs – increase in payments through easier interactions	-	-	-	-	-	-	-	-
	Net Crown benefits	-	20.0	40.0	40.0	40.0	40.0	40.0	40.0
	Net present value (Crown)	\$175.7m							
Net benefits	Total net benefits from the investment	(5.1)	10.6	47.4	50.0	50.3	50.3	50.3	50.3
	Net present value	\$201.2m							



## Commercial In Confidence

### Cost-benefit analysis of the Integrated Front End option, 2014/15 – 2021/22

Component area	Cost-benefit component	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Up-front investment	Capital costs	(11.0)	(14.6)	(5.3)	-	-	-	-	-
	Implementation costs (opex)	(4.1)	(23.0)	(5.4)	(4.1)	-	-	-	-
	Total up-front investment	(15.1)	(37.6)	(10.7)	(4.1)	-	-	-	-
Ongoing operating	More efficient entry and scanning of client information	-	-	17.6	20.5	20.5	20.5	20.5	20.5
	Less re-entry of client information across systems	-	-	2.9	2.9	2.9	2.9	2.9	2.9
	Fewer rules to process manually	-	-	-	-	-	-	-	-
	Less staff time spent booking appointments	-	-	5.2	5.2	5.2	5.2	5.2	5.2
	Fewer general enquiry calls	-	-	1.6	1.6	1.6	1.6	1.6	1.6
	Fewer letters posted	-	0.7	2.1	2.1	2.1	2.1	2.1	2.1
	Less scanning and verification of medical certificates	-	-	0.7	0.7	0.7	0.7	0.7	0.7
	Fewer authentications through smarter quality assurance	-	-	0.6	0.6	0.6	0.6	0.6	0.6
	Overhead savings	-	-	2.4	2.7	2.7	2.7	2.7	2.7
	Total ongoing operating benefits	-	0.7	33.0	36.3	36.3	36.3	36.3	36.3
	Ongoing operating costs	1.0	2.9	7.7	7.7	7.7	7.7	7.7	7.7
	Total ongoing operating costs	1.0	2.9	7.7	7.7	7.7	7.7	7.7	7.7
	Net operating benefit	(1.0)	(2.2)	25.4	28.6	28.6	28.6	28.6	28.6
Departmental	Net departmental benefits after costs	(16.1)	(39.8)	14.7	24.4	28.6	28.6	28.6	28.6
	Net present value (Departmental)	\$44.0m				Whole-of-life cost			
Crown	Crown benefits –Reduced overpayments	-	20.0	40.0	40.0	40.0	40.0	40.0	40.0
	Crown costs – increase in payments through easier interactions	-	(10.0)	(30.0)	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
	Net Crown benefits	-	10.0	10.0	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
	Net present value (Crown)	(\$15.2m)							
Net benefits	Total net benefits from the investment	(16.1)	(29.8)	24.7	14.4	18.6	18.6	18.6	18.6
	Net present value	\$35.0m							



## Commercial In Confidence

### Cost-benefit analysis of the Integrated Transactional Service option, 2014/15 – 2021/22

Component area	Cost-benefit component	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Up-front investment	Capital costs	(13.0)	(32.7)	(20.6)	-	-	-	-	-
	Implementation costs (opex)	(5.2)	(27.9)	(6.6)	-	-	-	-	-
	Total up-front investment	(18.2)	(60.5)	(27.2)	-	-	-	-	-
Ongoing operating	More efficient entry and scanning of client information	-	-	16.5	20.5	20.5	20.5	20.5	20.5
	Less re-entry of client information across systems	-	-	3.9	5.1	5.1	5.1	5.1	5.1
	Fewer rules to process manually	-	-	6.6	7.2	7.5	7.5	7.5	7.5
	Less staff time spent booking appointments	-	-	5.2	5.2	5.2	5.2	5.2	5.2
	Fewer general enquiry calls	-	-	1.6	1.6	1.6	1.6	1.6	1.6
	Fewer letters posted	-	2.3	3.2	3.4	3.4	3.4	3.4	3.4
	Less scanning and verification of medical certificates	-	-	1.7	1.7	1.7	1.7	1.7	1.7
	Fewer authentications through smarter quality assurance	-	-	5.5	5.5	5.5	5.5	5.5	5.5
	Overhead savings	-	-	5.1	6.1	6.3	6.3	6.3	6.3
	Total ongoing operating benefits	-	2.3	49.3	56.3	56.7	56.7	56.7	57.4
	Ongoing operating costs	(1.1)	(4.1)	(11.1)	(9.9)	(9.3)	(9.3)	(9.3)	(9.3)
	Total ongoing operating costs	(1.1)	(4.1)	(11.1)	(9.9)	(9.3)	(9.3)	(9.3)	(9.3)
	Net operating benefit	(1.1)	(1.9)	38.2	46.4	47.4	47.4	47.4	47.4
Departmental	Net departmental benefits after costs	(19.3)	(62.4)	11.0	46.3	47.4	47.4	47.4	47.4
	Net present value (departmental)	\$76.6m					Whole-of-life cost		
Crown	Crown benefits –Reduced overpayments	-	20.0	40.0	100.0	100.0	100.0	100.0	100.0
	Crown costs – increase in payments through easier interactions	-	(10.0)	(30.0)	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
	Net Crown benefits	-	10.0	10.0	50.0	50.0	50.0	50.0	50.0
	Net present value (Crown)	\$175.0m							
Net benefits	Total net benefits from the investment	(20.5)	(50.7)	19.0	96.4	97.4	97.4	97.4	97.4
	Net present value	\$260.7m							



## **Appendix 4: Estimating the increase in non-beneficiary grants (Crown costs)**

We have estimated the potential increase in non-beneficiary uptake of accommodation supplement (AS), temporary additional support (TAS), and childcare and out of school care and recreation (OSCAR) subsidies using information provided by Treasury and Statistics New Zealand. These payments are the most common type of non-beneficiary assistance provided by the Ministry (in 2013/14, they accounted for about 90% of non-beneficiary applications).

