Te Pae Tawhiti Programme Horizon One Detailed Business Case

Manaaki Tangata, Manaaki Whānau

We help New Zealanders to be safe,
strong and independent

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

31 May 2023   **IN CONFIDENCE**

Table of contents

72vh7ewzmz 2023-06-12 19:18:10

72vh7ewzmz 2023-06-12 19:18:10

Introduction

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

An efficient and effective welfare system is a cornerstone of New Zealand society. In May 2019, the Welfare Expert Advisory Group (WEAG) stated that our "current welfare system is no longer fit-for-purpose and needs fundamental change". In December 2022, Cabinet agreed to refreshed Welfare Overhaul work programme priorities for New Zealand's future welfare system.[1]

In November 2021, Cabinet noted there were serious problems constraining MSD's ability to achieve the Government's vision for the welfare overhaul.[2] The following problems need to be addressed to support this vision and the shifts set out in MSD's strategic direction, *Te Pae Tawhiti – Our Future:*

- MSD's fragmented, transactionally focused service approach will not meet the future needs and expectations of New Zealanders
- the high and increasing likelihood of service and payment failure risks causing serious harm to clients, partners, and New Zealand
- MSD's current service model can make it difficult for clients to get help, which could result in harm and exacerbate hardship.

In May 2022, a Programme Business Case was presented to Cabinet setting out options for change to address the issues MSD is facing

In May 2022, the Minister for Social Development and Employment brought Te Pae Tawhiti Programme Business Case to Cabinet setting out options for change. Cabinet agreed that a transformation to support fully integrated services, with a tiered service approach, supported by redesigned business processes and renewed technology platforms is the preferred way forward.[3]

Cabinet invited the Minister for Social Development and Employment to present a Detailed Business Case for the first Horizon of work for Te Pae Tawhiti Programme – this document

The Minister was invited to report back to the Government Administration and Expenditure Review Committee in early 2023 with a Detailed Business Case that:

- outlines the projects MSD will require funding for in Budget 2023
- provides options on the pace and extent of the digital transformation
- shows the proposed projects are investment-ready
- demonstrates that MSD has the capability and capacity to deliver the projects

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[1] See SWC-22-MIN-0241 (December 2022).
[2] See GOV-21-MIN-0039/CAB-21-MIN-0472 (November 2021).
[3] See GOV-22-MIN-0011 (May 2022).

- details the system and customer benefits that will occur as a result of the changes.[4]

It was noted that the Detailed Business Case would support changes under the first Horizon of the Programme, exploring projects that lay the foundations for digital services and case management change. Further Detailed Business Cases would be presented to Cabinet to support future funding decisions.

This business case sets out the drivers for change and a preferred option for Horizon One that includes four service changes – *Service Experience*, *Client Engagement Practice*, *Kotahitanga*, and *Employment Service*

Our preferred scope for Horizon One for the service changes we wish to make is:

- *Service Experience:* Establish a new service experience platform and business capabilities that will be foundational for MSD's future systems, processes and practices, which will be used to improve services to students in Horizon One.
- *Employment Service:* Establish a digital employment platform that will transform the ability of jobseekers to connect with employers and gain upskilling opportunities to help them get better jobs and sustainable employment.
- *Client Engagement Practice:* Design a new way for MSD's staff to engage with clients, testing at selected sites, and implementing the changes required to support the transformed service experience for students.
- *Kotahitanga:* Design and test components of a Relational Commissioning Operating Model with a selected number of partners, as well as redesigned funding and information models, information approaches, and implementing a new Foundational Contracting and Procurement System.
- *Supporting work:* Foundational, design, and programme management work necessary to support the service changes.

This Detailed Business Case seeks agreement to start transformation, beginning with Horizon One

The preferred option for Horizon One, covering mid-2023 to mid-2026, is to invest in four proposed service changes: *Service Experience*, *Employment Service*, *Client Engagement Practice*, and *Kotahitanga*. MSD will also undertake the supporting work on technology foundations, design and programme management to support the service changes in Horizon One and ensure effective delivery of future changes.

Funding has been agreed for the first two years of Te Pae Tawhiti Programme through Budget 2023. Horizon 1 investment through Budget 2023 delivers the foundations underpinning the operational service changes for transformation and getting to *Te Pae Tawhiti*.

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[4] See GOV-22-MIN-0011 (May 2022).

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This work will lay the foundations for MSD transforming how it provides services to clients, whānau, and communities for the next 30 years, as well as providing tangible value for New Zealanders within the Horizon

The focus of the first Horizon is to establish the key foundations for what will determine the service model for MSD for the next 30 years. It will put in place key platforms and business capabilities and deliver improved service to initial cohorts of clients and partners. It will also deliver value to New Zealanders in the first Horizon, most notably to our student cohort and jobseekers.

Funding this first Horizon is a commitment by government to a transformation of MSD

The investments we propose for Horizon One are the start of MSD's transformation. We have identified the other key service changes that must be part of future Horizons. These service changes will embed the new service model, improve service to further groups of clients, further support modernisation, and enable MSD to work better with partners and other government agencies.

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This Detailed Business Case is informed by the Treasury Better Business Cases guidance, building on the Programme Business Case

This Detailed Business Case responds to the Cabinet direction to the Minister of Social Development and Employment. It is organised around Treasury's five-case model to demonstrate that the investment proposal for Horizon One is robust and investment ready.

MINISTRY OF SOCIAL
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TE MANATŪ WHAKAHIATO ORA

Executive summary

STRATEGIC CASE

We have confirmed the case for change, we far better understand the benefits we are seeking and how we will achieve them, we have a clear view of our target future state, are strongly incorporating te Ao Māori, are well aligned with wider government, and understand our risks and how we will mitigate them

Demand is rising, complexity of need is increasing, and we are increasingly less able to make the changes we need to make to respond effectively. We face three major problems.

MSD's fragmented, transactionally focused service approach does not meet the current needs and will not meet the future needs and expectations of New Zealanders

MSD lacks the agility and flexibility required to provide personalised or proactive support. Channels operate in siloes, teams managing complex processes have multiple handoffs, and client interaction is often limited to a single issue or service rather than focusing on the "end to end" outcome. This makes it hard to help clients with multiple and complex needs and ignores broader context. A lack of tailored servicing especially impacts Māori and Pacific clients and those with disabilities, mental health or addiction challenges, and other health conditions.

Over 40% of total case management time[5] is spent managing the currently overly complex transactions needed for hardship grants and requests for supplementary assistance. This transactional focus is taking attention away from the areas where we can have the biggest impact. While work-focused case management is one of the most effective ways to help clients, it is often crowded out by transactional processing. Clients are also often required to re-explain their circumstances.

The high and increasing likelihood of service and payment failure risks causing serious harm to clients, partners, and New Zealand

We currently deliver services using complex and aging technology, consisting of over 75 core applications, providing over 380 technology services. Some of the systems are over 30 years old.

A survey of our core IT assets was completed in November 2022. Of the 86 applications surveyed, 33 (38%) had an overall risk rating of very high or high, 25 (29%) had an

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[5] Metric sourced from Budget bid 2019 – "Organisational pressures restore employment focussed activities".

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overall risk rating of medium, nine (10%) had an overall risk rating of low, and 19 (22%) had an overall risk rating of very low.[6]

Making service changes in systems is expensive, difficult and can result in errors. For example, every year on 1 April we make an Annual General Adjustment (AGA) to rates and thresholds for main benefits to account for inflation. Due to system complexity AGA takes months to plan, prepare, and implement. Even when changes are made there is significant manual remedial work to ensure clients get the payments they should and to address the overpayments and debts that arise.

MSD's current service model often makes it difficult for clients to get help, which can result in harm and exacerbate hardship

To assess eligibility and entitlement staff must go between as many as 10 systems requiring re-keying of information, separate logins, and switching between multiple screens.[7] The different applications have different rules, calculations, and payment functions that do not allow for one source of truth or easily accessible data on a client and their circumstances. As a consequence, staff struggle to provide our clients with Full and Correct Entitlement (FACE) with pilot surveys and analysis indicating that this level could be as low as 47%.[8]

On average there are nine internal handoffs to grant a benefit application. The average time taken to approve a main benefit application is 21 days from entitlement.[9] This creates distress for clients who often have to repeat information and contact us multiple times to get an issue resolved. They then wait days or even weeks to get a payment which can often mean multiple hardship payments in the interim.

Our clients continue to incur overpayment debt, with $340 million being incurred in the 2021/22 financial year.[10]

To resolve these barriers we must provide joined up, integrated services, strengthen our partnerships, provide easier access to services for new Zealanders, and modernise our technology

We have four key objectives for the change needed to address the problems we face:

Joined-up, integrated services: we must develop and deliver effective, targeted, tailored, and integrated services in income support, employment, and housing, to support the diverse and multiple needs of clients, whānau and communities.

Strengthened partnerships: we must build and strengthen partnerships[11] with other groups and organisations. This includes more effective partnership activity including supporting Māori-Crown partnerships (e.g. Social Accords and other Te Tiriti o Waitangi relationship agreements), partnering for delivery of services and support (e.g. partnering

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[6] See Ministry of Social Development, *Technology Asset Management Quarterly Report* (MSD, November 2022).
[7] Metric sourced from Eligibility and Entitlement architecture work completed in 2021.
[8] Metric sourced from initial pilot work as this business case was being finalised.
[9] Metric sourced from internal work undertaken by Costs and Benefits Team.
[10] Metric sourced from Costs and Benefits Team for the 2022 year.
[11] Relationships between MSD and external groups or organisations, in which there is a shared interest or objective, a willingness to work together in good faith, good connection and communication, reciprocity, and trust.

with NGOs, Iwi and hapū to fund Community Connectors), partnering for social connection and wellbeing (e.g. relationships with peak bodies or advocacy groups), and commercial partnerships (e.g. financial, technology or research partners).

Easier access to services: we must support easier access to services and information for clients, whānau, partners, and staff.

Modernised technology: we must modernise our core technology systems to minimise the risk of sustained system outages and intermittent system failure, improve agility so policy and change can be implemented in an efficient and cost-effective manner with greater consistency and coherence, and increase the responsible use of information and intelligence to improve the delivery of services to better meet client need.

We will achieve these objectives by transforming our service model, systems, and processes, and increasing our capabilities to better meet the needs of New Zealanders

At the core of our response to the problems we face is a *transformed Future Service Model* that will enable us to better understand, connect to, deliver for, and help our clients, whānau, and communities.

Our transformed Future Service Model will be supported by *transformed business processes* that are based on human-centred process design, digitally enabled and accessible to those with a wide range of abilities.

We will invest in the *uplift of staff capability and cultural competence* so that they can work effectively in this new environment to better serve New Zealanders, and support Māori and Pacific people to feel safe, respected, and empowered when engaging with social services.

To support our Future Service Model, we will have *modernised systems* that enable us to undertake the level of transformation required.

These systems will *reduce manual workarounds and rework* through errors (i.e. reduced work to resolve failures from our processes – "failure demand") to give our staff more time to work with clients

We will support the *Crown's commitments as a Te Tiriti o Waitangi partner* within the day-to-day operations of the Programme and support whānau, hapū and iwi. We will incorporate a te ao Māori view into our approaches, outputs, and outcomes.

We will support improved *equity of outcomes*, especially for Māori and Pacific people. We will also partner with others to deliver better outcomes for disabled people and for diverse populations and communities (such as refugee and migrant groups).

Transformation will require a m*ajor change programme that addresses change at all the levels needed* – service model, staff capability, business processes, and systems.
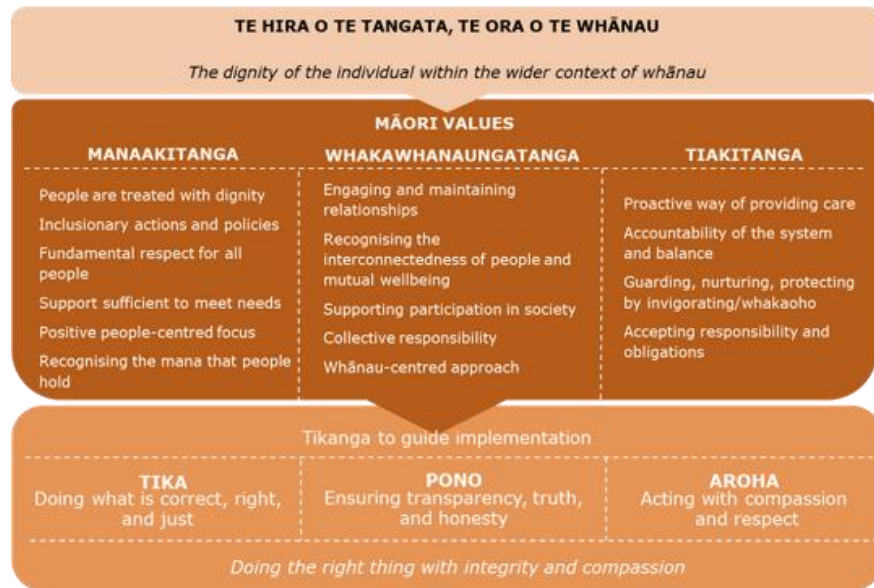
We will embed a *te Ao Māori view* into how we deliver our services and ensure te reo, tikanga, and mātauranga Māori guides our approach. The Programme will lead the first stage of implementation of the Māori Values Framework across MSD. An Equity team will support this. We continue to seek input from key stakeholders and test our thinking.

The transformation will take place over three "Horizons" addressing change in terms of *Service Experience*, *Employment Service*, *Client Engagement Practice*, and *Kotahitanga,* while delivering immediate value in the first Horizon

The transformation will occur over three Horizons of approximately three years each. Horizon One will lay core foundations for long term transformation as well as delivering improved service and value to key client cohorts. During Horizon One we will replace selected end-of-life systems that limit what we can deliver and present risk of service failure. We have identified four categories of service change.

1. *Service Experience* – transformation of the service experience we provide through the use of common systems business capabilities across our whole organisation.
2. *Client Engagement Practice* – implementation of a transformed, evidence-based, best-practice model for how we engage with our clients to help them in a mana enhancing way to achieve their aspirations.
3. *Kotahitanga* – a transformed partnership operating model and supporting systems to improve partner experience (whether Māori-Crown partnerships, partnering for delivery of services and support, partnering for social connection and wellbeing, or commercial partnerships) to support improved outcomes for individuals, whānau, and communities.
4. *Employment Service* – a digital employment platform and operating model to provide dramatically improved employment, opportunity matching, and labour market information services for those seeking employment, employers seeking workers, and partners helping upskill those seeking work.

These four service change categories will be supported by work regarding the technology and capability foundations, design, and overall management of the transformation.

The service changes that have been identified are at the core of the Ministry's business, will deliver value to those we serve, and will deliver to the benefits described. They cover the full scope of MSD's transformation programme.

The Programme will transform the experience interacting with MSD for clients, whānau, communities and MSD's partners

In Horizon One, 130,000 students will have a modern, easy-to-use online experience that can be implemented for working-age clients in Horizon Two, and seniors in the following phase. Students will have an improved experience for applications and accurate, up-to-date online information on progress. Students will see reduced time to access support.

MSD will be enabled to better support those at risk of poor labour market outcomes. Jobseekers will have greater awareness of and access to jobs, support and training opportunities in their local area, including through proactive digital contact. They will be matched to and notified of suitable jobs based on their individual circumstances and skills, be able to apply for opportunities online at any time, check on the status of their applications in real time, and generate a CV themselves using the information already in their profile.

For those external groups and organisations that MSD partners with, there will be a clearer and more transparent approach to funding, focused on shared outcomes and it will be easier to work with MSD with simpler, more efficient partnering and commissioning and reporting processes. Clients, whānau, and communities will benefit from improved access to appropriate support from more effective commissioning between MSD and service providers.

Clients will begin to experience the new client engagement practice, that is, the behaviours and approaches MSD staff use when they work with clients to access support. The practice will help bring consistency to how MSD staff show manaaki to clients and ensure clients can access all the support they need. In Horizon One, the combination of this and *Service Experience* will bring improved access to and experience of MSD's services.

The Programme will create space for MSD employment staff with them spending less time on manual administrative tasks. This will increase their ability to direct more focus and support towards clients who need it the most.

Delivering on all these things will support greater equity of outcomes. They will also improve equity by improving access to more culturally appropriate services for Māori and Pacific people. In particular, *Service Experience* and *Employment Service* will enable the Ministry to connect and interface with these groups, supporting better outcomes for Māori and Pacific people.

The transformation will progressively deliver major benefits over the three Horizons, including approximately $1.2 billion in monetisable benefits from improved employment outcomes

MSD has identified monetisable benefits the Programme could provide from improved social and employment outcomes. These benefits would be from MSD being better positioned to help people into employment and stay employed. Subject to the

Programme proceeding as proposed, and depending on external factors, such as the state of the labour market, the Programme could potentially provide savings of up to $1.2 billion in benefit payments over 12 years. This estimate uses MSD's well-respected Social Outcomes Model and is based on core assumptions about the changes MSD can influence but has a high degree of uncertainty.