### ***Accommodation supplement and temporary additional support***

Information provided by Treasury, through its TaxWell output, estimates up to 160,000 low-income New Zealanders are eligible for an accommodation supplement (AS). The Ministry has 55,000 non-beneficiary clients receiving AS, suggesting another 105,000 New Zealanders may be eligible.

Census results from 2013 provided by Statistics New Zealand indicate around 276,000 New Zealanders could be eligible for AS for rent. The Ministry provides AS to 190,000 clients for their rent, a difference of 84,000 from the eligible estimate.

The difference in estimations provided by Treasury and Statistics New Zealand is likely to be due to those New Zealanders who are eligible for AS for their mortgage, which Statistics New Zealand could not provide.

Of the 100,000 New Zealanders who may be eligible for AS, we have estimated only a small proportion are not receiving it because they currently find it too difficult to apply or to maintain their changes in circumstances. The remaining clients are not applying because of reasons unaffected by Simplification, including their awareness of the subsidies. Therefore, only 10% of the potential pool has been used to estimate the potential increase in Crown costs.

As at July 2014, around 4% of non-beneficiaries receiving AS also receive TAS. This same proportion has been applied to the potential pool of AS recipients to estimate the potential additional crown cost for TAS.

The following table summarises the calculations.

## Commercial In Confidence

Accommodation supplement and temporary additional support	
Estimated non-beneficiary New Zealanders eligible for AS (based on Treasury's TaxWell output)	160,900
Less non-beneficiaries already receiving AS (as at June 2013)	(55,087)
Estimated non-beneficiary New Zealanders eligible for but not currently receiving AS	105,813
Estimated proportion of new clients who will apply due to improvements in service (note: assumed that no additional sole parents would apply – currently >80% apply)	10%
Potential increase in AS recipients	10,183
<b>Total potential increase in AS payments</b>	<b>\$40.5m</b>
Proportion of non-beneficiary AS recipients who also receive TAS (based on current proportion as at July 2014)	4.13%
Potential increase in TAS recipients	433
<b>Total potential increase in TAS payments</b>	<b>\$1.6m</b>
<b>Total AS/TAS</b>	<b>\$42.1m</b>

### Childcare and out-of-school care and recreation subsidies

Information from the Statistics New Zealand Childcare Survey in 2009 provides information about the use of childcare in New Zealand, including the use of government childcare subsidies. Parents of children aged 0–13 who had children in early childhood education (ECE) or out-of-school care but who were not receiving childcare or OSCAR subsidies from the Ministry were asked why they were not getting the subsidy. Between 2% and 5% of respondents said the reason was because it was 'too much trouble' to apply.

The survey also showed that 26% of children in ECE and 19% of children in OSCAR get a subsidy from the Ministry; these percentages have been applied to the potential pool of New Zealanders who are not receiving a subsidy because it takes too much effort. This is summarised in the table following.

	CCS	OSCAR
Potential pool of non-beneficiary New Zealanders who may be eligible for childcare/OSCAR subsidies but are not applying because it is too much trouble (based on Statistics New ZealandZ childcare survey)	2,800	1,700
Proportion of children in formal childcare currently receiving a subsidy	25.45%	18.92%
Potential increase in CCS/OSCAR subsidy recipients	673	422
Total potential increase in CCS/OSCAR subsidy payments	\$2.9m	\$1.5m
<b>Total CCS/OSCAR subsidy</b>	<b>\$4.5m</b>	
<b>Total additional Crown cost</b>		<b>\$46.6m</b>

### ***Other research***

Insights MSD also reviewed international literature to identify what impact if any digital services are having on welfare/income-related benefit take-up. The review was based on the premise that a group is eligible for welfare/income-related benefits but for whatever reasons chooses not to take up its entitlement. The review sought to determine what impact if any the introduction of digital services has on this group's propensity to take up a previously unclaimed benefit entitlement.

The findings from the literature review suggest that improved awareness of benefit eligibility and reduced transaction costs (time and effort) are likely to increase welfare/income related benefit take-up. Digital services have the potential to reduce transaction costs so therefore the potential to increase benefit take-up. However, early evidence from the United Kingdom indicates that the introduction of digital services has not caused a significant increase in welfare/ income related benefit claimants.

The combination of improved awareness of benefit eligibility and reduced transaction costs is likely to have a more significant impact on benefit take-up. However, at present there is no explicit evidence to support this claim.

### ***Recommendation – targeted approach to communicating***

Based on the evidence, it is recommended that the Ministry take a targeted approach when communicating the benefits and availability of their new digital services. By targeting communications at existing welfare benefit recipients, the Ministry can focus its efforts on migrating these clients to new digital services and on controlling and minimising additional take-up by eligible non-recipients.

Because clients applying for main benefits will still be required to meet their obligations, and with the increased focus on reducing long-term welfare dependency, the number of main benefits granted is not expected to increase as a result of Simplification.



## Appendix 5: Estimating the value of data-matching with Inland Revenue (Crown benefits)

### Introduction

The Inland Revenue Information Sharing (IRIS) initiative will automate the matching of a client's income according to Inland Revenue, with their client information to calculate any difference in entitlement and establish any associated debt. This will be implemented in two phases; phase 1 will automate matching and calculation of overpayments, while phase 2 will automate the establishment of any debt. Operations have estimated 40% of their workload is spent calculating overpayments with the remainder spent establishing debt.

IRIS will affect the Ministry's balance sheet and appropriations in the following ways.