Table 1 Projected cumulative benefits from improved employment outcomes

By end of Horizon 1	By end of Horizon 3	Three years after end of Horizon 3	10 years after end of Horizon 3
~$10 million	~$0.5 billion	~$1.2 billion	~$3 to $4 billion

Our benefits will be measured through 10 benefits areas, with a focus on measuring equity for Māori and Pacific people

The level of benefits expected from transformation and how they can be delivered over the Horizons are illustrated in the following table. Equity will be measured by KPIs broken down by Māori and Pacific people.

Table 2 Benefits we will deliver

Benefit		How delivered over Horizons		
		Horizon 1	Horizon 2	Horizon 3
improved Equity for Māori and Pacific people	Decreased time for NZers to access support	✓	✓✓	✓✓✓
	Full and correct entitlement payment	✓	✓✓	✓✓✓
	Reduced overpayment debt	–	✓✓	✓✓✓
	Improved employment and social outcomes	✓	✓✓	✓✓✓
	Improved experience of clients, communities, and whānau	✓	✓✓	✓✓✓
	Improved Partner experience	✓	✓✓	✓✓✓
Improved staff experience with systems		✓	✓✓	✓✓✓
Improved policy agility		–	✓✓	✓✓✓
Reduced IT system risk		✓	✓✓	✓✓✓

We have aligned our planning to wider government initiatives

The Horizon One initiatives will support action five and six of the Government's Social Sector Commissioning 2022–2028 Action Plan.[12] *Employment Service* will deliver significant employment value aligned with MSD's core role. We have aligned our work with the All-of-Government Strategy for a Digital Public Service and will continue to do so. Our work aligns with the Living Standards Framework and makes strong

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[12] Ministry of Social Development, *Social Sector Commissioning 2022–2028 Action Plan* (MSD, 2022). https://msd.govt.nz/about-msd-and-our-work/publications-resources/planning-strategy/social-sector-commissioning/index.html. [Accessed 24 May 2023].
Action five: (pp 25-27) Government agencies and Crown entities make operational changes to deliver the government endorsed 'commitments' to commissioning practice.
Action six: (pp 28-29). Government agencies and Crown entities outline the actions and approach they will take to implement a relational approach to commissioning.

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contributions across most individual and collective wellbeing categories. We are aligned with the New Zealand Disability Strategy.

Since the Programme Case was agreed by Cabinet in 2022, the MSD Leadership team has formally confirmed the case for change, our approach for Horizon One, the benefits we can achieve, the risks we face, and how we can mitigate them

We have undertaken extensive analysis and planning since the submission of the Programme Case in 2022. We have confirmed that the case for change still stands. Our analysis of the benefits has strengthened our understanding of the opportunities for change. We understand the key risks and have mitigations in place for them.

ECONOMIC CASE

PROGRAMME OPTIONS: As per Cabinet's request, we analysed options for extent (how much we do) and pace (how fast we do it) for the whole three Horizon Programme – we concluded that the best option is to continue at the extent and pace proposed in the Programme Business Case

We have analysed two key option dimensions for the whole three Horizon Programme – extent of transformation (the scope of what we aim to achieve) and pace of transformation (slowing pace beyond three Horizons). Increasing extent and pace were rejected as not being viable. This gave us four options (A to D) as illustrated in the table opposite.

		Pace of change	
		Slower pace	Pace as planned in Prog Case
Extent of change	Partially transform MSD	Option A: Slower pace with reduced ambition	Option B: Reduced ambition
	Fully transform MSD	Option C: Slower pace	PREFERRED Option D: As scoped in Programme Case

When these four options are compared, and our current level of knowledge is considered:

- Slowing the *pace* to beyond 12 years (Options A and C) will mean that technology risk is sustained for longer, our ability to respond to cross-government partnering is reduced, and benefits will be delayed.
- Reducing the *extent* (Options A and B) will mean a decrease in the improvements we can deliver to clients and partners, sustained technology risk, and a reduction in the benefits we can achieve.

On this basis the option D to transform (as scoped in the Programme Business Case) remains the preferred option.

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MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

HORIZON ONE PREFERRED SCOPE: We developed a preferred scope in Horizon One for each of *Service Experience*, *Employment Service*, *Client Engagement Practice*, and *Kotahitanga*

Having established the extent and pace for the Programme, we used a set of prioritisation principles to inform what to undertake in Horizon One. These principles were:

1. Start with the foundations
2. Create time and space to support those with more complex needs
3. Deliver early value for clients, staff, and partners
4. Create business patterns that are reusable
5. Start implementation where there is less risk of service disruption
6. Start implementation with services and cohorts of lesser complexity
7. Address technology risks

Based on these principles we identified the following preferred scope for the service changes in Horizon One.

Horizon One Preferred Scope

Service Experience

A modern service experience systems platform and business capability to provide the critical foundation capabilities for our transformation – including digital client and staff personalised experiences, relationship and case management, process and workflow automation, analytics, low/no-code development – to support delivery of a transformed experience for students as the Minimum Viable Product first client cohort of a multi-Horizon implementation for all our clients.

This enables us in Horizon One to replace existing end-of-life student allowances and loans systems and test and learn as we implement the experience platform business capabilities across wider client cohorts in subsequent Horizons.

Employment Service

A digital employment platform that will transform the ability of jobseekers to connect with employers and gain upskilling opportunities to help them get better jobs and sustainable employment, implemented in Horizon One for those on jobseeker benefits as the first cohort for implementing wider in Horizon Two.

This enables us in Horizon One to improve service to our clients, employers, and providers, significantly upgrade the capability of our current end-of-life systems, and start to improve the working of the wider New Zealand Labour market.

Client Engagement Practice

Design and pilot of a new way for MSD's staff to engage with clients, with a pilot for the working age cohort and another pilot for students as part of their transformed service experience as preparation for implementation in Horizons Two and Three as cohorts are added to the new *Service Experience* and *Employment Service* platforms.

This enables us in Horizon One to have implemented a new engagement model for students (as part of *Service Experience)* and have a proven engagement model that can be rolled out to working age clients in Horizon Two.

Kotahitanga

Implementation of partnering approaches, operating model, to transform how we work with our partners – whether Māori-Crown partnerships, partnering for delivery of services and support, partnering for social connection and wellbeing, and commercial partnerships – improve their experience, and improve the outcomes we are able to collectively achieve with the clients, whānau, and communities they work in, among, and with, including improved employment outcomes. This will be supported by implementation in Horizon One of new systems to manage partnerships and contracts, replacing our current end-of-life systems, extending our new recently implemented Corporate Platform systems.

This will deliver a tested partnership model that can be rolled out wider in subsequent Horizons. It will also address end-of-life risk in our current systems used to manage partnerships and contracts.

HORIZON ONE OPTIONS: We analysed options for the combination of service changes for Horizon One, considering the dependencies between each service change, achievability, and the benefits we can achieve

Having established the preferred scope for what we would attempt in Horizon One, we developed options within each service change for level of ambition. This progressed from design only, building foundations for later implementation, piloting and testing, partially implementing (with fuller implementation in later Horizons), and a fuller implementation. Because of the differences between each service change, the options did not completely align between service changes.

We then identified viable combinations of options considering dependencies between service changes (e.g. developing foundations for *Service Experience* requires design and policy work for partnering to be developed in the *Kotahitanga* service change).

The diagram below shows how the different options for each service change (numbered 1 to 3 or 1 to 4) are combined to provide overall options for Horizon One (labelled A to D).

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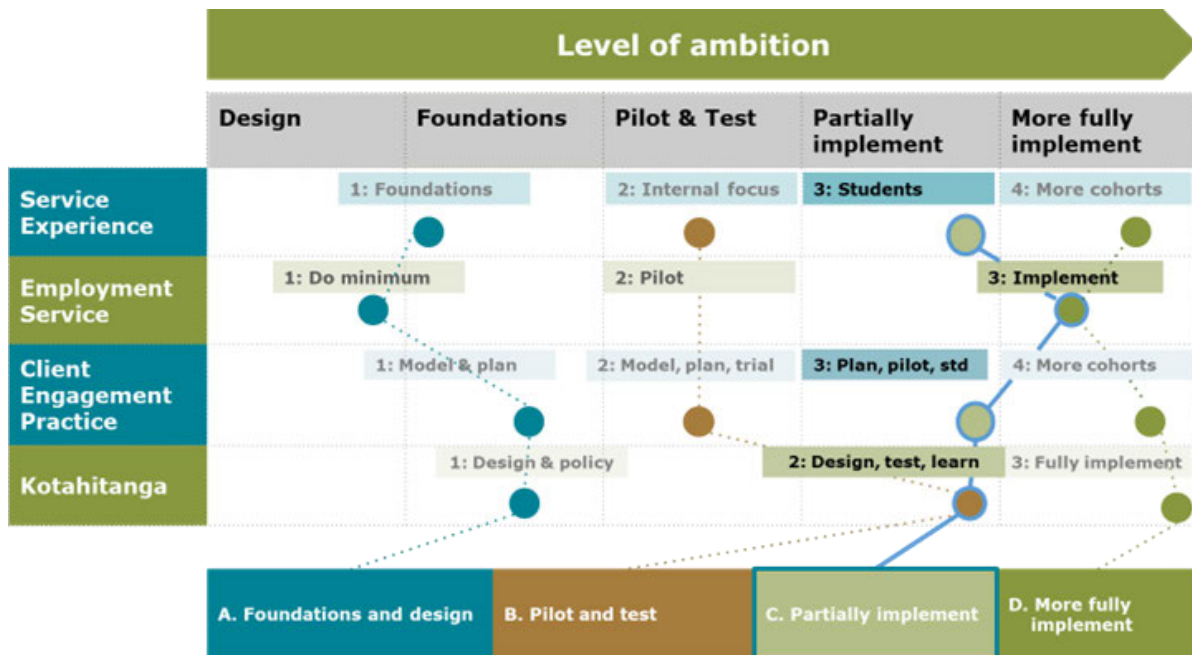
Figure 1 Options analysis summary

For Horizon One, Option C: Partially implement is preferred – it provides the best mix of foundations and client value, including approximately $1.2 billion of monetisable benefits over 12 years through improved employment outcomes

Undertaking all four service changes in Horizon One is important for the transformation and to deliver value to New Zealanders. On the basis of our analysis, we are recommending that Cabinet agree to and fund our proposed four service changes and continue the Programme as scoped in the Programme Business Case. These establish the foundations we need for MSD's future as well as providing client and partner value in Horizon One.

We have ensured that our preferred options for each service change have a clear line of sight back to our Programme objectives

Each of the service changes for Horizon One have their own set of problems and investment objectives that map back to the problems and investment objectives identified in the Programme Business Case.

We have therefore established a clear "line of sight" from what we are proposing in Horizon One back to what was agreed by Cabinet in the Programme Business Case and forward to the benefits we have identified.

s 9(2)(f)(iv)

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COMMERCIAL CASE

We engaged with the market through deep dives with vendors, strategic partner research, and desktop partner reports to understand what was available

The market engagement has established the viability of the market, informed our planning for Horizon One and our cost estimates, and enabled us to better plan and target our procurement.

We understand the services and products we need to procure and how we will procure them

As we procure services, we will continue to retain accountability for Programme integration and service aggregation through supply partners. We will continue to use a variety of methods to engage with the market and are tailoring our procurement approach to a "tight" market.

We understand the range of services we need for Horizon One. These are spread across design, product, and implementation/integration for the service changes and supporting work. We already have comprehensive supplier and panel arrangements in place to meet some of these service needs.

Our procurement approaches draw on our procurement standards – these range from using existing MSD agreements through to a full approach to the open market

We already have existing supplier arrangements and/or panels in place for all of the procurement required with the exception of *Service Experience* and *Employment Service*. We will go to open market for the services and products we need for these service changes.

MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

For *Service Experience* and *Employment Service*, we will seek Transformation Partners who will recommend the appropriate products, source them, and implement them.

Kotahitanga will use existing Transformation Partner and product arrangements for the Corporate Platform.

Client Engagement Practice does not require any significant procurement.

The key services and products to be procured and the key dates are as follows.

Table 3 Procurement summary

Services and products	Service Experience	Employment Service	Client Engagement Practice	Kotahitanga
Procurement approach	Open market, two stage tender		None	Use existing arrangements
Implementation services sought	Seek Transformation Partner – Service Experience Partner recommends products needed for business capabilities and implements them	Seek Transformation Partner – Employment Service Partner recommends products needed for business capabilities and implements them	None	Use existing Transformation Partner in place for MSD Corporate Platform
Core business capabilities sought	• Digital client and staff experience • Personalised experiences • Relationship management & case management • Process and workflow automation • Analytics • Low or no-code development	• Digital employment (jobseekers, employers, partners) • Labour market information • Opportunity and skills matching	No significant additional business capability procured	Contract and partner management *Use existing Corporate Platform systems*

Full procurement plans are currently being finalised

Full procurement plans are currently being finalised and will be agreed and approved in by the end of May 2023.

FINANCIAL CASE

Funding of $183 million has been agreed in Budget 23 for the first two years of Horizon One[13]

We have identified internal sources of funding we can reprioritise of up to $83 million. This reprioritised funding will come from savings from projects and maintenance that will not be required if the Programme proceeds, as well as savings from existing staff transferred to the Programme with no backfill. This reduces the net funding required for the first two years of Horizon One from $183 million to a net $100 million for 2023/24 to 2024/25. This is a significant contribution but is only possible if there is a commitment from government for MSD to transform.

We have ensured that the scope of the service changes are consistent with the funding available.

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[13] See CAB-23-MIN-0139 (April 2023).

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

The estimated total cash costs for the first two years of Horizon One are summarised in the following table.

Table 4 Years one to two costs estimates (undiscounted cash, excluding contingencies)

s 9(2)(b)(ii)

The impact of our Horizon One costing on the Programme costs are understood

We have assessed the impact of Horizon One costs on overall Programme costs and the estimates in the Programme Case for the whole programme still stand.

s 9(2)(f)(iv)

MANAGEMENT CASE

We have established a robust governance structure for the Programme integrated into MSD's organisation-wide governance

The Programme includes robust governance arrangements that reflect the scale and importance of the transformation. MSD's Leadership Team governs the Programme through the dedicated Te Pae Tawhiti Transformation and Investment Committee, which has independent advisors. The Minister of Social Development and Employment and Minister of Finance will receive quarterly reports from the beginning of Horizon One and Cabinet will receive six-monthly reports. Regular reporting will ensure appropriate Ministerial oversight to support on time and on budget delivery.

The role of Deputy Chief Executive Transformation has been established to recognise the importance of transformation to MSD's future – this role is also assigned as Senior Responsible Officer for the Programme. Cross-agency forums are being established to support a joined-up approach for the Programme.

We will deliver the Programme through MSD's Integrated Work Programme

The Programme will deliver transformation for our organisation, the partners we work with, the clients we serve and their whānau and communities, through delivering change that is integrated across the whole of MSD.

We will continue to retain accountability for Programme integration and service aggregation through supply partners. Our MSD-wide delivery model uses agile approaches, but also incorporates aspects of other approaches when appropriate. We are establishing Centres of Excellence to support successful delivery.

We have plans and schedules to successfully deliver the service changes and supporting work in Horizon One

The focus of the first Horizon is to establish the key foundations for transformation and deliver initial value for New Zealanders. This will put in place key platforms and business capabilities and deliver improved services to initial cohorts of clients (students and jobseekers) and partners (social service providers and employers).

We have identified the key milestones. We have a clear understanding of the resourcing we need during Horizon One – we will need to source approximately s 9(2)(b)(ii) resources for the period of Horizon One. Programme reporting will ensure Ministers and MSD officials are kept informed about delivery progress and key issues with the Programme.

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Table 5 Key milestones for Horizon One

Service change	Milestone	Date
Service Experience	Procurement completed	31 March 2024
	Planning and design pre-discovery completed	31 March 2024
	Selected platform discovery and design completed	30 September 2024
	Core platform, built, tested, integrated (which will continue to be built upon in later Horizons to include new MSD client cohorts)	31 March 2025
	Students' platform, built, tested, integrated, deployed	30 June 2025
	Change adoption completed for students	30 September 2025
	Initial core platform extension completed	30 June 2026
Employment Service	Procurement completed	31 December 2023
	Planning and design pre-discovery completed	31 December 2023
	Selected platform discovery and design completed	30 June 2024
	New Employment Ways of Working Operating model changes implemented	30 June 2025
	Platform built, tested, integrated, deployed	30 June 2025
	Initial continuous extension completed	30 June 2026
Client Engagement Practice	Software enablers designed and piloted	30 June 2025
	Core case management model designed	30 September 2025
	Implementation planning completed	30 June 2026
Kotahitanga	Design and prototyping for connecting to services and understanding needed completed	30 June 2026
	Commissioning operating model design completed	30 September 2025
	Commissioning operating model implementation planning completed	30 June 2026
	Foundational contracting, procurement and reporting systems planning, and design pre-discovery completed	30 June 2024
	Foundational contracting, procurement and reporting systems built, tested, implemented, deployed	30 September 2025
	Initial foundational systems platform extension completed	30 June 2026
	Funding and information design completed	30 June 2024
	Funding and information tested and refined	31 December 2024
	Funding and information implemented, and initial extension complete	30 June 2026

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We know how we will manage the change

Our change and engagement approaches reflect the size and complexity of the transformation we are planning, and we are using methods we know work.