1. Clients who are being overpaid (but are not currently identified as being overpaid) will have their payments reduced to their correct entitlement. This will result in a reduction to the net appropriation (gross appropriation less debt established). Preventing future overpayments is the main Crown benefit from implementing IRIS and the method for estimating the value is outlined below. The estimated decrease in Crown appropriations will be accounted for in Budget 2015.
2. New debt will be established for relevant clients each month, increasing the total number of debtors. However, because debt is established each month, the average debt amount will decrease, providing a social benefit as clients have smaller, more manageable debt to repay. An increase in new debt established will reduce net Crown appropriations. New debt established is expected to be minimal compared with the total Crown overpayments prevented and has not been quantified. Crown expenditure in the appropriations is adjusted monthly after debts have been established and will be included in future forecasts.
3. Overpayments currently processed will be identified earlier and more efficiently, decreasing the amount of debt that needs to be established and reducing payments (appropriation). This will result in a fiscally neutral change to appropriations and a positive impact to cash flow as less cash is required up-front. The effect of efficiencies in establishing current overpayments in the future has not been quantified as part of this business case, but will be included in future forecasts. Establishing overpayments sooner provide a social benefit for clients as they are notified of their debt earlier, meaning they have a smaller, more manageable debt to repay (see section 3.2.6 under 'More manageable debt repayments for clients').
4. Over time, clients will change their behaviour to voluntarily comply with declaring their income (see section 3.2.1 under 'More clients voluntarily comply by updating their circumstances online'), therefore reducing overpayments. This will replace a proportion of the overpayments prevented (point 1), debt established (2), and overpayments currently identified (3) by MSD and will move to being identified by the client. This has the same effect on appropriations as the above, and has not been quantified as it would double count the benefits calculated in (1)–(3).

***How IRIS benefits have been calculated***

Once the IRIS feed is automated, overpayments can be calculated each month and debts established. This will reduce Crown overpayments (benefits) to those clients in the future. These ongoing benefits have been calculated based on data from 2013/14, for all main benefits plus the additional payments beneficiaries receive relating to accommodation supplements and family tax credits. These payments account for 88% of the total payments the Ministry made to beneficiaries during 2013/14. Non-beneficiary results have been based on the ratio of beneficiary payments to forecasted overpayments, increasing the total Crown benefits by 7%.

Two approaches were used to determine the potential value of overpayments. Firstly, existing income information from Inland Revenue was matched to clients to calculate back-dated overpayments since January 2013 for these clients. Using existing straight-through-processing rules for declaring income, the entitlement for each client was calculated and compared with their payment during that period. The total potential overpayments made per financial year were calculated to be \$215 million (\$200 million, plus 7% for non-beneficiaries).

Secondly, profiles of clients previously prosecuted for overpayments relating to not declaring income were developed. The average overpayments for these profiles were then applied to the total population of clients to estimate the total potential overpayments per year. The total overpayments established through this method were estimated at \$160 million (\$150 million, plus 7% for non-beneficiaries). This method was expected to produce a lower number because it is using predictive analytics, and the total overpayments established here are net any underpayments that were also calculated for any supplementary assistance the client was also entitled to, but was not receiving during the period they received earnings.

***Calculating the potential reduction in overpayments from IRIS***

<b>Estimating potential Crown costs as a result of IRIS</b>	
Total overpayments per financial year	\$215m
Less currently processed overpayments – Integrity Services	(\$25m)
Less currently processed overpayments – front line	(\$40m)
Potential overpayments to be established each year	\$150m
Less reduction in overpayments as a result of underpayments identified	(\$50m)
<b>Total potential overpayments prevented through IRIS per year</b>	<b>\$100m</b>
Potential reduction in overpayments through IRIS per year without automated debt establishment (40%)*	\$40m

\*As estimated by operations

## Appendix 6: Quantitative and qualitative research and analysis of client propensity to use digital services

### Introduction

Insights MSD undertook a programme of work to help the Simplification project team determine the:

- proportion of Ministry clients who have the potential to self-serve digitally from day 1 (day 1 being the launch of the Ministry's redesigned suite of digital services)
- proportion of Ministry clients who have the potential to self-serve digitally but who require assistance/encouragement to do so
- barriers to digital uptake and how they could be mitigated.

The results from this work are drawn from the Service Quality Monitor (SQM) survey undertaken between August 2013 and June 2014:

- N<sub>1</sub> = 18,400 interviews with working-age clients
- N<sub>2</sub> = 2,000 interviews with Senior Services clients.

### Limitations and caveats

The SQM provides a good source of information on clients' internet access, usage, and their profile. The survey is not, however, representative of the Work and Income population as a whole and, in particular, does not represent those who interact with the Ministry through online channels only or those who interact with the Ministry infrequently.

### Findings

Potential uptake of digital services is highest among younger, newer, and potential future clients than older, more long-term clients and clients on an incapacity benefit. The assisted digital services model will be successful in driving uptake and reuse of digital channels, particularly for clients who are not confident internet users.

### Summary of results





***Twenty-eight percent of clients will be ready, willing, and able to transact digitally with the Ministry from day one***

Clients who have the potential to self-serve from day 1 are internet savvy and are either already using Work and Income's online services or open to doing so. They are more likely to:

- be younger
- have a higher level of education
- have been on a benefit for a short duration.

Of these clients:

- 9 in 10 access the internet from home
- 1 in 3 accesses the internet on a mobile phone.

While these clients are ready, willing, and able, they still face barriers to transacting digitally with Work and Income. Most:

- still prefer face-to-face contact with Work and Income
- have concerns around security and privacy
- find the current website confusing or difficult to navigate.

***Largest proportion of clients (59%) require support and/or persuading to transact digitally with the Ministry***

Clients who have the potential to self-serve digitally but who require assistance or encouragement to do so make up the largest proportion of clients. This group can be further divided by level of confidence in using the internet and comfort in using Work and Income's online services.

- Those who are internet savvy, but are not comfortable using Work and Income's online services (42%). These clients are able but need persuading.
- Those who are not internet savvy, but are open to using Work and Income's online services (3%). These clients are not confident internet users and need support to self-serve digitally.
- Those who are not internet savvy and are not open to using Work and Income's online services (14%). This group needs intensive support and persuasion.

Those clients who are **not** internet savvy are more likely to:

- be older and to have been on a benefit longer
- to use public internet access
- prefer face-to-face contact with Work and Income
- not feel confident or comfortable using online services
- have security/privacy concerns about Work and Income's online services
- find the website confusing and hard to find what they after.

***Thirteen percent of clients are unlikely to transact digitally with the Ministry***

Clients who have never used the internet make up 13% of the sample population. They are more likely to:

- be older
- Pasifika
- have been on a benefit for a longer duration of time
- have a lower education level.

Analysis also drew on research projects conducted as part of the SQM research programme as well as external research conducted in New Zealand and the United Kingdom.

***Barriers to uptake***

Research consistently highlights the following barriers to digital uptake:

- not having home internet access
- low levels of confidence using the internet
- inertia and fear of change
- concerns over safety and security of their details
- traditional channels are seen to offer better/more reliable services
- My Account registration/login processes are difficult and cumbersome
- clients' preference for traditional channels.

***Factors critical for driving digital uptake***

Research consistently highlights the following factors as critical for driving digital uptake:

- client awareness of availability and functionality (benefits) of digital services
- raising internet confidence as well as confidence in the benefit claims process
- ongoing education, assistance and encouragement from staff
- understand the needs and barriers of different client groups and which messages and interventions motivate them
- make the digital experience simple and user friendly
- make sure the first experience is a positive one
- make the digital services safe and secure.

However, research also highlights the need to provide multi-channel access to reflect clients' preferences.

***Recommendations for moving clients to digital***

To move clients to digital the following are recommended:

- improve design, integration, and functionality of digital services
- design for mobile devices

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- raise awareness of the availability and functionality of digital services and guarantee security
- provide ongoing assistance and encouragement
- improve the registration and login processes for My Account
- provide clients with step-by-step instruction sheets to aid in recall and to reinforce understanding of functionality (benefits)
- develop different strategies, messages, and interventions for different groups based on needs and perceived barriers
- incentivise trialling of digital services.

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## Appendix 7: Estimating future digital uptake and assistance

Quantitative and qualitative research into our clients' propensity to transact digitally was undertaken as part of the development of this business case. The findings from this research are outlined in this appendix. We have used the results to estimate the proportion of clients who will self-serve and the proportion who will need assistance.

Research using previous survey information about current clients identified the following profiles of our working-age and senior clients' propensity to transact digitally with the Ministry.

*Working-age and senior clients' propensity to transact digitally with the Ministry*

				Changes required to shift to digital				
Segment propensity to transact digitally with the Ministry		Proportion of clients		Awareness campaigns	Encouragement	Digital assistance	Enhanced digital channel	
Segment description	Propensity	Working age	Seniors					
Already transacting with the Ministry digitally	High	16%	4%					
Ready, willing and able to start using our digital channels	High	12%	10%	●			●	
Able to start using our digital channels, but require some persuasion	Medium	42%	35%	●	●		●	
Are not confident using the internet, but are open to transacting digitally	Low	3%	2%	●		●	●	
Not confident using the internet, and are not open to using online services	Low	14%	20%	●	●	●	●	
Not currently using the internet, multiple barriers to use exist	Unlikely	13%	29%			●		

The changes required to shift clients to self-service will be staged throughout implementation. Each stage has a predicted level of uptake based on the above client profile.

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Working-age clients are expected to have the following uptake given the changes delivered over time:

Stage	Changes delivered	Client propensity segments moved			Estimated percentage uptake		
		High	Med	Low	Unlikely	Additional	Cumulative
1	Awareness campaigns are kicked off	•				<20%	20%
2	Enhancements to digital channel, more awareness campaigns, encouragement at front of house and call centre	•	•			40%	60%
3	Remaining enhancements, more awareness campaigns and encouragement at front of house and call centre, front of house and call centre provide more intensive digital support		•	•		20%	80%
4&5	Strong encouragement of self-service with intensive assistance provided to the clients with the lowest propensity to shift to digital			•	•	10%	90%
					•	<10%	<100%

Seniors are expected to have lower uptake, so have the following assumed uptake over time:

Stage	Changes delivered	Client propensity segments moved			Estimated percentage uptake		
		High	Med	Low	Unlikely	Additional	Cumulative
1	Awareness campaigns are kicked off	•				<5%	5%
2	Enhancements to digital channel, more awareness campaigns, encouragement at front of house and call centre	•	•			35%	40%
3	Remaining enhancements, more awareness campaigns and encouragement at front of house and call centre, front of house and call centre provide more intensive digital support		•	•		20%	60%
4&5	Strong encouragement of self-service with intensive assistance provided to the clients with the lowest propensity to shift to digital			•	•	10%	70%
					•	<30%	<100%

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The following assumptions have been used to estimate the amount of time required for digital assistance.

- Twenty-five percent of clients who transact digitally will require some level of assistance. This is based on the proportion of clients with a low or unlikely propensity for transacting digitally who would, therefore, need assistance.
- Two-thirds of this assistance will be provided in person at local offices; the remaining assistance will be provided over the phone.
- Assistance will take the same amount of time over the phone as it would in person at a local office.
- Half of the clients who require digital assistance will need an intensive level of support. This is based on the proportion of clients with a low propensity to transact digitally compared with those who are unlikely to self-serve. This support is assumed to take the same time it currently takes a front-line staff member to enter the data and scan documentation.
- Forty percent of the clients who require digital assistance will need a moderate level of support. This is assumed to take half the time it takes to provide intensive support.
- The remaining 10% of the clients who require assistance will need only a light level of support. This is assumed to take half the time it takes to provide moderate support.