We know how we will manage co-existence

Co-existence occurs when heritage and target state systems need to operate together to support the safe and uninterrupted delivery of services as the future state is incrementally established. We have a co-existence approach in place to manage the transitions needed while ensuring the continued operation of our business processes and will understand, plan, and manage the impacts of co-existence.

We will actively manage our risks

Risk management is an ongoing process over the life of the Programme. The Programme's Risk and Issue Management Strategy provides tools to identify and manage risks and issues early, to minimise impacts to the successful delivery of the Programme.

We have a comprehensive Benefits Realisation Management plan that describes how the service experience is improved in the first Horizon

Our Benefits Realisation Management plan provides a framework to ensure benefits are derived from the Programme and the correct level of management is given to each benefit. We have a comprehensive set of Key Performance Indicators (KPIs) and targets.

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[14] Ministry of Social Development, *Social Sector Commissioning 2022–2028 Action Plan* (MSD, 2022), pp 25-27. https://msd.govt.nz/about-msd-and-our-work/publications-resources/planning-strategy/social-sector-commissioning/index.html. [Accessed 24 May 2023]

We are actively seeking learnings from other organisations who have undertaken equivalent transformations, in New Zealand and internationally

We have actively sought learnings from our strategic partners and from the work they have undertaken with major transformations around the globe. We continue to document lessons learned and apply them in the Programme.

We understand our key risks, constraints, dependencies, and assumptions

We continue to scan our environment to ensure that we understand the risks we face and how we can mitigate them. Currently we have identified the following key risks and have mitigations in place for them.

- Change and co-existence management (high risk)
- Engagement with key stakeholders (high risk)
- Delivery management (very high risk)
- Design of future services model (high risk)
- Procurement of necessary products and services (high risk)
- Managing policy and legal changes (high risk)
- Achieving benefits (high risk).

We have comprehensive assurance plans in place

Our Assurance Plan details the quality assurance and quality control processes implemented to ensure the Programme outputs are fit for purpose, the governance and management aspects of the Programme are working appropriately, and the Programme stays on track to achieve its objectives.

Our Plan has been further developed since its first iteration (as presented in the Programme Business Case). The plan aligns with the Digital Public Service's principles of good assurance, expectations, and guidance for agile delivery, with assurance embedded throughout the Programme at multiple layers. Our assurance approach incorporates Agile practices for adaptability, independent quality assurance, and is risk- and outcomes-based. It informs key decisions for the Programme, and there are clear accountabilities for governance bodies.

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

We have assessed the Programme against our Delivery Confidence Framework – we are investment-ready now and on track to be implementation-ready for Budget 23

A Gateway review in November 2022 rated the Programme as Amber/Green – "Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery". This is consistent with our own delivery confidence assessment.

We have implemented all the recommendations made by the Gateway review team in this business case and in the wider programme. The key recommendations were:

- Making the rationale for the case more compelling, clarifying the options and how Horizon One will be delivered
- Articulating the critical of commitment to full transformation
- Creating an integrated work plan for Horizon One
- Ensure the enterprise-wide prioritisation framework is applied across all MSD planning and governance.

We have also started early collaborative testing of the future service model with staff client and partners including with Māori and Pacific groups. We have also established approaches to embed a te Ao Māori view into how the design of the programme to help ensure te reo, tikanga, and mātauranga Māori guides the transformation

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MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Strategic Case

The Strategic Case has remained constant, and has not changed since the 2021 Strategic Assessment outlined a case for change, which was confirmed by Cabinet and reconfirmed through the Programme Business Case in May 2022. The social landscape for the welfare system is vastly different from when it was first established in the mid-twentieth century. The needs and expectations of New Zealanders are changing, and MSD must transform the way it operates so it can respond to these changes.

Manaaki Tangata, Manaaki Whānau – We help New Zealanders to be safe, strong, and independent

MSD works to contribute positively to the wellbeing of people today and into the future

Helping people, whānau, families, and communities is at the centre of what we do. We seek to achieve three outcomes.[15]

Outcome 1: New Zealanders get the support they require

We provide New Zealanders with all the services and support they are entitled to and ensure they are confident they will get the financial and other support they need when they need it.

Outcome 2: New Zealanders are resilient and live in inclusive and supportive communities

We recognise the diversity of the people, whānau, and communities we serve, and we are committed to improving their wellbeing. We are improving New Zealanders' access to tools, skills, and resources, including financial literacy, to help them to respond better to the challenges in their lives. We support communities to be inclusive, supportive, and free from violence. We want people who have

Some key numbers	
$40 billion	what we spent on meeting the needs of New Zealanders in 2021/22
$5 billion	the COVID-19 wage subsidies we managed in 2021/22
1.3 million	people supported each week
1 million	people contacting us for support each year
860,000	superannuitants in June 2022
340,000	people being paid core benefits in November 2022
130,000	students receiving help from us between January and June 2022
110,000	people we helped find work for in 2021/22
8,900	staff
2,000	partners
160	offices

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[15] From Ministry of Social Development, *Tauākī Whakamaunga Atu Statement of Intent 2022-2026* (MSD, September 2022), 18. www.msd.govt.nz/documents/about-msd-and-our-work/publications-

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experienced harm, or do not feel safe, to know that help is available and to understand where they can get it.

Outcome 3: New Zealanders participate positively in society and reach their potential

We want to improve people's readiness for and access to employment while recognising that people also participate through volunteering or caring for whānau and families. We engage with people, families, whānau, and communities to understand their aspirations and what is important to them, including their situation, culture, and values. We help to connect people with opportunities to realise their goals, reach their potential and grow, and participate positively in society.

Our role in employment is especially important in this business case

Cabinet agreed in 2022 that MSD's employment service role is to "… help people at risk of poor labour market outcomes to prepare for, find and retain suitable employment to improve long-term wellbeing."[16] Those at risk of poor labour market outcomes in New Zealand include those with low skill levels in relation to current labour market needs, Māori, Pacific peoples, young people, and disabled people. Priority groups sit inside and outside the welfare system.

Public employment services worldwide promote equity for those participating in labour markets by targeting those at risk of poor labour market outcomes and helping them to find sustainable employment.[17] Public employment services can add significant value by providing the needs-based support, advice, and upskilling required by many people at risk of poor labour market outcomes to achieve sustainable employment. MSD plays a key role in providing public employment services in New Zealand, supporting people to obtain and maintain employment.

We will not achieve these outcomes for New Zealanders by ourselves

More than one million people contact us directly each year. Some require financial support to alleviate poverty and hardship, while others seek services to help re-enter the workforce. They may be a disabled person seeking temporary or permanent assistance to lead an independent life, a family dealing with interpersonal violence, a person needing a safe, warm, and dry home, a student seeking support, a parent needing help with the costs of childcare, or an older New Zealander applying for superannuation.

Our mahi is not done alone. We partner with many different agencies, organisations, and community groups who have the trusted relationships, networks and expertise, including

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resources/corporate/statement-of-intent/2022/statement-of-intent-2022-2026.pdf [Accessed 28 September 2022]www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/corporate/statement-of-intent/2022/statement-of-intent-2022-2026.pdf [Accessed 28 September 2022]

[16] See SWC-22-MIN-0091 (May 2022).

[17] See World Bank, *Public Employment Services: Functions and Innovations – World Bank Policy Primer 30132* (World Bank September 2003), 4. documents1.worldbank.org/curated/en/859831468779447415/pdf/301320EPPN0no1030Public0employment.pdf [Accessed 1 February 2023]

cultural expertise, to make a lasting difference in people's lives. These partnerships include:

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

This work requires a shared effort, connection and collaboration with the wider social sector, other government agencies, non-government organisations, Māori, iwi, hapū, employers, advisory and industry groups, communities, whānau, and families.

Through our ongoing investment in Māori-Crown partnerships we actively support the long-term social, cultural and economic development objectives of iwi, hapū and whānau. We support the Crown's commitments as a Te Tiriti o Waitangi partner and seek to enable Māori, iwi, hapū, whānau and communities to realise their own potential and aspirations.

Our strategic direction is clearly set out in *Te Pae Tawhiti – Our Future*

Te Pae Tawhiti – Our Future describes the three shifts we are making across our organisation.[18]

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

Te Pae Tata – Te Rautaki Māori me te Mahere Mahi shows how we will work with Māori to achieve better outcomes for Māori

MSD is committed to supporting the Crown in its commitments as a Te Tiriti o Waitangi partner. *Te Pae Tata: Te Rautaki Māori me te Mahere Mahi* – our Māori strategy and action plan – sets out how we will work with Māori to achieve better outcomes specifically for Māori.[19] It seeks to empower Māori to be self-determining. Embedding a Māori world view throughout our organisation will help us think differently about the way we work with Māori. We want all our people to have the capability to do their best for individuals, whānau, hapū, and iwi, no matter where or how they connect with us.

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[18] See Ministry of Social Development, *Statement of Intent*, 21-23.
[19] See Ministry of Social Development, *Statement of Intent*, 24-25.

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Pacific Prosperity – Our People, Our Solutions, Our Future **shows how we will work with Pacific people to achieve better outcomes**

Pacific Prosperity: Our People, Our Solutions, Our Future – is our strategy and action plan for achieving positive outcomes for Pacific people.[20] It places Pacific people, families, and communities at the heart of our service development, thinking, and decision-making.

Te Pae Tawhiti – Our Future is supported by a range of other strategies that help us manage our organisation effectively

Our People Strategy – He Korowai Manaaki sets out the people-related actions we will carry out to achieve our key organisational strategies. It will help us build the active support of our staff for the three shifts set out in *Te Pae Tawhiti – Our Future*.

We have in place a refreshed *Technology Strategy – Tā Te Manatū Whakahiato Ora Rautaki Hangarau* designed to support *Te Pae Tawhiti – Our Future* and the *All-of-Government Strategy for a Digital Public Service – Rautaki mō tētahi Rāngai Kāwanatanga Matihiko*. This will help ensure that the Programme delivers a modern, flexible, resilient, and sustainable technology infrastructure that actively enables the unified partner ecosystem which will underpin the future of digital government and New Zealand public services.

Alongside our *Technology Strategy*, our *Information, Data and Analytics Strategy*, and our *Partnering Strategy,* describe how we intend to shift our practice in these areas to support the delivery of *Te Pae Tawhiti – Our Future*.

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[20] See Ministry of Social Development, *Statement of Intent*, 26-27.

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

We face significant barriers to delivering a service that meets the needs of New Zealanders and supports government aspirations for change

The Government is committed to changing the welfare system

As part of its commitment to change, the Government has endorsed a future state for the welfare system that:

- is underpinned by values relevant for New Zealand
- supports individuals, families, and whānau to thrive
- adequately supports employment and training
- recognises the value of unpaid work (such as caring and volunteering)
- takes a whole-of-community approach to working with partners.[21]

Cabinet has also confirmed the role and direction of MSD's employment services in helping people at risk of poor outcomes prepare for, find, and retain suitable employment to improve long-term wellbeing. The policy intent includes supporting an equitable and well-functioning labour market, supporting good employment outcomes for Māori, and providing proactive support to help people into sustainable and meaningful employment opportunities.[22] This will require a wider focus on wellbeing and the sustainability and relevance of the employment options provided.

The Government has acknowledged that MSD's systems and processes are constraining its ability to deliver its vision for welfare overhaul.[23]

However, we face major barriers to providing services to our clients and delivering against government priorities

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

There is continuing inequity in client outcomes, especially for Māori and Pacific people

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

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[21] SWC-19-MIN-0168 (11 November 2019), para 4.
[22] See SWC-22-MIN-0091 (March 2022).
[23] See GOV-21-MIN-0039 (November 2021).

MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Consultation feedback provided to MSD indicates that "… the welfare system is belittling of the mana and integrity of [Māori] people – kuia, kaumatua, tamariki, mokopuna."[24] A 2018 te ao Māori survey responded to by 2,200 MSD employees noted that:

- 80% of employees agreed or strongly agreed that Māori culture and values are relevant to our work here at MSD
- 40% of employees believe that MSD does not embrace or nurture Māori culture
- our effectiveness at engaging with Māori was consistently rated as low.[25]

Client needs are becoming more complex

There is a persistent, increasing group of people with multiple needs. These include chronic and co-morbid health conditions (particularly mental health and addiction challenges), physical impairments, generational welfare dependency, and children growing up in poverty and housing instability, including homelessness. These needs are in addition to the need for financial support and employment. Also, this population group often sits within a background of previous traumatic childhood or life experiences leading to a mistrust of external agencies and a need for a responsive, person-centred system that acknowledges and caters for these impacts.

Historical data suggests that the number of people exiting into employment and the number in sustained employment has reduced since 2017. While MSD is only one of the actors in influencing labour markets, we are clearly at the limits of our current processes, systems, and practices.

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

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

There is as growing risk of service failure that cannot be mitigated without major investment in our technology

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

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[24] Comments made at Provider Forum, Kaitaia. Documented in Welfare Expert Advisory Group, 2019, *Whakamana Tāngata: Restoring dignity to social security in New Zealand* (Crown Copyright, February 2019), 31. www.weag.govt.nz/assets/documents/WEAG-report/aed960c3ce/WEAG-Report.pdf [Accessed 31 October 2022] www.weag.govt.nz/assets/documents/WEAG-report/aed960c3ce/WEAG-Report.pdf [Accessed 31 October 2022]
[25] Sourced from 2018 internal survey.

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

A survey of our core IT assets was completed in November 2022. Of the 86 applications surveyed, 33 (38%) had an overall risk rating of very high or high, 25 (29%) had an overall risk rating of medium, nine (10%) had an overall risk rating of low, and 19 (22%) had an overall risk rating of very low.[26]

We are not meeting client expectations

Despite our best efforts, our systems and processes make it too hard for people to access the support to which they are entitled. Also, over time people's expectations around how they interact with and receive services from the Government has changed. MSD does not have fit-for-purpose online services to allow people to choose how they interact, and specifically for those who only want to interact online.

For the 2021/22 year, the end-to-end time for clients to access financial benefits from their first contact was 20.8 days. There has been a deterioration of 1-2% over the last three years. While this metric has a natural limit because of the time taken for clients to gather necessary data, it is still a significant distance from our best weekly performance in the last three years of 12.3 days. We clearly need to do better.

We struggle to provide our clients with Full and Correct Entitlement (FACE) with pilot surveys and analysis indicating that this level could be as low as 47%.[27]

Our clients continue to incur overpayment debt at the rate of $230 million per annum.[28]

Our ability to implement policy rapidly is falling as our processes and technology become more complex and inflexible

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

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

The 2012-2013 welfare reform initiative was delivered over three phases taking 24 months, costing $50.9 million with approximately 615–715 FTEs involved.

The 2018-2019 family incomes package initiative took 26 months to deliver, costing $8.2 million with approximately 221–231 FTEs involved.

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[26] See Ministry of Social Development, *Technology Asset Management Quarterly Report* (MSD, November 2022).
[27] Metric sourced from initial pilot work as this Business Case was being finalised.
[28] Metric sourced as part of work to develop cost-benefit model for this business case.

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Changing New Zealand demographics are affecting the services we need to provide and how we need to respond – and we are less able to make these changes

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

The total Māori population is expected to increase to 1.16 million in 2038, a 68% increase from 2013. By 2038, the proportion of Māori youth will have increased by 20% compared to today.[29]

The total population of Pacific people is estimated to increase to 480,000 by 2026 and to 650,000 by 2038.[30]

The total population of Indian and Chinese New Zealanders is expected to increase to 1.38 million in 2038 from 0.54 million in 2013.[31]

At the end of 2016, 711,200 people were aged 65 years or over. By 2036, it is projected that around 1.26 million people will be aged 65 years or over. This represents a 77% increase in the number of people aged 65 years or over between 2016 and 2036.[32]

The changing New Zealand labour market will disproportionately affect our clients – we will need to be proactive, especially with those at risk of poor labour market outcomes

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

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[29] Statistics New Zealand, *National Ethnic Population Projections: 2013(base)-2038(update)* (18 May 2017). harchive.stats.govt.nz/browse_for_stats/population/estimates_and_projections/NationalEthnicPopulationProjections_HOTP2013-2038.aspx [Accessed 20 April 2022] archive.stats.govt.nz/browse_for_stats/population/estimates_and_projections/NationalEthnicPopulationProjections_HOTP2013-2038.aspx [Accessed 20 April 2022]
[30] Statistics New Zealand, National Ethnic Population Projections: 2013(base)-2038(update) (18 May 2017).
[31] Statistics New Zealand, National Ethnic Population Projections: 2013(base)-2038(update) (18 May 2017).
[32] Super Seniors, *Our ageing population* (nd). www.superseniors.msd.govt.nz/about-superseniors/media/key-statistics.html [Accessed 20 April 2020] www.superseniors.msd.govt.nz/about-superseniors/media/key-statistics.html [Accessed 20 April 2020]

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Treasury estimates that up to 21% of New Zealand's current jobs will be automated by 2030.[33] Unemployed New Zealanders will require more assistance from us to reskill and move into different jobs.