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## Appendix 8: Assurance plan

Activities	Description
<b>November 2014 – March 2015</b>	
Procurement assurance	Probity advice and assurance around market procurement activities – advice will come from the Ministry's procurement function
Quality assurance <ul style="list-style-type: none"> <li>• prototypes</li> <li>• planning</li> </ul>	Quality assurance activities for the Implementation Planning and Prototype work streams will be provided by an independent external provider
Internal review and assurance of co-design contact activities with Ministry clients	The Service Delivery Co-design Group will provide internal review of contact with clients and other co-design focus groups
Chief information officer review <ul style="list-style-type: none"> <li>• design</li> <li>• architecture</li> </ul>	The Chief Information Officer will review information technology design and architecture to ensure compliance with all-of-government standards
Capability Review <ul style="list-style-type: none"> <li>• delivery approach</li> <li>• training and support capability</li> </ul>	The Service Delivery Co-design Group / Operational Leaders Group will provide internal review of internal capability during programme delivery
Gateway	Simplification has been assessed by central agency reviewers as being inherently high risk. Therefore, the programme is subject to Gateway review. The programme is partially utilising an agile and flexible development approach, so central agencies are supportive of a more tailored approach in the review process for Simplification. A Gateway review stage 0/2 will be undertaken in November 2014.
<b>April–November 2015</b>	
Integrity assurance review <ul style="list-style-type: none"> <li>• security</li> <li>• privacy</li> </ul>	The integrity model relating to transactional services will be reviewed by the Simplification Assurance Syndicate and Service Delivery Co-design Group, and go through the Ministry's Security Risk Assessment process.
Benefits review <ul style="list-style-type: none"> <li>• benefits tracking to plan</li> <li>• ongoing tracking of delivered benefits</li> </ul>	Check points to monitor delivery of benefit enablers will be conducted on a periodic basis by individual benefit owners, according to the Benefits Delivery Plan. Overall benefit delivery will be monitored by the project governance group. Key lessons will be tracked as a result of this process.
People and change assurance review <ul style="list-style-type: none"> <li>• employment relations issue review</li> </ul>	Operational Leaders Group, Simplification Assurance Syndicate, PSA representatives, and internal project assurance will conduct elements of people and change assurance for the project to mitigate transition impact. In 2015 this will have a learning and change focus



Activities	Description
Independent quality assurance (IQA) health checks	Throughout the Simplification implementation phase, independent quality assurance will focus on the delivery of this business case, including cost–benefit analysis, design outcomes, and benefit realisation and implementation delivery.
User experience (UX) design assurance review <ul style="list-style-type: none"> <li>• review results</li> <li>• quantify trade-offs</li> </ul>	Internal design governance and steering group will monitor UX design implementation on an ongoing and iterative manner.
Gateway	Additional Gateway stages may be conducted during the second half of 2015.
<b>From November 2015</b>	
Assurance scope review	The Simplification Assurance Syndicate and Ministry Risk and Assurance Team will review assurance capacity and capability internally on an ongoing basis. These are further supported by the Ministry Audit Committee, which will provide independent reviews of assurance activities, and Audit New Zealand, which has overall assurance oversight (they currently have a watching brief over Simplification).
Benefits review <ul style="list-style-type: none"> <li>• benefits tracking to plan</li> <li>• ongoing tracking of delivered benefits</li> </ul>	Check-points to monitor delivery of benefit enablers will be conducted on a periodic basis by individual benefit owners, according to the Benefits Delivery Plan. Overall benefit delivery will be monitored by the project governance group. Key lessons will be tracked as a result of this process
Go-live Reviews	Appropriate go-live reviews will be undertaken, including relevant lessons learned.
People and change assurance review <ul style="list-style-type: none"> <li>• employment relations issue review</li> </ul>	Operational Leaders Group, Simplification Assurance Syndicate, PSA representatives and internal project assurance will conduct elements of People and Change assurance for the project to mitigate transition impact. In 2016 this will have a change impact focus.
Post-Implementation Review	This will occur six months after the final implementation to review benefits delivery, delivery approach, project costs and change impacts. Key lessons will be extracted from this process.

## Appendix 9: Ministry's risk rating calculation matrix

The Following charts are used to calculate Risk Status. This is a reporting score which gives consistency to risk reporting across projects. To determine Risk Status, define the consequence of the issue according to the Risk Consequence Criteria Matrix and compare against the Likelihood definitions defined below.

LIKELIHOOD		Routine	Minor	Moderate	Major	Severe
	Almost Certain	Medium	Medium	High	Very High	Very High
	Likely	Low	Medium	Medium	High	Very High
	Possible	Low	Low	Medium	High	High
	Unlikely	Very Low	Low	Medium	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
	CONSEQUENCE					

Likelihood	Probability Within 12 Months	Description
Almost Certain	>80%	The threat can be expected to occur
Likely	50-80%	The threat will quite commonly occur
Possible	30-50%	The threat may occasionally occur
Unlikely	5-30%	The threat occurs infrequently
Rare	<5%	The threat only occurs in exceptional circumstances