Māori and Pacific people are over-represented in this proportion of the workforce, with 57% of Māori and 65% of Pacific people in low or semi-skilled jobs.[34]

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

These barriers are creating three key problems for us that are increasingly hindering us from providing acceptable levels of service and continuing to meet government expectations

The Strategic Assessment and Programme Business Case presented to Cabinet identified three key problems we must solve. These problems remain:

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

These problems are also hindering us from achieving our strategic shifts and implementing our action plans in *Te Pae Tata* and *Pacific Prosperity*.

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[33] Proactive release by Treasury in April 2019 of document: McKinsey & Company, *Future of Work Tripartite Forum: Evidence base of the future of work* (Auckland, 2019), 3. treasury.govt.nz/sites/default/files/2019-04/fowtf-evidence-base-4080406.PDF [Accessed 18 February 2022] treasury.govt.nz/sites/default/files/2019-04/fowtf-evidence-base-4080406.PDF [Accessed 18 February 2022]
[34] Ministry of Business, Innovation and Employment, *Māori in the Labour Market* (New Zealand Government, September 2017), page 12. www.mbie.govt.nz/assets/c71b557b32/2017-monitoring-report-maori-in-the-labour-market.pdf [Accessed 18 February 2022] www.mbie.govt.nz/assets/c71b557b32/2017-monitoring-report-maori-in-the-labour-market.pdf [Accessed 18 February 2022]

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Our strategic response – we will significantly improve service experience and outcomes for clients through a transformed Future Service Model supported by modernised technology, redesigned business processes, and increased staff capability

A transformed Future Service Model...

To improve client outcomes and client experience we must have a transformed service model. Our current service model is not fit for purpose.

Our current service model and underpinning systems are a product of many years of incremental change. New Zealanders expect government services that are responsive, mana-enhancing, and tailored to their needs, but our current service model struggles to operate this way. We struggle to provide services that are:

- *Clear and transparent* – consistent, correct, and complete information is often unavailable.
- *Quick and easy* – we have poor online channel communication, poor call back process, and poor processes to manage the work that is handed-off.
- *Responsive and timely* – turnaround, process or wait times are not always very fast.
- *Empathetic and personalised* – we do not always make it easy for people, or use warmth and a personalised approach when they ask us for help.
- *Proactive and full* – our often-fragmented service approach will not meet the future needs and expectations of New Zealanders.

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

Without significant change we cannot effectively deliver quality services that meet the diverse range of client needs – especially for Māori and Pacific people.

We are working on a new approach to delivering MSD services, that will better meet the needs of New Zealanders. It will involve significant changes to underlying systems, simpler processes, and redesigned services that put people, families and community first. We have called this our Future Service Model. There are five core components of our developing Future Service Model:

- Respond early
- Understand needs
- Connect to services

MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

- Deliver services
- Sustain outcomes.

Through this model we will be able to provide people with services they can trust to help them become safe, strong and independent.

All of our clients have different needs and abilities that evolve over time. How we organise ourselves to respond effectively to our clients requires agility. That way our people can support clients as they seamlessly transition between service tiers when appropriate.
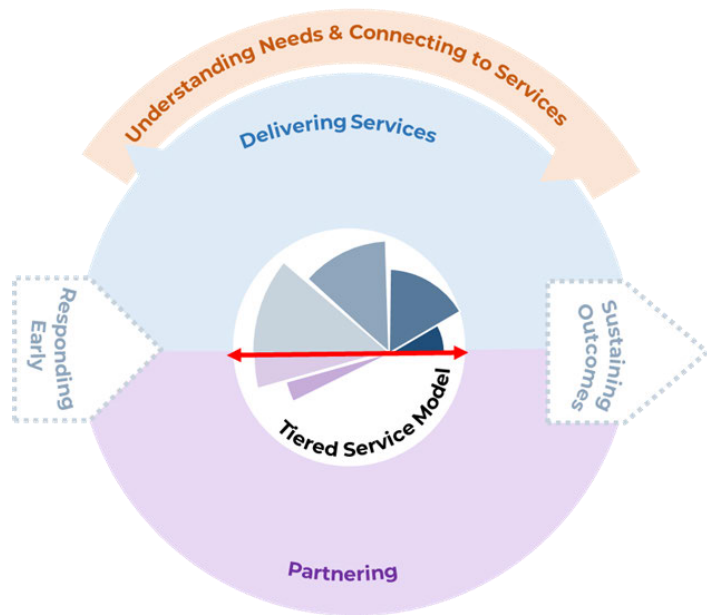
One-size does not fit all. Some people do not need high-intensity support and can do the things they need to do online or with the quick and easy assistance of one of our staff members.

Our Future Service Model will transform the experiences people have when receiving MSD services and products. While the services we deliver will not change, the way that MSD delivers these services and the increased focus on the digitisation of channels will be key shifts.

We will support improved equity of outcomes, especially for Māori and Pacific people. We will also partner with others to deliver better outcomes for disabled people and
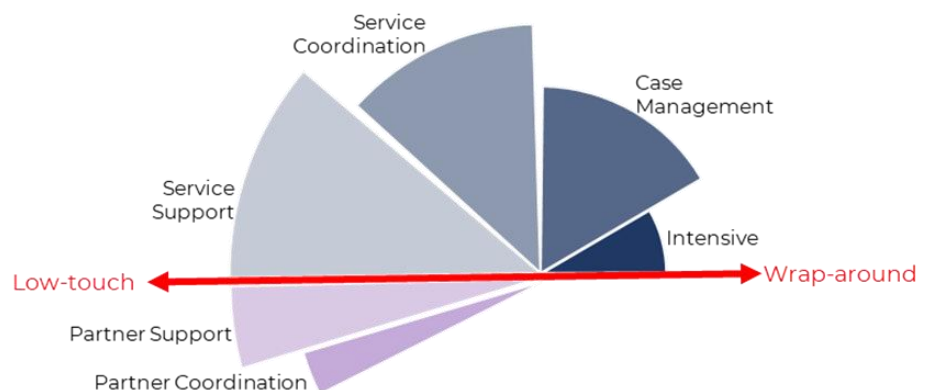
for diverse populations and communities (such as refugee and migrant groups). Our benefits realisation strategy will specifically measure that impact of the Programme on improved equity for Māori and Pacific people.

...supported by transformed business processes...

Our Future Service Model must be supported by transformed business processes if it is to meet its objectives.

We operate with a complex and extensive set of processes, business rules, and operational policies, with sometimes incomplete and inconsistent approaches. Our current business processes have developed over time to meet changing services, products and legislation and the needs of clients and government priorities. Years of incremental changes have resulted in our business processes becoming extremely complicated, fragmented, and difficult to change. Processes have been developed in

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isolation without coordinated design and without considering the impact on other processes, systems, or channels.

This has created the following:

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

The Future Service Model will be supported by transformed business processes that are based on human-centred process design, digitally enabled and accessible to those with a wide range of abilities. Our processes will consider the full end-to-end view of each client and ensure their specific needs can be met.

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

Our technology systems significantly constrain how we can change our service model and undertake the level of transformation required. We have already invested significant amounts in keeping the systems operational, but this investment has only addressed the most at-risk system at each point in time. It has not achieved improved client outcomes.

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

...that will reduce manual workarounds and rework through errors to give our staff more time to work with clients...

Our systems require our staff to perform many error-prone, manual steps and workarounds to address gaps in what our technology currently does. This takes staff time away from directly helping our clients as well as creating errors that then need to be fixed later – typically taking more time to resolve than it would have taken to get them right first time (this work is typically referred to as "failure demand").

Modern transformed systems will remove the requirement for these slow, error-prone manual workarounds, support our staff to make better decisions, and significantly reduce

the errors when our staff implement these decisions. All this will give our staff more time with clients so we can improve their life outcomes.

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

Delivering transformed business processes underpinned by transformed, modernised systems will require a major change programme that addresses change at all the levels needed – service model, staff capability, business processes, and systems.

...uplifting our staff capability and cultural competence so that they can work effectively in this new environment...

New ways of working will better serve New Zealanders, and support Māori and Pacific people to feel safe, respected, and empowered when engaging with social services.

The key shifts we are seeking for our workforce are:

- Moving away from a workforce that has been operating with constraining systems and processes towards one that is digitally and culturally enabled to focus on the needs of clients, whānau, and community outcomes.
- Improving how we work with partners to achieve community and whānau aspirations.

These shifts will increase our capability and enable our people to deliver on the three strategic shifts of *Te Pae Tawhiti – Our Future*.

...consistently supporting the Crown in its Te Tiriti obligations and incorporating a te ao Māori view...

MSD is committed to supporting the Crown in its Te Tiriti o Waitangi obligations. Every system, process, and practice we design as part of our Blueprint must reflect this.

One of our foundational requirements for client experience is engagement through a te ao Māori view. An example of the implications of this is that all processes must consider a te ao Māori perspective from the outset.

As we embark on transformation we will support the Crown's commitments as a Te Tiriti o Waitangi partner within the day-to-day operations of the Programme and support whānau, hapū and iwi. We will incorporate a te ao Māori view into our approaches, outputs, and outcomes.

...so we can deliver the outcomes government and New Zealanders need from us

Our transformation will result in:
- New Zealanders getting the support they're entitled to, every time
- Well-designed and intuitive systems and processes that make it easy for everyone to do the right thing, reducing debt and hardship
- Joined-up support for training and employment helping more New Zealanders into sustainable work
- Flexibility and agility to respond to unexpected events, government priorities and the changing needs of New Zealanders in the future

MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

- Better long-term outcomes for all as we work in partnership, including improved equity of outcomes for Māori as tangata whenua, and for Pacific people and other priority groups.

We have clear investment objectives for the changes we need to make

Our objectives for the investment we seek are as follows:

1. *Integrated services* – develop and deliver effective, targeted, tailored, and integrated services in income support, employment, and housing, to support the diverse and multiple needs of clients, whānau, and communities.
2. *Strengthened partnerships* – build and strengthen partnerships with whānau, hapū, iwi, and communities by working differently and supporting them to achieve their wellbeing aspirations.
3. *Easier access to services* – enable easier access to services and information for clients, whānau, partners, and staff.
4. *Modernised technology* – modernise our core technology systems to address:
    a. *Risk* – minimise the risk of sustained system outages and intermittent system failure.
    b. *Agility* – improve agility so policy and change can be implemented in an efficient and cost-effective manner.
    c. *Information* – increase the responsible use of information and intelligence to improve the delivery of services to better meet client need.

Achieving these investment objectives will set MSD up for the future and enable us to respond rapidly to change, whether in our wider environment or government policy changes.

Further details about these overarching objectives for our transformation can be found in the Programme Business Case.

Some policy and legislative change may be required to support the Programme – we have started our analysis

Our Blueprint includes Policy, Integrity, and Legal considerations. We expect that some policy and legislative change may be required to support the programme. This is about enabling the programme benefits, and not about changes to what or who MSD support. We have identified several critical areas including:

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

-

There may be other matters that arise as Horizon one progresses which may require either policy and legal advice on the suitability of current settings, or new work to enable the desired changes.

We plan to report to the Minister on our findings.

s 9(2)(f)(iv)

We are developing a comprehensive view of our transformed future state in an organisational Blueprint

More information regarding this blueprint can be found in APPENDIX A.

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

We propose that the service transformation take place over three "Horizons" addressing change in terms of *Service Experience*, *Employment Service*, *Client Engagement Practice*, and *Kotahitanga*

Our transformation can be seen as MSD's voyage to Te Pae Tawhiti, our future destination. Te Pae Tawhiti Programme is our plan to get there. Te Terenga – the voyage – will take multiple years, so propose to achieve this over three Horizons of work.

Our Programme Business Case identified 23 service changes over five Horizons. Since then, our knowledge has improved through market engagement, lessons from other organisations undergoing transformation, and continued development of our Blueprints and plans. We are therefore now describing the proposed Programme by service changes across four categories over three Horizons:

1. *Service Experience* – new systems platform, client experience, business capabilities, and processes – this primarily maps to our work with clients.
2. *Client Engagement Practice* – a best-practice model for all client-facing roles, implemented through a tiered service model – this primarily maps to the way work is undertaken by our *staff* as they engage with our clients.
3. *Kotahitanga* – new operating model and systems (using new MSD Corporate Platform) to improve partner experience and achieve better outcomes for individuals, whānau and communities – this primarily maps to the work we do with our *partners.*
4. *Employment Service* – new digital platform and strengthened service model for jobseekers, employers, and training providers – this primarily maps to the work we do with *employers* to help *jobseekers* find sustainable employment.

This is illustrated in the refined roadmap diagram below.
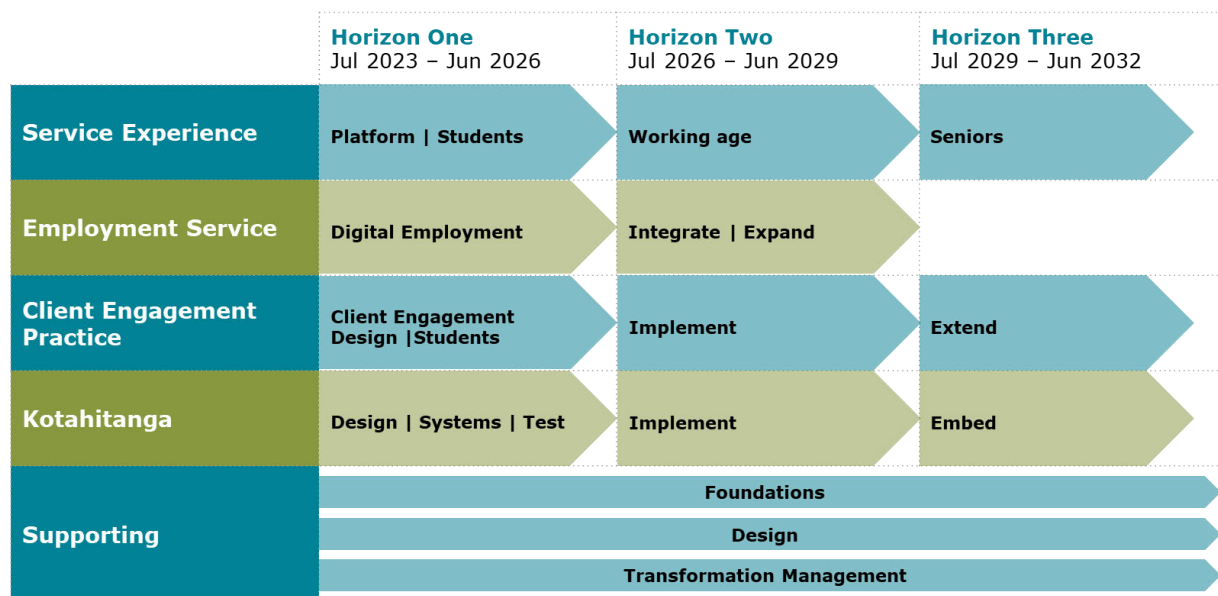
Figure 2 Refined roadmap

The service changes that have been identified are at the core of the Ministry's business, will deliver value to those we serve, and will deliver to the benefits described. They cover the full scope of MSD's transformation programme. In Horizon One, the Programme will establish the key foundations for what will determine the Future Service Model. These foundations are critical to support the redesign of services and products that will enable MSD to support a number of government priorities, such as reducing the impact of debt to government and implementing the relational approach to commissioning.

A mapping of the new roadmap to that outlined in the Programme Business Case can be found in APPENDIX B.

We will start transforming thee experience for clients, whānau, communities and MSD's partners in Horizon One

In Horizon One, 130,000 students will have a modern, easy-to-use online experience that can be implemented for working-age clients in Horizon Two, and seniors in the following phase. Students will have an improved experience for applications and accurate, up-to-date online information on progress. Students will see reduced time to access support.

MSD will be enabled to better support those at risk of poor labour market outcomes. Jobseekers will have greater awareness of and access to jobs, support and training opportunities in their local area, including through proactive digital contact. They will be matched to and notified of suitable jobs based on their individual circumstances and skills, be able to apply for opportunities online at any time, check on the status of their applications in real time, and generate a CV themselves using the information already in their profile.

For those external groups and organisations that MSD partners with, there will be a clearer and more transparent approach to funding, focused on shared outcomes and it will be easier to work with MSD with simpler, more efficient partnering and commissioning and reporting processes. Clients, whānau, and communities will benefit from improved access to appropriate support from more effective commissioning between MSD and service providers.

Clients will begin to experience the new client engagement practice, that is, the behaviours and approaches MSD staff use when they work with clients to access support. The practice will help bring consistency to how MSD staff show manaaki to clients and ensure clients can access all the support they need. In Horizon One, the combination of this and *Service Experience* will bring improved access to and experience of MSD's services.

The Programme will create space for MSD employment staff with them spending less time on manual administrative tasks. This will increase their ability to direct more focus and support towards clients who need it the most.

Delivering on all these things will support greater equity of outcomes. They will also improve equity by improving access to more culturally appropriate services for Māori and Pacific people. In particular, *Service Experience* and *Employment Service* will enable the Ministry to connect and interface with these groups, supporting better outcomes for Māori and Pacific people.

We are growing in our understanding of how to incorporate a te ao Māori view in a transformed Future Service Model and deliver our services to be more responsive to Māori

We are committed to supporting the Crown's commitment as a Tiriti o Waitangi partner

This is reflected in *Te Pae Tata*, our Māori strategy and action plan, which helps guide our approach to delivering better outcomes for Māori. Through the development of *Te Pae Tata*, whānau Māori and Māori providers highlighted the importance of acknowledging Te Tiriti o Waitangi. We were also told that upholding the principles of Te Tiriti will support us to deliver better outcomes for Māori.

MSD supports the Crown as a Tiriti partner in its relationships with Māori through developing the capability of our people to engage with Māori and understand their aspirations and perspectives, reflecting section 14 of the Public Service Act 2020.

We will continue to embed a te ao Māori view into how we deliver our services

We will give expression to te ao Māori and supporting the aspirations of whānau, hapū, iwi, and hapori Māori – te hira o te tangata, te ora o te whānau.

In 2020, Ngā Mātanga Māori was established to develop a Māori Values Framework (Framework). This was in response to recommendation 1 of the Welfare Expert Advisory Group's 2019 report, supporting the Government's commitment to reset the foundation of the welfare system. The Framework was delivered in October 2021 and consists of three primary values: Manaakitanga, Whakawhanaungatanga, and Tiakitanga. The implementation of these values is guided by the tikanga of pono, tika me te aroha.

Giving effect to the Framework in the welfare system provides an opportunity to improve and help ensure that our system better reflects considerations of te ao Māori and tikanga Māori. The Framework aligns with existing government frameworks (such as Treasury's He Ara Waiora and the Whānau Ora outcomes framework) and has received support from a range of stakeholders and partners, including government agencies and the National Iwi Chairs Forum. The Framework is illustrated in the following diagram.

TE HIRA O TE TANGATA, TE ORA O TE WHĀNAU

The dignity of the individual within the wider context of whānau

MĀORI VALUES

MANAAKITANGA	**WHAKAWHANAUNGATANGA**	**TIAKITANGA**
People are treated with dignity	Engaging and maintaining relationships	Proactive way of providing care
Inclusionary actions and policies	Recognising the interconnectedness of people and mutual wellbeing	Accountability of the system and balance
Fundamental respect for all people	Supporting participation in society	Guarding, nurturing, protecting by invigorating/whakaoho
Support sufficient to meet needs	Collective responsibility	Accepting responsibility and obligations
Positive people-centred focus	Whānau-centred approach	
Recognising the mana that people hold		

Tikanga to guide implementation

TIKA Doing what is correct, right, and just	**PONO** Ensuring transparency, truth, and honesty	**AROHA** Acting with compassion and respect

Doing the right thing with integrity and compassion

Figure 3 Māori Values Framework

The Programme will lead the first stage of implementation of the Framework across MSD, supported by an Equity Team

The Framework aligns strongly with strategies and actions plans already underway at MSD (such as *Te Pae Tawhiti – Our Future*, *Te Pae Tata*, *Pacific Prosperity*) and MSD's organisational values. These strategies and action plans articulate that MSD will build relationships and treat people with dignity, uphold their mana, and act in a way that is just and compassionate. As such, we are able to build upon the work already being done at MSD to help embed the Framework developed by Ngā Mātanga Māori.

There is also strong alignment between the Framework and the objectives of the Programme. Through the Programme, multiple areas of MSD will start to use the Framework in the development of their work as part of Horizon One.

The Programme is growing in its understanding of how to incorporate a te ao Māori view and deliver MSD services that are more responsive to Māori. An Equity Team has been established, with Te Tiriti o Waitangi as its foundation. This team will help support the Programme to better deliver for Māori, iwi, hapū and whānau. This team will also provide a range of advice to the overall Programme on equity issues, including those arising out of Te Tiriti o Waitangi, and progress the objectives set out in *Te Pae Tata*, *Pacific Prosperity*, and other key strategies.

The Equity Team (supported by the wider MSD) will provide kaitiakitanga (stewardship) of the Framework during stage one of the implementation plan. The team will be able to provide advice to help apply the Framework from a te ao Māori perspective that aligns with the Programme narrative.

The proposed narrative is Te Whakatere ki Te Pae Tawhiti, our voyage towards Te Pae Tawhiti

Our MSD values, Te Tiriti o Waitangi and the Framework are anchored within *Te Mātāuru*, the tides that carry the Programme towards its destination – Te Pae Tawhiti. This destination recognises the three strategic shifts as articulated in *Te Pae Tata*, *Pacific Prosperity*, and *Te Pae Tawhiti – Our Future*.

This highlights that what is within *Te Mātāuru* is enduring no matter where our destination is heading. Both the destination and the tides influence *Te Terenga*, the Programme's journey and the activity needed to reach Te Pae Tawhiti.

This is illustrated in the following diagram.
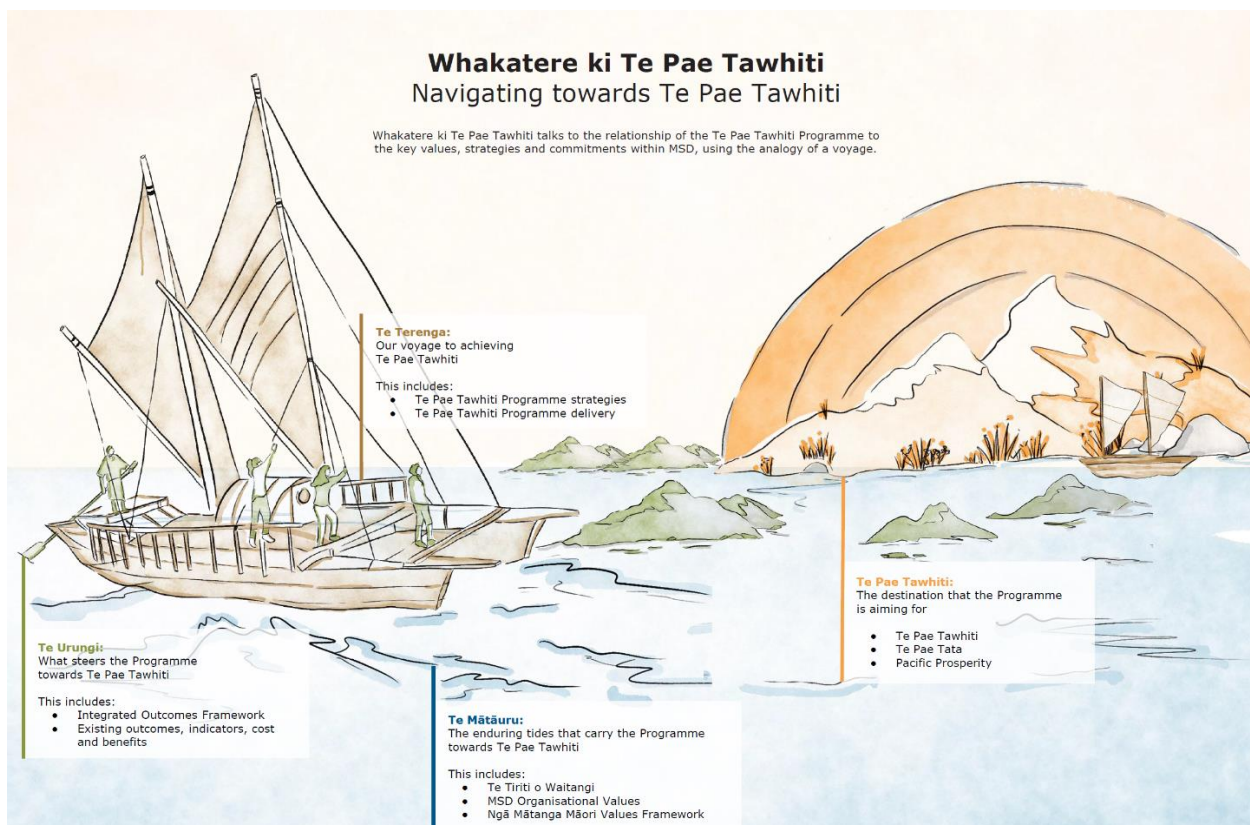
Figure 4 Te Pae Tawhiti Programme narrative

We are developing practical ways to make Te Tiriti o Waitangi real in the Programme

We have a draft Te Tiriti o Waitangi Playbook that informs how we can support the Crown as a Te Tiriti o Waitangi partner. It provides practical advice tailored to the differing roles that people will have in the Programme.

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MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

We will continue to seek to work with Māori on how to embed a te ao Māori view and better deliver to Māori

Our Programme governance includes the Māori Reference Group, an external advisory group that supports the Chief Executive and Leadership Team. It provides feedback and advice to guide our approach and ensure alignment with *Te Pae Tata*. The Māori Reference Group has been actively engaged in the design phase to ensure the Programme's planned service changes and initiatives deliver positive outcomes for Māori.

Our engagement strategy supports the involvement of our Māori/iwi partners and fosters opportunities to embed a te ao Māori view throughout the Programme. The Māori Reference Group will continue to provide guidance on how to incorporate a te ao Māori view and improve equity for Māori. Iwi and Māori perspectives are also sought through wider engagement with groups such as Pou Tangata and Ngā Mātanga Māori. Our Māori/iwi partners have also been involved in the high-level design of our Future Service Model. Targeted engagement with partners will continue as we move into detailed design.

MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

We are ensuring alignment with wider government initiatives and cross-government collaboration

MSD must deliver on cross-government strategies and action plans

There are many cross-government strategies and action plans to improve outcomes for Māori, Pacific people, seniors, youth, disabled people, carers, women, and families and whānau. These include *Te Aorerekura – National Strategy to Eliminate Family Violence and Sexual Violence*, the *Child and Youth Wellbeing Strategy,* the *New Zealand Employment Strategy, Enabling Good Lives, the All-of-Government Pacific Wellbeing Strategy, Te Mahere Whai Mahi Māori – the Māori Employment Action Plan*, *Pasefika Proud*, *Every Life Matters – He Tapu te Oranga o ia Tangata: Suicide Prevention Strategy 2019–2029 and Suicide Prevention Action Plan 2019–2024*, and *Kia Manawanui Aotearoa: Long-term pathway to mental wellbeing.*

We are responding to the Government's expectations around:

- strengthening the Māori Crown relationship
- delivering on the *All-of-Government Strategy for a Digital Public Service – Rautaki mō tētahi Rāngai Kāwanatanga Matihiko*
- implementing the new Public Service Act 2020 within MSD
- improving diversity and inclusion in our workplace.

We are also leading work on social sector commissioning, strengthening social cohesion and supporting the implementation of the Regional System Leadership Framework under the Public Sector Act. This includes our work with Regional Leadership Groups on regional and national priorities that benefit from a collective public service response.

We are engaging with the other key agencies in the welfare sector to ensure that our work contributes to an integrated welfare sector – we expect to formalise governance arrangements in 2023

In light of our lead role in the sector and the wide range of cross-government initiatives, it is critical that we engage with other key government agencies to ensure that we fulfil our accountabilities and support a joined-up welfare system.

As we ramp up the Programme, our direct engagement with agencies has included Inland Revenue, Accident Compensation Corporation, and Employment, Education, and Training agencies. As our understanding grows, this list will widen.

The Horizon One initiatives will support the Government's social sector commissioning action plan

The purpose of the Social Sector Commissioning Action Plan 2022–2028[35] is to "transform the way social supports and services are commissioned so they best support people, families and whānau to live the lives they value". It proposes a relational approach whereby everyone involved with, or affected by, social sector commissioning – people, families, whānau, communities, non-government organisations, government agencies and Ministers – work together to achieve this ultimate purpose:

> *Commissioning refers to the interrelated activities, including but not limited to planning, engagement, funding, procurement, monitoring and evaluation that need to be undertaken through third-party providers to ensure individuals, families, whānau and communities who need support get what they need for their wellbeing.*[36]

Kotahitanga: Effective partnering and commissioning will support MSD to progressively achieve actions five under the Action Plan.[37] This service change will develop the operating framework, processes, systems and practices needed to implement a relational approach to commissioning, and 'commitments' to commissioning practice across MSD.

Employment Service will deliver strong employment value aligned with MSD's core role – it could also be a platform for future government initiatives providing services to those seeking work

Employment Service will provide a wide range of services to connect people to jobs and help prepare them for work. These services will be available beyond just those who are receiving income support and/or employment case management from MSD. This service change will therefore provide a platform for any future initiatives that seek to provide new services to those seeking work.

We are aligning our work with national and international best practice for disabled people

We are aligning our work with the *New Zealand Disability Strategy 2016-2026*[38] to support its vision of New Zealand as a non-disabling society. This is to help make sure the disabled community is visible, acknowledged and respected on an equal basis with

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[35] Ministry of Social Development, *Social Sector Commissioning 2022–2028 Action Plan* (MSD, 2022), pp 25-27. https://msd.govt.nz/about-msd-and-our-work/publications-resources/planning-strategy/social-sector-commissioning/index.html. [Accessed 24 May 2023]

[36] Ministry of Social Development, *Social Sector Commissioning: Progress, Principles and Next Steps* (MSD, August 2020), 5. www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/planning-strategy/social-sector-commissioning/msd-social-sector-commissioning.pdf [Accessed 28 September 2022]www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/planning-strategy/social-sector-commissioning/msd-social-sector-commissioning.pdf [Accessed 28 September 2022]

[37] Action 5: Government agencies and Crown entities make operational changes to deliver the government endorsed 'commitments' to commissioning practice.

[38] Office for Disability Issues, *New Zealand Disability Strategy 2016-2026* (MSD, November 2016) www.odi.govt.nz/nz-disability-strategy/about-the-strategy/new-zealand-disability-strategy-2016-2026/the-new-disability-strategy-download-in-a-range-of-accessible-formats/ [Accessed 23 November 2023]

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others, and that disabled people have an equal opportunity to achieve their goals and aspirations. This includes ensuring our services are accessible to disabled people and their whānau, through accessible digital services and/or physical face-to-face, and that we treat those in the disabled community with dignity and respect, and ensure they have choice and control over their lives. Accessibility will be a core requirement of all digital channels.

This approach also supports the intention and desired outcomes of our commitment to the United Nations Convention on the Rights of Disabled People (UNCRPD), which promote the full and equal enjoyment of human rights and fundamental freedoms.

We have aligned our work with the All-of-Government Strategy for a Digital Public Service and will continue to do so

A major part of the Programme will be modernising and transforming our digital services. These changes will align and contribute to the *All-of-Government Strategy for a Digital Public Service*.

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

- Better results for New Zealand through a Digital Public Service
- New Zealanders' experience with government improves
- A modern, agile, and adaptive public service
- A Strengthened Māori-Crown relationship.

Our proposed investment will contribute to all four of the Strategy's outcomes and the supporting priority focus areas of:

- Integrated services for people and business
- Leadership, people and culture change
- Foundations
- Investment
- New ways of working.

Service Experience aligns with the Foundation's focus area as it will provide a flexible platform and allow MSD to transition away from heritage systems. The modernised digital services enabled by *Service Experience* will provide MSD's clients with more consistent access to services and information without the need to be redirected to use non-digital channels. This aligns with the Integrated services for people and business focus area. These changes will contribute to the outcome Improve New Zealanders' experience with government.

Client Engagement Practice aligns with the Leadership, people and culture change focus area as it encompasses providing our staff with the skills and knowledge to better engage with clients. This change will contribute to the outcome of Realise a modern, agile and adaptive public service.

Kotahitanga aligns with the New ways of working focus area. It encompasses moving away from a transactional, outputs-based approach involving high compliance costs for our partners, to a relational commissioning model focused on agreed outcomes, and supported by modernised digital tools and systems that support us to work with them

more effectively. It will also contribute to the Strengthen the Māori-Crown relationship outcome.

Employment Service aligns with Investment focus area in that it will provide an online platform for matching jobseekers to job opportunities. The service change's improved service to jobseekers and employers will contribute to Deliver better results for New Zealand as it will support better employment and social outcomes.

We will align to the behaviours in the *Strategy for a Digital Public Service* when delivering these service changes and the wider Programme. This includes designing services based on the needs of our clients, working with other agencies on shared opportunities, and using agile and iterative approaches to deliver value early and be responsive when change is required. Accessibility will be a core requirement of all digital channels.

MSD's *Technology Strategy* has been refreshed to align to the Programme, the Future Service Model, and the *Strategy for a Digital Public Service*. Under the Strategy's transformation roadmap, we will align with the six themes from Strategy for a Digital Public Service, namely, digital experience, service enablement, unified ecosystem, enabling better insights, a digital workplace, and digital workforce.