Risk Consequence Criteria					
Category	Routine	Minor	Moderate	Major	Severe
<b>Overall Description</b>	Management oversight may be required to ensure day to day, routine operations are not disrupted. The risk could cause:	Management oversight would be required to ensure effectiveness and efficiency is maintained. Changes to	Management effort would be required to prevent the situation from intensifying. Changes to operating procedures would be required.	Significant senior management attention would be required to recover from the risk event. The risk could cause:	Would require extensive senior management attention and diversion of resources to recover from the risk event. The risk could cause:
Government Requirements	<ul style="list-style-type: none"> <li>isolated difficulty in meeting service delivery objectives that can be managed through standard operating procedures</li> </ul>	<ul style="list-style-type: none"> <li>minor difficulties in meeting service delivery objectives in one or more locations</li> </ul>	<ul style="list-style-type: none"> <li>unacceptable level of achievement of the goals that Government has set us</li> </ul>	<ul style="list-style-type: none"> <li>significant failure to achieve the goals that Government has set us</li> </ul>	<ul style="list-style-type: none"> <li>high profile loss of confidence by the Government in the Ministry and its ability to achieve goals, resulting in alternatives being considered</li> </ul>
Service Delivery	<ul style="list-style-type: none"> <li>capability or capacity issues that can be managed through normal</li> </ul>	<ul style="list-style-type: none"> <li>minor difficulties attracting or retaining staff</li> </ul>	<ul style="list-style-type: none"> <li>some difficulty in achieving service delivery objectives within</li> </ul>	<ul style="list-style-type: none"> <li>significant impact on our ability to deliver services</li> </ul>	<ul style="list-style-type: none"> <li>serious and systemic impact on our ability to deliver services</li> </ul>
Financial System Integrity	<ul style="list-style-type: none"> <li>financial and budgetary issues manageable within normal operating levels.</li> </ul>	<ul style="list-style-type: none"> <li>small decrease in integrity of financial systems; budgetary management</li> </ul>	<ul style="list-style-type: none"> <li>loss of integrity in financial systems but limited financial consequences</li> </ul>	<ul style="list-style-type: none"> <li>loss of integrity in financial systems with high financial consequences</li> </ul>	<ul style="list-style-type: none"> <li>loss of integrity in financial systems with extreme financial consequences</li> </ul>
IT Systems	<ul style="list-style-type: none"> <li>minor and/or cosmetic IT system impact; no material impact to the Ministry's business objectives and outcomes</li> </ul>	<ul style="list-style-type: none"> <li>minor IT system impact to single or few staff; interference with the quality, quantity or timeliness of the Ministry's achievement of non-core</li> </ul>	<ul style="list-style-type: none"> <li>reduction in capability of non-critical IT systems to all staff; interruption to quality, quantity or timeliness of the Ministry's achievement of non-core business objectives and decreased</li> </ul>	<ul style="list-style-type: none"> <li>reduction in capability of critical IT systems or unavailability of non-critical systems to all staff or clients, preventing the Ministry's achievement of non-core business objectives and outcomes</li> </ul>	<ul style="list-style-type: none"> <li>critical IT systems unavailability to all staff or clients, preventing the Ministry's achievement of core business objectives and outcomes</li> </ul>
People			<ul style="list-style-type: none"> <li>some difficulty attracting or retaining staff or gaps in capability/capacity</li> </ul>	<ul style="list-style-type: none"> <li>inability to attract/retain staff in some key positions or significant gap in capability/capacity</li> </ul>	<ul style="list-style-type: none"> <li>Ministry-wide inability to attract/retain staff in critical or key positions, or systemic lack of capability/capacity</li> </ul>
Security and Conduct Obligations			<ul style="list-style-type: none"> <li>breaches of security, Code of Conduct, or legal and regulatory obligations. Instances of fraud.</li> </ul>	<ul style="list-style-type: none"> <li>significant breaches of security, Code of Conduct, or legal and regulatory obligations. Significant instances of fraud.</li> </ul>	<ul style="list-style-type: none"> <li>serious and/or sustained high profile breaches of: security (people, IT systems, premises or information), our Code of Conduct, or our legal and regulatory obligations. Serious and high profile instances of fraud (internal, supplier or client related).</li> </ul>



## Appendix 10: Interactive market engagement – respondent assessment

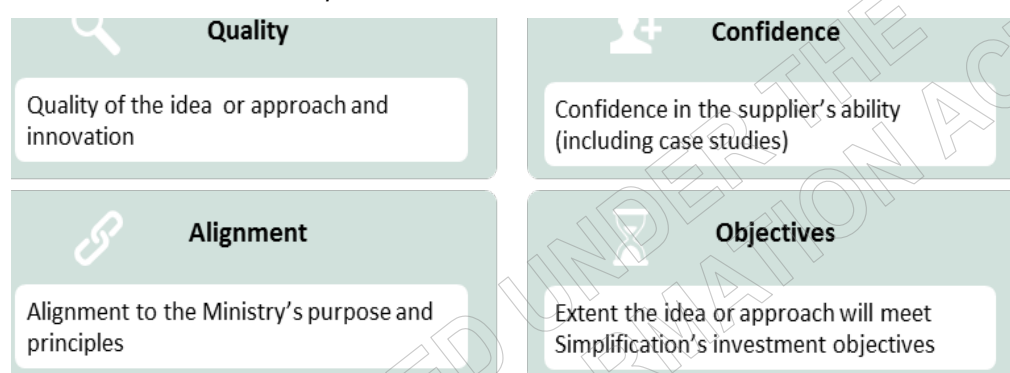
### *Responses to the invitation – diverse*

The invitation to participate in the Simplification Interactive Market Engagement resulted in 41 responses. The responses came from across the full spectrum of providers.

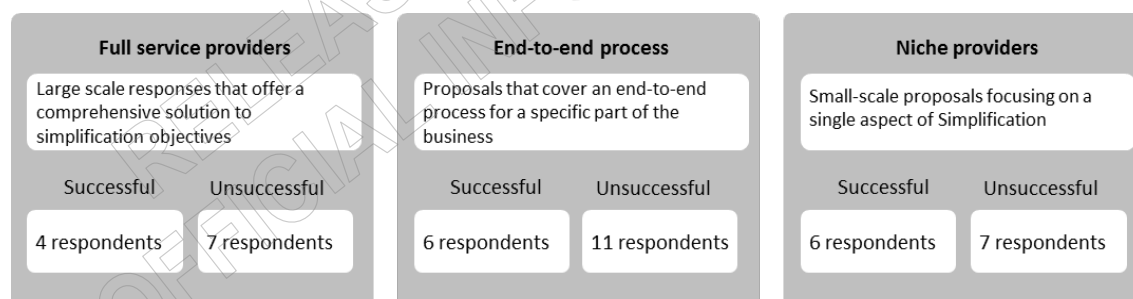
### *Sixteen responses progressed*

Responses were assessed against four weighted criteria to determine the respondents to be carried forward for interactive engagement discussions.

#### *Assessment criteria for responses*



#### *Range of respondents and result of the assessment*



### *Assessment summary*

- Seventeen respondents achieved good or excellent ratings. This was the benchmark for deciding the respondents to be taken forward to the next stage of the engagement.
- Some high-quality responses did not present new ideas worth discussing at this stage.
- A focused conversation with cloud-providers was warranted to clarify data sovereignty issues.
- Seven respondents were rated as non-compliant with the requirements of the response and received a rating of 0%.