We will seek to integrate the wider Public Service perspectives on Māori Data governance into the service model as appropriate. We will apply the Kaupapa Māori values, understand cultural practices and strengthen our commitment to Māori as we look to implement our new service models inclusive of securing peoples' information responsibly, building ethics, consent and respect for Te Ao Māori into our way of working.

Our work aligns with the Living Standards Framework and makes strong contributions across most individual and collective wellbeing categories

The following table summarises how well the Horizon service changes contribute to the Living Standards Framework individual and collective wellbeing areas.

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHATO ORA

Table 6 Contribution to Living Standards Framework Horizon-by-Horizon

Category	Service Experience	Employment Service	Client Engagement Practice	Kotahitanga
Health	– ② ③	– – –	① ② ③	① ② ③
Housing	– ② ③	– – –	① ② ③	① ② ③
Knowledge and skills	– ② ③	① ② ③	– ② ③	① ② ③
Cultural capability and belonging	– ② ③	– – –	① ② ③	① ② ③
Work, care, and volunteering	– ② ③	① ② ③	① ② ③	① ② ③
Family and friends	– ② ③	– – –	① ② ③	① ② ③
Engagement and voice	– – –	– – –		① ② ③
Safety	– – –	– – –		① ② ③
Incomes, consumption, wealth	① ② ③	① ② ③		① ② ③
Subjective wellbeing	– ② ③	① ② ③		① ② ③

The Horizons number where value is delivered is indicated by ① ② ③

The services changes enable direct value to be provided to students as *Service Experience* implements student allowances and loans – with the support of *Client Engagement Practice*. In Horizons Two and Three these service changes deliver value to wider cohorts – working age in Horizon Two and seniors in Horizon Three.

Employment Service focuses on employment and skills outcomes. It therefore contributes to knowledge and skills, work, incomes and wealth, and subjective wellbeing.

Kotahitanga will deliver wide value across many partners as approaches are developed and tested. This increases as the approaches are widened to more partners over subsequent Horizons.

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MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

We have refined our analysis of the benefits that transformation will bring, and identified approximately $1.2 billion in monetisable benefits over 12 years

We have further refined the benefits for this Detailed Business Case and are targeting 10 key benefit areas we will achieve over the three Horizons

Our refined benefit model is based on a set of 10 benefit areas that deliver outcomes to clients, whānau and communities, MSD staff, partners, and government. Improving equity is an overarching focus, with six other benefits having a strong influence, especially for Māori and Pacific people, and those with disabilities. Areas of disadvantage will be highlighted and actions and initiatives to address them will be clearly identified for each individual benefit.

The refined benefit model is summarised in the following diagram.
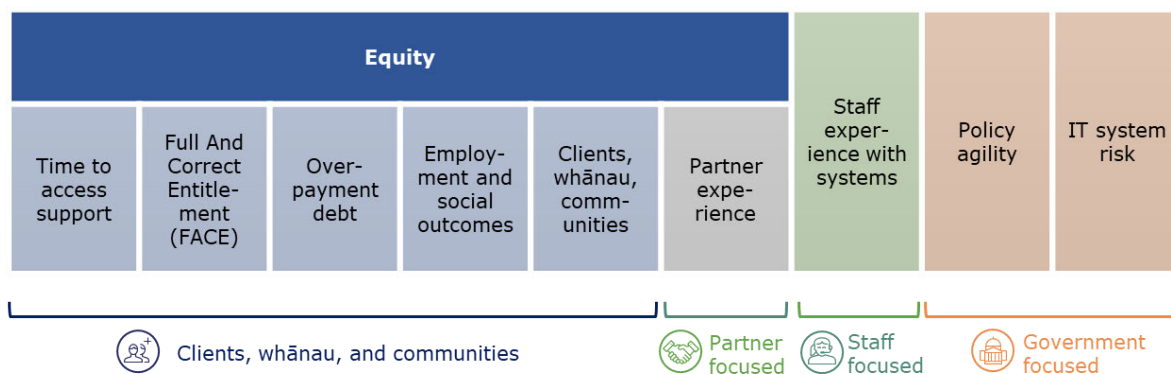
Figure 5 Refined benefit model

Equity is currently defined as segmenting certain benefit Key Performance Indicators (KPIs) by Māori and Pacific people across:

- Time to access support
- Full and correct entitlement (FACE)
- Overpayment debt
- Employment and social outcomes
- Experience of clients, whānau, and communities
- Partner experience.

This will enable us to highlight equity gaps and provide opportunities to improve equity.

We have identified the intervention logic for each individual benefit

Intervention logic analysis has been undertaken for all benefit areas. The following diagram shows by way of example, the intervention logic for benefit 6 – client, whānau, and communities experience. (All intervention logic diagrams can be found in the benefit model documentation set.)

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MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Benefit 6. Experience of clients, whānau, and communities

Te Pae Tawhiti Change	L3 Driver Measure	L3 Operational Driver	L2 Benefit KPI	L2 Benefit	L1 Benefit
Initiative that is responsible for the change occurring	Measurement of the L3 Operational Driver	Description of the 'driver' that influences the L2 Benefit	Measurement of the L2 Benefit	High level qualitative benefit	Te Pae Tawhiti Strategic Outcomes

Service Experience platform to provide better user experience

Client Engagement Practice model/connect to service

- Clarity & transparency as measured in Heartbeat survey → Clear & Transparent
- Quickness & ease as measured in Heartbeat survey → Quick & Easy
- Responsiveness & timeliness as measured in Heartbeat survey → Responsive & Timely
- Empathy & personalisation as measured in Heartbeat survey → Empathetic & Personalised
- Proactiveness & support as measured in Heartbeat survey → Proactive & Full Support

Customer Experience Score as measured in Heartbeat Survey → Client experience → New Zealanders have improved trust and confidence in us

Figure 6 Example intervention logic

- *Level 1 Benefit* (also known as Te Pae Tawhiti Strategic Outcomes) is the organisational objective that the benefit is aligned to and contributes towards. These L1 Benefits provide insight into the wider benefits to society and the organisation.
- *Level 2 Benefit* describes the positive measurable contributions an initiative is expected to provide the organisation, or

negative measurable contributions via disbenefits.
- *Level 3 Operational Drivers* include the data used as evidence to confirm that the benefits are achievable. Measures allow progress towards L1 Benefit to be assessed as the benefits are realised and help to establish a sense of magnitude.

- *Level 3 Driver Measures* are the base units against which measurements of the L3 Operational Drivers are assessed.
- *Benefits targets*: The current state measure is referred to as 'baseline' and the desired future state measure defined as the 'target'.

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

We are targeting measurable benefits for Horizon One as a result of what we deliver from the Programme

Our benefit analysis and realisation management focuses on the benefit areas that we can manage, and measure as impacted by the work we undertake in the Programme.

The measures are summarised in the following table.

Table 7 Key Benefit measures

Benefit	Measure
2. Time to access support	Average days taken to pay working age, main benefit clients from first date of contact to first day of payment
	Percentage of student loans approved by the time the student commences study
3. Full and correct entitlement	% of entitlements that are correctly paid to the benefit population
4. Overpayment debt	Amount of newly established overpayment debt per person on benefit per annum
5a. Exits into employment	Number of people moving off benefit into employment, divided by the number of people on benefit per annum
5b. Sustainability of employment	Number of people moving off benefit into employment, and remaining in employment for 12 months or more, divided by the number of people on benefit per annum
5c. Digital access to employment services	Average number of visitors per month to MSD online employment platforms available to all New Zealanders
6. Experience of clients, communities and whānau	Experience as measured through surveys with score out of 10
7. Employee experience with systems and system support	Employee experience with systems and system support measured through surveys with score out of 5
8. Partner experience	Iwi and hapū, community and provider satisfaction in partnering with MSD
9. Policy implementation agility	Ability to implement policy, measure through time to implement, cost to implement and indication of complexity
10. IT system risk	Level of technology system risk, measured through assessment of IT assets as indicated by number of assets assigned "Red" status

We have also identified broader benefits that will result from the Programme, including an increase in the take-up of benefits, cross-government outcomes, and MSD staff satisfaction.

Our proposed L2 KPIs and their targets during the life of the Programme are summarised Tables 3 and 4.

Equity trajectories track benefits for Māori and Pacific ethnicities. These trajectories mirror the General Population trajectories, except for KPIs 2 and 6 which seek more ambitious trajectories for Māori and Pacific ethnicities due to the impact of service change initiatives focused on improving equity.

72vh7ewzmz 2023-06-12 19:18:10

We expect to impact seven sets of KPIs for Horizon One – time to access support for students, exits into employment, digital access to employment services, experience of student clients, employee experience with systems and system support, partner experience, and IT system risk

The implementation of a new digital employment platform and supporting processes from *Employment Service* supported by *Client Engagement Practice* will enable us in year three of Horizon One to:

- Improve time to access support by students from 76.5% to 78% of current service level targets[39]
- Improve exits into employment by 3% from expected levels
- Increase digital access visits to employment services by 50% in year two and 75% in year three.

The implementation of the new service experience platform for students by *Service Experience* supported by *Client Engagement Practice* will enable us in year three of Horizon One to:

- Improve client experience for students from 6.5/10 to 6.7/10 in year two and 7.0/10 in year three as surveyed (out of 10)
- Improve employee experience with student systems from 3.18 to 3.80 as surveyed (out of 5)

The implementation of new contracting and partnering systems and the trialling of new operating models by *Kotahitanga* will enable us in year three of Horizon One to:

- Achieve 25% of partner experience target.[40]

The implementation of the technology improvements in the service changes and the *Foundations* supporting work will enable us in year three of Horizon One to:

- Reduce total IT system risk "red statuses" from 50 to 40
- Improve employee experience with student systems and system support from 3.18 to 3.80 as surveyed (out of 5).

These improvements in Horizon One are highlighted in the following tables. The Economic Case explains in more detail how the initiatives influence the benefits.

KPI 9 is a qualitative benefit that will measure the time, complexity and cost needed to implement a new policy. To establish a baseline, retrospective case studies will be conducted on a small number of recent policy changes. The selected case study policies

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[39] "Time to access support" for students is defined as the % of applications finalised before a student commences study, given they apply more than 16 days before starting study. *Service Experience* is the only Service Change impacting this KPI. While there are some immediate improvements in Year Two after initial deployments, the majority of the changes occur at the end of Horizon One. This means that the realisation profile extends into Horizon Two, where the KPI increases to 80%. While this is only a 3.5 percentage point increase, the current baseline is relatively high and hence reaching close to its natural limit.

[40] The development of a baseline is currently underway. Once the baseline has been established, a view of the future state target will be determined by factoring in expected changes from Te Pae Tawhiti. The current targets outline the percentage of progress towards that future-state target will be achieved in each Horizon.

will vary in terms of their size (small, medium, large). This KPI does not improve until Horizon Two.

MINISTRY OF SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora

Table 8 Key Performance Indicators (Horizon One improvements highlighted)

Benefit KPI		Baseline	Horizon One Target			Horizon Two Target	Horizon Three Target	Final Target
			Year One	Year Two	Year Three			
2. Time to access support	General Population	20 days	20 days	20 days	20 days	18.3 days	15 days	12.3 days
	Student	76.50%	76.50%	76.50%	78%	80%	81%	83%
3. Full and correct entitlement	General Population	47%	47%	47%	47%	63%	79%	95%
4. Overpayment debt	General Population	$743pp	$743pp	$769pp	$796pp[41]	$716pp[42]	$653pp	$597pp
5a. Exits into employment	General Population	15%	0% improvement from expected	0% improvement from expected	3% improvement from expected	10% improvement from expected	15% improvement from expected	20% improvement from expected
5b. Sustainability of employment	General Population	41%	0% improvement from expected	0% improvement from expected	0% improvement from expected	5% improvement from expected	7% improvement from expected	10% improvement from expected
5c. Digital access to employment services	General Population	21,129p/m	21,129p/m (+0%)	28,524p/m (+35%)	33,806p/m (+60%)	42,258p/m (+100%)	46,484p/m (+120%)	52,823p/m (+150%)
6. Experience of clients, communities and whānau	General Population	7.7 / 10	7.7 / 10	7.7 / 10	7.7 / 10	8.1 / 10	8.3 / 10	8.5 / 10
	Student	6.5 /10	6.5 / 10	6.5 / 10	6.7 / 10	7.7 / 10	8.3 / 10	8.5 / 10
7. Employee experience with systems and system support	General Population	3.43	3.43	3.43	3.43	3.83	4.00	4.00
	Student	3.18	3.18	3.18	3.80	4.00	4.00	4.00
8. Partner experience	General Population	Not available	0% realised	0% realised	20% realised	60% realised	100% realised	100% realised
9. Policy implementation agility	MSD	Not available	0% realised	0% realised	0% realised	60% realised	95% realised	100% realised
10. IT system risk	All Applications	50 'red' statuses	50 'red' statuses	50 'red' statuses	40 'red' statuses	30 'red' statuses	10 'red' statuses	0 'red' statuses

[41] This increase is because there is a historic natural growth rate of Overpayment of 3.5% for the General Population. As Te Pae Tawhiti is not impacting this KPI until Horizon Two, it was decided to include this natural growth rate in Horizon One to reflect the expected trend.

[42] Historically, overpayment debt has increased by 3.5% year-on-year, as mentioned above. Any changes to KPI 4 will be attributed towards Te Pae Tawhiti, as the programme will account for any major system and process changes. It is expected that these changes will be the major components impacting overpayment debt.

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Table 9 Equity benefits equity trajectories (Horizon One improvements highlighted)

KPI		Baseline	Horizon One Target			Horizon Two Target	Horizon Three Target	Final Target
			Year One	Year One	Year One			
2. Time to access support	General Population	20 days	20 days	20 days	20 days	18.3 days	15 days	12.3 days
	Māori	19 days	19 days	19 days	19 days	17.4 days	14.1 days	11.4 days
	Pacific Peoples	19 days	19 days	19 days	19 days	17.4 days	14.1 days	11.4 days
3. Full and correct entitlement (FACE)	General Population	47%	47%	47%	47%	63%	79%	95%
	Māori	47%	47%	47%	47%	63%	79%	95%
	Pacific Peoples	47%	47%	47%	47%	63%	79%	95%
4. Overpayment debt	General Population	$743pp	$743pp	$769pp	$796pp	$716pp	$653pp	$597pp
	Māori	$832pp	$832pp	$888pp	$947pp	$852pp	$776pp	$710pp
	Pacific Peoples	$788pp	$788pp	$810pp	$833pp	$750pp	$683pp	$625pp
5a. Employment and social outcomes (Exits into employment)	General population	Baseline rate	0% improvement from expected	0% improvement from expected	3% improvement from expected	10% improvement from expected	15% improvement from expected	20% improvement from expected
	Māori	Baseline rate	0% improvement from expected	0% improvement from expected	3% improvement from expected	10% improvement from expected	15% improvement from expected	20% improvement from expected
	Pacific Peoples	Baseline rate	0% improvement from expected	0% improvement from expected	3% improvement from expected	10% improvement from expected	15% improvement from expected	20% improvement from expected
5b. Employment and social outcomes (Sustainability of employment)	General population	Baseline rate	0% improvement from expected	0% improvement from expected	0% improvement from expected	5% improvement from expected	7% improvement from expected	10% improvement from expected
	Māori	Baseline rate	0% improvement from expected	0% improvement from expected	0% improvement from expected	5% improvement from expected	7% improvement from expected	10% improvement from expected
	Pacific Peoples	Baseline rate	0% improvement from expected	0% improvement from expected	0% improvement from expected	5% improvement from expected	7% improvement from expected	10% improvement from expected
5c. Digital access to employment services	General Population	21,129p/m	21,129p/m (+0%)	28,524p/m (+35%)	33,806p/m (+60%)	42,258p/m (+100%)	46,484p/m (+120%)	52,823p/m (+150%)
	Māori	Not available	0%	+35%	+60%	100%	120%	150%
	Pacific Peoples	Not available	0%	+35%	+60%	100%	120%	150%
6. Experience of clients, communities and whānau	General population	7.7/10	7.7 / 10	7.7 / 10	7.7 / 10	8.1 / 10	8.3 / 10	8.5 / 10
	Māori	7.5/10	7.5 / 10	7.5 / 10	7.5 / 10	8.1 / 10	8.3 / 10	8.5 / 10
	Pacific Peoples	7.8/10	7.8 / 10	7.8 / 10	7.8 / 10	8.2/10	8.3/10	8.5 / 10
8. Partner experience	General Population	Not available	0% realised	0% realised	20% realised	60% realised	100% realised	100% realised
	Māori	Not available	0% realised	0% realised	20% realised	60% realised	100% realised	100% realised
	Pacific Peoples	Not available	0% realised	0% realised	20% realised	60% realised	100% realised	100% realised

72vh7ewzmz 2023-06-12 19:18:10

We have identified approximately $1.2 billion in monetisable benefits over 12 years from improved employment outcomes (KPIs 5a and 5b)

Employment Service, Client Engagement Practice, and *Service Experience* will contribute to approximately $1.2b in monetisable benefits over 12 years from improved employment outcomes (exits into employment and maintaining sustainable employment).

The key drivers of the assumed higher exit rates are:

- Direct access to full employment services using digital channels (supported by light touch staff intervention) for those that can and want to use this channel, significantly reducing the effort that MSD staff need to manage and input low value interactions
- Increased space for MSD staff to focus on employment because many income support needs of our clients will now be met digitally
- A new practice model for MSD staff to work more effectively with clients for better outcomes, especially those at risk of poor labour market outcomes
- Enhanced digital employment services to support better job searching and matching, increasing the effectiveness of the digital services directly accessed by our clients, but also the face-to-face services we provide.

This will change the profile of how we deliver services to our key employment cohorts as follows.
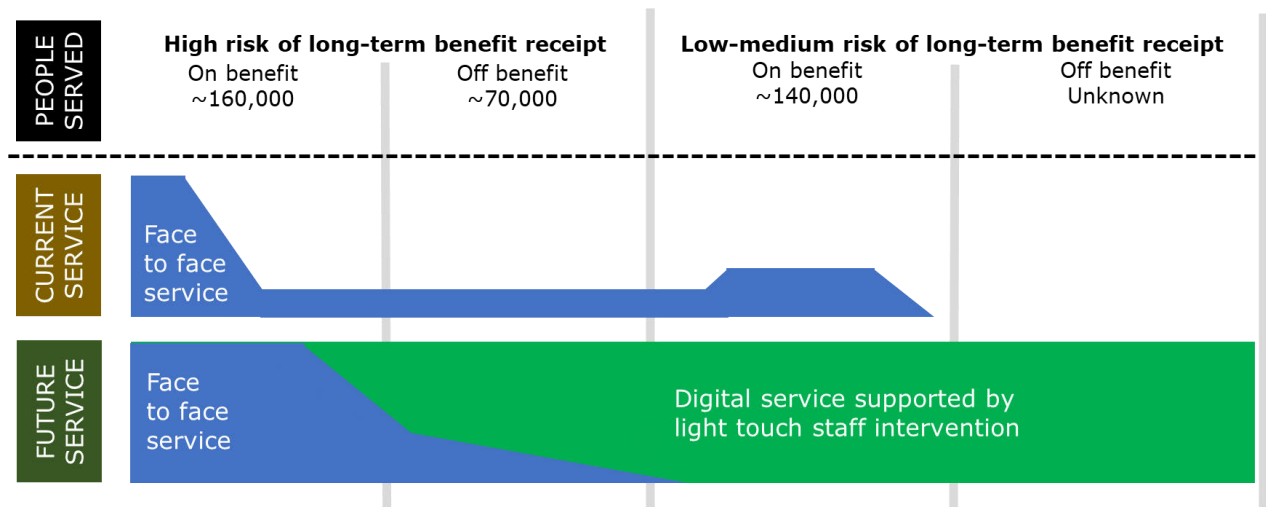
Figure 7: Current and future service provision to priority groups

As can be seen, the digital platform will extend the employment services offered beyond those at high risk of poor labour market outcomes and/or those on benefit and enable us to provide a full employment service (whether face to face or digitally) to all those who need it.

These benefits were quantified through a social outcomes model

We identified the key assumptions of Te Pae Tawhiti in relation to employment

The changes from Te Pae Tawhiti are expected to result in:

- better employment tools to support clients
- increased capacity for Case Managers to give them more time supporting clients into sustainable employment.

This is expected to lead to:

- Improved exit rates into employment (higher exit rates into employment)
- Improved sustainability of employment (lower re-entry rates onto the benefit system)

Based on analysis of historical trends alongside the expected impacted of Te Pae Tawhiti led to employment trajectories we believe are feasible and reasonable.

Table 10 Key assumptions for monetisable benefits from employment outcomes

Baseline	Target	Phasing	Other Considerations
Exit rates into employment have been deteriorating since 2017. The final target assumes that the Programme can bring exit rates into employment back to pre-2017 levels. As MSD is not aware of what caused the deterioration in exit rates, there is a risk that the Programme does not address the root cause and exit rates into employment will not be able to return to those levels.	Due to the extensive nature of the expected Service Changes, a 20% improvement from the baseline over 10 years is believed to be reasonable. A 20% improvement would bring exit rates into employment back to pre-2017 levels. This improvement outperforms the natural improvement in productivity levels increases by 4.61%.	*Client Engagement Practice* and *Employment Service* are expected to impact employment outcomes. It is expected that Horizon One service changes will have a minor impact on employment outcomes in year three of Horizon One. *Client Engagement Practice* and *Kotahitanga* are expected to have a more significant impact on this benefit in Horizon Two.	As employment outcomes are heavily influenced by macro-economic factors, future work will be carried out to design a model that can explain the impact of these macro-economic factors and isolate the influence MSD has over this measure. New Zealand's productivity levels show a regular improvement of ~1.2% per year.

We incorporated the assumptions into the Social Outcomes Model

The Social Outcomes Model is a mathematical model made up of over 200 individual predictive models that estimates future outcomes of all New Zealanders aged 16 and over. The estimates produced by the model are based on historical data and economic forecasts. The estimates produced assume that no significant changes occur (e.g. in policy).

We determined the quantitative impacts of Te Pae Tawhiti on employment

The targeted benefit profile for KPI 5a and 5b – exits into employment and sustainability of employment – will result in estimated financial savings in benefits paid as follows:

72vh7ewzmz 2023-06-12 19:18:10

- By the end of Horizon One, there would already be an approximate saving of $10 million.
- By the end of Horizon Three, there would be an approximate saving of $0.5 billion.
- After 12 years from the start of the Programme – three years after the completion of Horizon Three – there would be an approximate saving of $1.2 billion.
- If the changes are then sustained for ten years post Horizon Three, this could result in an approximate saving of $3 to $4 billion (there is clearly a high level of uncertainty when extrapolating this far).

These targets are based on a percent improvement from the forecasted rates. This means that MSD could still see exit rates decreasing (from external factors), but at a slower rate than if the Programme is implemented.

The Social Outcomes Model will enable us to isolate the improvements in social outcomes that the Programme brings, excluding those that might come from other areas

The Social Outcomes Model uses both historical data and Half Year Economic and Fiscal Update (HYEFU) forecasts. Through this, we are able to have a view of a "do-nothing scenario" for exit rates over the next few years, i.e. a baseline estimate of what the exit rates would look like if the Programme were to not go ahead. Variations on that baseline will be attributed towards Te Pae Tawhiti, and will count towards the employment and social outcomes KPI. Regular reviews of the baseline will occur to limit the impacts of significant macro-economic changes on the performance of the KPI.

Note that the estimates for these monetisable benefits are based on core assumptions about the changes we can influence in social and employment outcomes. As these estimated savings will be in Crown appropriations, they will not be directly realisable and will be difficult to monitor.

We are currently considering two further benefit areas for monetisation – Full and Correct Entitlement (FACE) and overpayment debt

Full and Correct Entitlement (KPI 3)

It is expected that there will be an initial increase in benefits paid to clients during the first few years of the Programme as underpayments are uncovered. As the Programme matures and FACE increases, underpayments are expected to reduce.

There is also an indirect potential for FACE to result in reduced spending in other government areas (such as emergency services, hospitalisations, and incarcerations). This is through the well-documented relationship between poverty and a wide range of negative social outcomes, including poorer health, low educational attainment, and higher rates of incarceration.

It is expected that for FACE, there will be an increase in monetary outflows as underpayments are uncovered. As the programme matures, underpayments are expected to reduce. There is also an indirect potential for FACE to result in reduced spending in other government areas, such as emergency services, hospitalisations and

72vh7ewzmz 2023-06-12 19:18:10

incarcerations. This is based on a well-documented relationship between poverty and a wide range of negative social outcomes.

Overpayment Debt (KPI 4)

It is expected that overpayment debt will be reduced as a result of improved efficiencies in operational processes, as well as data-sharing arrangements which will allow MSD to identify potential overpayments earlier.

There are various fiscal impacts that can be expected when reducing overpayment debt, including:

1. *Improved programme efficiency and reduced administrative costs* – by reducing overpayment debt, MSD will increase the efficiency of its benefit programmes by reducing the capacity required to perform administration related to debt collection tasks. Similarly, the capacity created can be redirected towards higher-value activities.
2. *Reduced taxpayer burden* – reducing overpayments will reduce the overall financial burden to the Government through a reduction in debt write-offs and the lost time value of money, as interest charges are not presently applied to debt owed to MSD.
3. *Reduced administrative burden* – there is a strong link to overpayment debt and the disbursement of hardship and other grants. If overpayment debt is reduced, there will be a lower administrative burden on MSD staff helping clients access those extra grants.

For benefits, the Programme remains focused on improving service for clients, whānau, and communities; it aims to redirect staffing effort from transaction processing to front-line services – its objective is not to reduce staffing

The focus of the Programme Business Case accepted by Cabinet was on improving the service that we can provide to clients, whānau, and communities – not reducing staff

Our Programme Business Case focused on the objective of improving client outcomes and client experience. It proposed meeting these objectives through a transformed Future Service Model incorporating modernised systems, transformed business processes, and increased staff capability. Any capacity created would be invested in improving outcomes and service experience for clients, whānau, and communities. While we expected the MSD workforce to change in nature, we are not planning for a reduction in overall staff headcount to deliver our services.

This Programme Business Case was accepted by Cabinet as the rationale for the changes we seek to make.[43]

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[43] See GOV-22-MIN-0011 (May 2022).

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

The enhanced systems and automation delivered in Horizon One will enable reduced staff effort on existing roles from Horizon Two onwards

The service changes in Horizon One will deliver enhanced systems and create some process automation for MSD staff working with students (from *Service Experience*) and those providing employment services (from *Employment Service*). This will reduce the effort that staff require for:

- transaction processing – by reducing or eliminating manual activities, transferring information from one system to another, checking, and rework
- information management activities – by reducing the need for gathering information from multiple systems to gain the view required of clients and labour markets.

We anticipate that the major efficiencies will not occur until the current heritage systems are replaced, well into Horizon Two and Horizon Three. Only then will we have significantly reduced the inefficient processes and associated rework and enabled significant staffing capacity to be created.

Improving client outcomes and service experience relies on investing the staffing capacity we create in improving client outcomes and experience

Our proposal is still to move freed-up staff capacity into client-facing roles, with many of these staff becoming case managers.

Moving staff into client-facing, case management roles will require an increase in capability. Because of the skills required for case management, some of our existing staff who are focused on transaction processing may not have a core ability to make this transition. There will need to be significant change management and upskilling activities to address this.

s 9(2)(f)(iv)

Economic Case

PROGRAMME OPTIONS:
We have analysed two key option dimensions for the whole Programme – pace of transformation and
extent of transformation over the course of the Programme
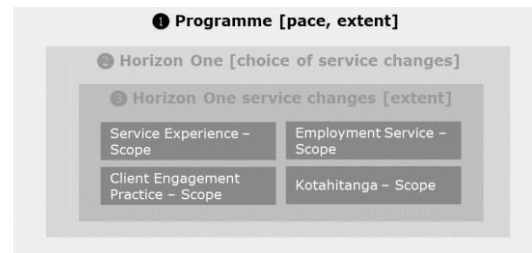
Pace of transformation – slow down or speed up the Programme

Pace describes how rapidly the transformation occurs. Varying the pace gives Ministers options for funding in light of other priorities within government.

Much slower than planned – longer than the anticipated nine years over more than four Horizons. A timeline of more than 12 years would not deliver transformation over this time as other change and government priorities would overtake what was needed. It would therefore not be able to deliver the service and experience changes we are seeking for our clients, whānau, and communities. It would also not address the technology risks early enough to address the identified service delivery risk.

This option would in practice become Option 1 in the Programme Business Case (ie ameliorate the technology over an extended period of time and make tactical responses to environmental changes and government requirements). This option is therefore rejected and not considered further.

Slower than planned – longer than nine years over more than three Horizons. This pace of work could still deliver transformation, although it would become more difficult to sustain transformation over such a long period. This option is therefore retained for comparison.

As planned – nine years across three Horizons. This is the preferred option from the Programme Business Case. This option is therefore retained for comparison.

Faster than planned – less than nine years across three Horizons. This option is rejected as not being practical given the capacity of MSD and the wider market to plan and deliver the Programme resources. This would also be a higher level of change than could be accommodated by staff, partners, and clients. This option is therefore rejected and not considered further.

Extent of transformation – reduce or increase the scope of the Programme

Extent describes how deep the transformation is – service model, business processes, systems, and staff capability. The transformation extent of the preferred option could be reduced by continuing the planned transformation (to address the service risk), but

72vh7ewzmz 2023-06-12 19:18:10

reducing the scope of the service model, process, and people capability uplift. It could be further reduced by partially completing both the systems and service model changes.

For consideration in these options, the extent of change has been defined in terms of very lite, lite, transform, and heavy.

Very lite – the planned systems work is completed to address the pure technology risk, but the service model, process, and capability changes are completed to the minimal possible level.

This is largely the same as Option 2 in the Programme Business Case. It will not achieve the desired benefits that come from transformation. This is rejected for the same reasons Cabinet already rejected Option 2 in the Programme Business Case, and is not considered further.

Lite – technology investment is still made (to address the pure technology risk) with some process investment and people capability change. While this option addresses the technology risk, it will not achieve the same level of benefits. The full Future Service Model with the people capability change will not be achieved.

This scope option is part-way between Options 2 and 3 as presented in the Programme Business Case. It is retained for comparison.

Transform – this is as for the planned scope to achieve Option 3: Transform and so is retained for comparison.

Heavy – a version with additional investment to reduce risk and increase the quality of the outcomes. This option is rejected as it would provide more than is required to deliver the transformation we seek. We also do not see it as a practical option that could be funded and implemented. It is rejected and not considered further.

Using the retained option dimensions, we have identified four variations on Option 3: Transform, based on reduced pace and extent

The possible options can be identified by all combinations of pace of transformation and scope of change for the options we have retained for comparison. This is summarised in the following table.

Table 11 Option 3: Transform summary of sub-options

		Pace of change	
		Slower pace	Pace as planned
Extent of change	**Lite**	Option A: Slower pace with reduced ambition	Option B: Reduced ambition
	Transform	Option C: Slower pace	**Option D: As scoped**

72vh7ewzmz 2023-06-12 19:18:10

When the options are compared, Option D: As scoped remains the preferred option

The options are analysed against the Programme Business Case investment objectives and critical success factors, benefits produced, and overall costs.

Comparing against the investment objectives set out in the Programme Business Case

Integrated services – Reducing ambition will come at the cost of integrated services for our clients. Slowing the pace of change will also reduce integration as there is a greater probability of the transformation being slowed as MSD has to respond to external environment changes and changes in government priorities.

Partnerships – Reducing ambition will come at the cost of how well partnerships, including Māori-Crown partnerships, are developed and supported. This will reduce our ability to draw on our collective strengths to support better and more equitable outcomes for New Zealanders – through greater reach, more agility and innovation, and more informed decision-making. Slowing the pace of change will also make it more difficult for MSD to meet wider government requirements under the Social Sector Commissioning 2022–2028 Action Plan[44] and to deliver on cross-government strategies that have a strong focus on improved partnering.

Modernised technology – Slowing the pace will result in technology-related risk being sustained for longer. Technology-related risk will also increase due to longer and more complex co-existence. It will also slow the ability for MSD to respond to environmental changes and government imperatives.

Easier access – Reducing ambition will reduce ease of access to services by clients. Slowing the pace of change will also reduce ease of access as there is a greater probability of the transformation further slowed by MSD needing to respond to external environment changes and changes in government priorities.

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[44] Ministry of Social Development, *Social Sector Commissioning 2022–2028 Action Plan* (MSD, 2022). https://msd.govt.nz/about-msd-and-our-work/publications-resources/planning-strategy/social-sector-commissioning/index.html. [Accessed 24 May 2023]

72vh7ewzmz 2023-06-12 19:18:10

Comparing against the critical success factors set out in the Programme Business Case

Te Ao Māori – This will be impacted by reduced ambition and delayed delivery, as change is slowed, and MSD is less able to embed a Māori world view as environments continue to change.

Strategic Fit – This will be impacted by reduced ambition and delayed delivery. MSD will have reduced ability to ensure that the transformation implemented provides an early, strong strategic fit.