## Appendix 11: Accelerated prototypes and initiatives

Name	Description	Objectives
<b>Accelerated prototypes</b>		
Onsite Assisted Digital – assisted digital function and onsite self-service devices	<p>The onsite assisted digital function is a critical enabler of the proposed design:</p> <ul style="list-style-type: none"> <li>• supporting clients to complete online transactions</li> <li>• building client independence through coaching</li> <li>• promoting of online services</li> <li>• enabling self-management</li> </ul>	<p>Develop and test key concepts of the integrated design (eg, the digital assister function and self-service devices)</p> <p>Develop the role of the digital assister and devices within the service centre and test the assumption that these will increase online uptake</p> <p>Better understand the requirements of the front-of-house role and environment</p> <p>Test the user centred approach to designing new services (co-design with clients, iterative testing and learning, integrated team)</p>
Mobile MyMSD – mobile-enabled MyMSD for clients	<p>Key components of the proposed design are to give clients easy access to information and ensure client certainty about payments.</p> <p>By providing the transactional information clients are most interested in (through a mobile device), clients will be able to easily check when and what their next payment will be and when their next appointment will be. This should result in fewer enquiries to the call centre and at front of house.</p>	<p>Test key concepts of the integrated design (eg, DIY maintenance and online experience)</p> <p>Better understand requirements and test and refine the concept, experience, and usability of the mobile app/website</p> <p>Test the assumption that by providing specific information through a mobile device to clients, clients will receive the certainty they need and not need to interact with the Ministry further (eg, fewer call centre calls)</p> <p>Test and refine the user-centred and agile approach, working collaboratively with external parties</p> <p>Build stakeholder confidence by demonstrating the approach and delivering a successful prototype</p> <p>Test the technology platform</p>
Seniors – seamless transition to New Zealand Superannuation for Work and Income clients who turn 65	<p>The reuse of client information is a critical component of the proposed design. The transition of Work and Income clients to New Zealand Superannuation is a prime example of using information the Ministry already has to make a process as seamless as possible for clients and staff.</p> <p>If additional information will be required from the client, it will be proactively gathered.</p>	<p>Test the benefits for clients and staff of information re-use</p> <p>Deliver a designed and tested process to transition clients between Work and Income assistance and New Zealand Superannuation</p>



## Commercial In Confidence

Name	Description	Objectives
CYF Carers – improving the delivery of financial support	Providing financial support that is high trust, simple, consistent, and responsive to children's needs will improve the delivery of financial support to Child Youth and Family carers.	<p>Test the development of client financial plans in partnership with caregivers</p> <p>Look at a variety of simpler more efficient ways to make payments to caregivers</p> <p>Create a centralised point of contact that will support caregivers with their financial plans and payments</p>
<b>Accelerated initiatives</b>		
Text notification – appointment reminders for clients	<p>A large proportion of client contact with case managers is managed through the Ministry's appointment booking system. The Ministry grapples with client no shows to appointments.</p> <p>Using Vodafone (as an existing contractor and a market engagement partner) and existing Ministry technology, we intend to text reminders of appointments to clients to encourage them to attend or to reschedule their appointment.</p>	<p>Test whether text messaging is an effective form of communication with clients</p> <p>Drive improved utilisation of appointment times for clients and staff</p> <p>Test and refine the messages for optimal impact</p>
IRIS (Inland Revenue Information Sharing)	Increased automation and use of data-matching with Inland Revenue to better determine changes in income and unreported income	
Students	The seamless rollover of assistance to students who re-enrol (information re-use)	
Pre-population	Pre-populating Work and Income applications with information clients have entered into the eligibility calculator (information re-use)	
<b>Ongoing work (possible implementation in 2015)</b>		
MedCerts	The use of authoritative data directly from medical practitioners to replace clients providing and staff checking medical certificates – to eliminate scanning and allow centralised processing	Develop and release Request for Quotation to selected vendors for the provision of medical certificate information directly from medical practitioners
MyMSD	Ongoing design, prototyping, and development of the client-facing digital experience (crucial to proposed design)	
Integrated intelligence and reporting function	An integrated intelligence and reporting function centre is proposed in the implementation plan. It will monitor the success of initiatives and ongoing client behaviour, adapting and refining approaches.	Engage vendor to provide a proof of concept for capturing and reporting client insights (for use in measuring client experience within selected prototypes)
Job Search	Use the online portal to provide targeted job search information to clients earlier in the application process (as an outcomes initiative this is out of scope).	



## Appendix 12: Significant procurement opportunities

This appendix provides more detail on several significant opportunities to source capability and service from the private sector:

- driving digital uptake through contact centres
- platform as a service (PaaS)
- cloud-based services.

### ***Driving digital uptake through contact centres – experiences of other agencies***

Contact centres have a pivotal role to play in any service delivery strategy. A phone call is often one of the most common forms of initial interaction and often the first recourse when services fail. Phone contact is often the link between clients and face-to-face and online services, as well as a means of providing services in its own right.

Significant opportunities exist to optimise current technology and information across contact centres to deliver value for money and drive digital uptake among clients. The result will be a more consistent experience for clients.

Opportunities exist to address the following aspects of the client experience with the Ministry.

- 'We know who you are' – making more use of voice recognition to verify identity.
- 'We know what you're asking' – making smarter use of Open Speech to improve routing.<sup>16</sup>
- 'Here's a way of doing it yourself' – making it easy for clients to self-serve
- 'Did you know that the next time you need to make this update, you could use the self-service feature? Here's how ...' – encouraging clients to self-serve using interactive voice response (IVR)<sup>17</sup> or digital channels.

Discussions with the ANZ, Inland Revenue, the Australian Department of Human Services (DHS), and the Australian Tax Office have highlighted the importance of using every channel and every opportunity to encourage the use of digital services by clients. It is not sufficient to create an effective and appealing digital channel and assume that clients will automatically use it.

The DHS shared its digital journey with the Ministry's Simplification project team in some depth during an intensive visit. Features of its journey included:

- ambitious targets for uptake of digital services linked to fiscal savings targets for DHS

16 With Open Speech the client states their query, for example, 'I'm calling about my income-related rent review'. The Open Speech Navigator extracts the value of the words used: product = income\_related\_rent and purpose = review. Genesys Routing then directs the call to an automated service or to an agent who can answer the inquiry.

17 IVR is telephony technology that allows clients to interact with a host system database using a telephone keypad or by speech recognition, after which they can service their own inquiries by following the IVR dialogue. For example, banks' IVR systems mean their customers can receive up-to-date account information without having to speak to a person.

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- the importance of contact centres – because calls are the most common form of initial interaction – in driving digital uptake (and thereby reducing subsequent calls and contact)
- the importance of persuading front-line staff, including at contact centres, of the benefits of digital services to the client (eg, increased independence, reduced transaction costs for those on low incomes, and greater convenience).

DHS modified its view of contact centre performance to reduce the emphasis on call-handling time and increase the emphasis on targets for digital uptake. This was a significant, but vital, change in direction for the contact centres. DHS also fundamentally re-evaluated the link between contact centres and the rest of its operations, bringing aspects of back-end processing and call management closer together.

### ***Outsourced services driving client centres' digital change***

The Ministry spoke extensively to representatives from two large organisations that have recognised the central role of contact centres in driving a service delivery strategy based on 'digital by default' (Inland Revenue and the Australian Tax Office (ATO)). These organisations have chosen to realise significant efficiencies and dramatically increase their flexibility and capability to implement new approaches by using third-party providers of contact centre services.

ATO and Inland Revenue have built substantial expertise over several years in managing commercial contracts with third-party providers while extracting levels of performance that deliver outcomes for Australians and New Zealanders respectively. It is likely the Ministry will need time to build an equivalent level of skill in managing outsourced contact centre arrangements and managing delivery risk.

ATO and Inland Revenue have been very generous to the Ministry with their information and commercial intellectual property, so the Ministry now has a head start. Nevertheless, the prudent approach is to start small – with a defined group of calls handled by an outsourced provider and then to build steadily.

### ***Australian Tax Office experience with outsourced contact centre services***

ATO has been using outsourced contact centre services since 2005 for an increasing proportion of its calls, but made a significant shift to increase outsourcing in 2012. ATO now outsources about 40% of its call volume to a combination of three providers.

ATO's move to outsource a significant portion of customer contacts was driven by the need to create operational efficiencies and flexibility to better manage periods of high demand. Having the outsource providers as an embedded business unit in ATO meant cutting through technology challenges (integration) and some of the people challenges.

This arrangement is supported by a sophisticated commercial framework that promotes competition among providers, provides flexibility for ATO if contact volumes or funding change, and enables targets based on uptake of digital services. ATO actively manages its contracts and has negotiated strong performance incentives for outsourced providers to balance efficiency and effectiveness. It has also introduced

mechanisms for creating competition between outsourced partners, for example, by sharing performance metrics.

ATO estimated it had achieved a 30% cost saving in comparison with its own contact centres. This saving was off a high cost base that included some restrictive and costly agreements consistent with the Australian labour market.

Implementing new ideas was easier because:

- the outsourced providers proved a proactive source of new ideas
- new approaches could be implemented in several months rather than the usual 12–18 months and in a lower risk way – de-coupled from ATO's main business.

### ***Inland Revenue's experience with outsourced contact centre services***

Inland Revenue has had an association with a third-party service provider that specialises in contact centre technology solutions for several years. The initial purpose of the arrangement was to embed best practice voice-enabled technology ('Talk to IR') in Inland Revenue. This service offering was expanded in 2010 to include the outsourcing of some proactive outbound voice contacts ('calls') about debt, and then in 2011 to a managed service for selected low-complexity inbound calls and contacts such as electronic correspondence.

Inland Revenue is currently working through the appointment of a client contact partner to supply short-term labour during periods of high client demand and perform wider client service work for both of its client services and collections business units.

### ***Platform as a service – opportunities to lease instead of build***

PaaS provides an environment for designing, developing, testing, deploying, and maintaining mobile and web-based applications and services.

A 'platform' is the hardware (eg, servers, storage, and power) and software infrastructure (eg, operating systems, databases, and integration tools), development environments, and run-time environments. Opportunities exist for a platform to be hosted externally in the cloud.

PaaS is an enabler for faster delivery of applications by reducing the time associated with establishing and managing environments. PaaS reduces internal staff resource bottlenecks, and enables the dialling up and down of information technology (IT) resources (eg, processing and storage capacity) to cope with changing demand.

PaaS is typically procured as a utility-type service (payment is charged for use), which reduces the up-front costs associated with purchasing IT assets and ongoing management of depreciation.

Overall, PaaS supports the Ministry's two-speed approach to design and implementation, enabling more rapid development than is otherwise possible of the digital services (such as online and mobile applications) needed to make the Ministry digitally agile and to meet the requirements of Simplification.



### ***Cloud-based services***

The Government Chief Information Officer requires a comprehensive assessment and data classification exercise whenever a New Zealand government entity is considering using an overseas cloud-based service. This assessment is required to ensure that there has been adequate consideration of the significant access, security and legal issues that can arise when official New Zealanders' information is held offshore.

It would be more cost-effective for government to undertake this extensive exercise just once for large solutions (such as the Salesforce.com platform) rather than repeatedly for each instance of use across government.

The Ministry's market engagement in this phase showed that international cloud-based services offer significant potential for creating real value for public service organisations –for client management, workflow and financial transactions as well as web based and mobile developments. Pre-packaged solutions and off-the-shelf, easy, modular tools for customisation can significantly reduce development and deployment costs and timeframes.

Some variations of cloud-based service do not require data to rest overseas, so are worth further investigation as part of Simplification. This would be a step towards making wider use of flexible cloud-based solutions hosted internationally. Two approaches to cloud based services are contemplated as part of Simplification.

- Use of overseas cloud-based platforms to develop and deploy mobile and web-based applications and services, but using data that resides in New Zealand and only passes through the cloud in transition.
- Using overseas cloud-based development platforms, but using 'run time' versions of the overseas software based securely in New Zealand.