Business Needs – This will be impacted by reduced ambition and delayed delivery. Reduced ambition will reduce

Critical success factors used for option comparison
The following critical success factors from the Programme Business Case are used to compare the options at all levels in this Economic Case. 1. *Te Ao Māori* – to ensure that a Māori world view is embedded in the option. 2 *Strategic Fit* – to ensure the alignment with *Te Pae Tawhiti – Our Future, Te Pae Tata,* and *Pacific Prosperity* 3. *Business Needs* – to ensure the option will enable MSD to deliver the Future Service Model. 5. *Value for Money* – to ensure the option is likely to represent value for money. 4. *Supplier Capacity and Capability* – to ensure the market for goods and services can deliver on the option. 5. *Affordability* – to ensure the option is likely to be funded and continue to be affordable to MSD. 6. *Achievability* – to ensure the option can be delivered within an acceptable time to stakeholders' satisfaction.

fit to business needs, and delayed delivery poses the risk of environmental changes creating more overall change than can be coped with by the Programme.

Value for Money – This will be reduced by both lessened ambition and a slower pace of change because of delays in benefits and additional co-existence costs.

Supplier Capacity and Capability – In the case of having a slower pace and delayed delivery, it will be easier for suppliers to bring capacity and capability. Continuing as scoped will present supplier capacity and capability risks that will need to be actively mitigated.

Affordability – Those options with a slower pace will be more affordable as funding will be spread across years, although co-existence costs will go on for longer creating additional costs over the length of the Programme.

Achievability – Both slower pace and reduced ambition will make it more difficult to retain focus as well as increasing the risk of technology-related service failure and short-term spending to mitigate this risk during the Programme. Risk therefore increases when pace is slowed, or ambition is reduced.

Comparing against the benefit realisation management plan

The options that deliver the benefits in the scoped three Horizons will best achieve the benefits. Slowing the pace will deliver benefits later and reducing ambition will limit the benefits.

Comparing against the cost

The table below compares high level cost estimates for the various options. At a high level, Options A and D will cost similar amounts. Reducing ambition only (B) will reduce costs. Slowing the programme (C) will increase overall costs.

We have compared the Programme pace and extent options in the following table against the Programme Business Case investment objectives and critical success factors.

72vh7ewzmz 2023-06-12 19:18:10

When the options are compared, and our current level of knowledge is considered, Option D: Transform (as scoped in the Programme Business Case) remains the preferred option

When all the factors are considered, the Programme Business Case Option 3: Transform (our analysed Option D: As scoped) still provides the best fit to investment objectives and critical success factors.

Table 12 Comparison of the sub-options

Evaluation criteria		Option 3A: Slower pace, reduced ambition	Option 3B: Reduced ambition	Option 3C: Slower pace	Option 3D: Transform
Investment objectives	Integrated services	Low	Medium Low	Medium Low	High
	Partnerships	Low	Medium Low	Medium Low	High
	Technology modernisation				
	Risk	Low	High	Medium Low	High
	Agility	Low	High	High	High
	Information	Low	High	High	High
	Easier access	Low	Medium Low	High	High
Critical success factors	Te Ao Māori	Low	Medium Low	High	High
	Strategic Fit	Low	Medium Low	Medium Low	High
	Business Needs	Low	Medium Low	Medium Low	High
	Value for Money	Low	Medium Low	Medium Low	High
	Supplier capacity & Capability	High	High	High	Medium Low
	Affordability	Medium High	High	Medium Low	Medium High
	Achievability	Medium Low	Medium High	Medium Low	Medium Low
Benefit realisation		Low	Medium Low	Medium Low	High
12 year monetisable benefits		<< $1.2B	< $1.2b	< $1.2b	~$1.2b
Cost		s 9(2)(b)(ii)			$2.1 - $2.6B
Evaluation		Low	Medium Low	Medium Low	High

Key — Low ● (red)   Medium Low ● (brown)   Medium High ● (blue)   High ● (green)

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

HORIZON ONE SCOPE:
We have scoped the four service changes for Horizon One based on interdependencies and a set of prioritisation principles, and analysed the options available within each service change

We have considered the scope of what to complete for each service change in Horizon One

We used a set of prioritisation principles to inform the scope of what to undertake in Horizon One. These principles were developed as part of the Programme Business Case process and are listed below.

Table 13 Prioritisation principles for Horizon One

Criteria	Why
1. **Start with the foundations**	• Puts in place the prerequisites for desired service experience. • Builds the digital foundations needed for transformation.
2. **Create time and space to support those with more complex needs**	• Reduces staff time spent processing transactions (collecting information and implementing decisions) and enables more time to be spent engaging with clients and understanding and meeting needs. • This is especially important for being able to support those with complex needs, and provide personalised support for Māori, Pacific people, and disabled people.
3. **Deliver early value for clients, staff, and partners**	• Creates early and realisable client, partner and staff benefits. • Builds confidence and support in the Programme. • Demonstrates Programme responsiveness.
4. **Create business patterns that are reusable**	• Develops business patterns that can be reused throughout the life of the Programme as it extends to other areas of service and process redesign. • Upfront investment for future delivery efficiencies.
5. **Start implementation where there is less risk of service disruption**	• Builds delivery confidence and expertise. • Best practice and recommended from other transformations (lessons learnt). • Minimises potential client/service disruption.
6. **Start implementation with services and cohorts of lesser complexity**	• Builds delivery confidence and expertise. • Best practice and recommended from other transformations (lessons learnt).

72vh7ewzmz 2023-06-12 19:18:10

Criteria	Why
7. **Address technology risks**	• Ensures service continuity. • Addresses, at the earliest possible opportunity, systems that urgently need to be replaced and/or modernised. • Improves system resilience.

These prioritisation principles helped us consider what work to undertake in Horizon One as the first phase of transformation

How we applied the prioritisation principles to determine the scope of our work in Horizon One is discussed below.

1. *Start with the foundations – all service changes deliver core foundations*

We are embarking on a three Horizon transformation programme. We therefore need to start by laying the foundations that we will need for the long-term. The immediate foundations required are:

- *Service Experience* – the client experience platform and business capability are the core foundations needed by all client cohorts. We know from our market engagement that service experience platforms are available that can provide us with a wide range of modern business capabilities to meet the service needs of our clients.
- *Employment Service* – a digital employment platform is the foundation needed to provide the services for jobseekers, employers, and providers to ensure that those at risk of poor labour market outcomes can access the help they need to get into sustainable employment.
- *Client Engagement Practice* – the core practices and processes for MSD client-staff engagements are the foundations needed for future delivery of service to clients. A researched best practice case management model will be essential for working age and superannuation clients and those with more complex needs.
- *Kotahitanga* – designing and testing with partners a relational commissioning operating model founded on Te Tiriti o Waitangi. This includes working with partners to improve MSD's funding approaches and its procurement, contracting, information collection, information sharing, and reporting processes. It also involves building technology foundations with fit-for purpose solutions that support relational commissioning and mitigate existing systems risk. Kotahitanga is critical for delivering on action five of the Social Sector Commissioning Action Plan.

All these service changes require core foundations and provide the opportunity to establish them.

2. *Create time and space to support those with more complex needs – Employment Service will provide the most time and space for our staff, while Service Experience will also create time*

Our vision for serving those with more complex needs is a tiered service model, with face-to-face case management service for those with the highest and most complex needs. Our strategy to serve these needs is to remove unnecessary tasks and automate

processes wherever practical, so that staff can be redirected from transaction processing to understanding and meeting client needs and making good decisions as to how to help them. We must therefore create early time and space for staff so that they can be redirected to supporting those with more complex needs.

A major opportunity to create time and space is in *Employment Service*. MSD's employment services are very manual and require significant transactional processing for MSD staff. For example, jobseekers and employers cannot access employment services without phone or face-to-face access to an MSD staff-member. The current digital services largely only allow for information access. We expect that a new digital employment platform will make significant space for employment staff to provide direct services to jobseekers with complex needs or if Internet access is not appropriate or desired.

Service Experience will create some time and space for staff working with students as more timely and useful information becomes available for students through Internet access, meaning that they do not need to call the contact centre.

3. Deliver early value for clients, staff, and partners – all service changes can deliver early value

We must deliver early value for our clients, staff, and partners. This will help us to experiment, learn, and progressively deliver increased value for our clients, whānau, and communities through all Horizons.

All service Horizon One service changes can support early delivery of value for clients, staff, and partners.

Service Experience provides the opportunity to deliver early value by transitioning 130,000 students from the existing system, providing an improved digital experience for students, and an improved experience for the staff serving them. Students provide the best opportunity as they are largely separate from the support provided to working age and seniors. Students can be transferred to a new platform and provided with a transformed service experience with minimal impact on our other client groups and the systems that support them.

The market engagement we have completed shows that *Employment Service* provides the opportunity to implement an off-the-shelf platform that will provide value in Horizon One for jobseekers, employers, providers, and staff.

Client Engagement Practice provides some early value through proofs of concept. The major opportunity for providing value is in the support of *Service Experience* and the work that will start in Horizon Two.

Kotahitanga provides an opportunity to deliver early value to staff and partners by replacing the current systems used to support partners and manage the information used.

4. Create business patterns that are reusable – all service changes can provide reusable patterns

Any work that starts in Horizon One must develop patterns that can be reused across the Programme and also in subsequent Horizons.

72vh7ewzmz 2023-06-12 19:18:10

Service Experience and *Client Engagement Practice* provide the opportunity to create business patterns that are reusable across other service changes.

Kotahitanga is partner-focused and so has less reusability across the organisation. However, partner focused work delivered in Horizon One will be usable in work delivered in subsequent Horizons.

The *Employment Service* digital platform would be significantly complete at the end of Horizon One. Horizon Two would focus on implementing a new operating model and integrating the platform into the wider systems at MSD.

5. ***Start implementation where there is less risk of service disruption – Employment Service*, Service Experience *and* Client Engagement Practice *with students, and* Kotahitanga *can be started with reduced risk of wider service disruption***

As we start to implement new foundations and learn how to use them in the most effective ways, we need to ensure that we start implementing where there is less risk of service disruption. There are two main areas where we can implement major change where risk of service disruption can be minimised.

- *Implementing a new student allowance and loans system* – this can occur largely independently of the systems used for calculation of entitlement and payment of benefits for working age and seniors.
- *Implementing a new employment platform* – the jobseeker, employer, and provider management can be provided largely independently of the systems used for the calculation of entitlement and payment of benefits.

Process and practice design and planning can occur in all service areas with managed risk of service disruption. *Client Engagement Practice* can therefore start work with design work, proofs of concept, and supporting other service areas as they implement.

6. ***Start redesign with services and cohorts of lesser complexity – students are the least complex cohort***

As we seek how to best use the new foundations to deliver transformed services, we need to start with the services of lower complexity to enable us to progressively learn how to deliver those of higher complexity. As we have engaged with other jurisdictions and programmes this is a clear learning we have sought to apply.

We provide direct services to three main cohorts: working age (eg core benefits – 340,000 people), seniors (superannuation plus other benefits – 860,000 people), and students (student allowances and loans – 130,000 people).

There is significant design and development required to have the full Future Service Model developed and piloted for the working age and superannuation cohorts. There is also major change in staffing roles required as we move the workforce from a transaction processing focus to true case management. There is too much to do for us to be ready to implement working age or superannuation cohorts within Horizon One.

Students are the least complex cohort and can be considered largely standalone. It is therefore the best candidate for implementation in Horizon One.

72vh7ewzmz 2023-06-12 19:18:10

7. Address technology risks – students, employment

We must address those systems that are at risk. This will enable us to mitigate the technology risk and avoid having to invest in remediating systems that we will be replacing.

There are two core client-facing systems that are rated as having a very high risk as of November 2022.

- *SAL* (Student Allowances and Loans system) – this application provides the ability to record and track a client's study, and manage their applications, entitlements, and obligations. It also supports management of allowances, scholarships and loans for fees, and course related and living costs. The absence of formal vendor support on some technology in use does not ensure expert assistance is provided when required resulting in extended system issues that disrupt the delivery of student services.
- *MyMSD* – The MyMSD application is a convenient and easy to use application available on phone, tablet or desktop enabling clients to view their appointments and transaction history for their payment cards. Significant system vulnerabilities and a lack of key technical subject matter experts exposes our system and data to information security and privacy breaches. We also note that there is technology risk associated with the partner systems (eg Conquest, FAC, Cognos and RDA) that can be mitigated through their replacement with more modern systems.

Our core opportunity for a client-facing system is therefore to replace SAL, replace the employment-related parts of MyMSD, and move to replace the whole of MyMSD with modern digital platforms.

When we determined the preferred scope, we sought to deliver tangible value to New Zealanders in Horizon One, ensuring no delay in key monetisable benefits, while laying the foundations for full implementation of the Future Service Model in Horizons Two and Three

Service Experience – platform and business capabilities, students

We must start by establishing the foundations for transformation by determining the essential capabilities required for the Future Service Model. Through these capabilities we will provide a modern, joined-up service experience for our clients, across all channels.

The student cohort is logically the first client cohort to receive a transformed, full-service experience as it will be the least complex of the major cohorts, will have manageable organisational impact, and students already have high levels of digital literacy. It will also enable us to retire one of our ageing, at-risk systems, namely SAL. We also expect that the improved systems will also provide time and space for our staff supporting students to help those with more complex needs.

Once the *Service Experience* foundations are in place, we will then use these business capabilities to implement new service experiences for working age clients in Horizon Two (where much of the Programme benefits appear) and seniors in Horizon Three.

Service Experience Horizon One proposed scope

By the end of Horizon One, Te Pae Tawhiti Programme and its delivery partners will have established the core service experience technology foundations for MSD's business. These foundations will provide the base for re-designed service experiences for clients, providers, employers and staff in subsequent horizons. Horizon One will focus on delivering an enhanced service experience for students and staff supporting students.

- Establish MSD's core service experience technology platform(s) to support the delivery of an enhanced experience for MSD clients, employers, providers and staff.
- Re-design the service experience for people who are studying and MSD staff working with students – including implementation of a new end-to-end digital self-service capability for students and implementation of new technologies and streamlined business processes to support MSD staff working with this client cohort.
- Preparation for continued service experience redesign across other products and services, focusing on our Working Age in Horizon Two.

Employment Service – digital employment platform

We will deliver significant early value with a new digital employment platform for jobseekers, employers, and providers. This digital employment platform will then be integrated into the *Service Experience* platform in Horizon Two.

Any delay in implementing this platform will slow MSD's ability to better support those at risk of poor employment outcomes.

Any delay in implementing this platform will also delay the key monetisable benefits from this Programme, namely the 12-year estimated savings of approximately $1.2 billion in Crown appropriations from improved social and employment outcomes.

The implementation of the digital employment platform will enable MSD staff to spend more time supporting those with more complex needs and at greater risk of poor labour market outcomes.

Employment Service Horizon One scope

By the end of Horizon One, Te Pae Tawhiti programme will have implemented new capabilities within the Employment Operating Model providing enhanced jobseeker, employer, opportunity provider experience, allowing them to interact and self-serve on a common digital employment capability.

- MSD will implement new capabilities within the Employment Operating Model, processes and business capability that will allow clients, employers and providers to interact on a common platform. A digital self-service capability will be implemented in Horizon One, but the future state Employment operating model that will fully incorporate the Future Services Model will be designed and tested for implementation in future horizons.
- MSD will implement self-service capability to enable job seekers to manage their employment affairs through self-service where that is their preference. Additional self-service elements will be implemented for Employers (such as the listing of vacancies) and Opportunity Providers (such as to update training opportunities) in order for MSD to provide as much as possible an end-to-end digital self-service experience for job seekers.

Client Engagement Practice – practices, pilots for working age and students

The client engagement model needs to be developed, tested, and its full implementation planned for delivery in Horizon Two. Without this model tested and complete, we are not

equipped to understand the capability change needed for our frontline staff and how we can manage the change required.

In Horizon One, this service change also needs to design, test, and implement the capabilities used by students in *Service Experience*.

Client Engagement Practice Horizon One proposed scope
By the end of Horizon One, MSD's future Client Engagement Practice Model and supporting Framework will be designed and pilot will be launched in preparation for full roll-out in Horizon Two.   • Discover, design, test and iterate a Framework to support the delivery of new Client Engagement Practice Model and to move towards high value and direct client support.   • Discover, design, test and pilot a new Client Engagement Practice model to support client engagement staff serving MSD clients in delivering a personalised and tailored service.   • Prepare for piloting of the Client Engagement Practice Model, Operating Framework and enabling technology.

Kotahitanga – approaches, model, systems

We need to design a relational approach to commissioning so that we are ready to implement in Horizon Two. This work will also help us fulfil action five of the Social Sector Commissioning 2022–2028 Action Plan[45] and the Cabinet mandate for implementing relational social sector commissioning.[46]

In Horizon One we will be making changes to our contracting systems and processes to simplify funding and gather better partner information, as well as replacing at-risk and out-of-date systems. These changes are critical to delivering the government endorsed 'commitments' to commissioning practice.

Kotahitanga proposed Horizon One scope
By the end of Horizon One, Te Pae Tawhiti programme will have designed and tested, with partners, components of a Relational Commissioning Operating Model, including redesigned funding models and information approaches. This work will also build the technology foundations (including using the new MSD Corporate Platform) to replace legacy systems and enable a relational approach to commissioning.

These four service changes chosen for Horizon One have been agreed by MSD's Leadership Team

MSD's LT sees these four service changes as the highest priority to progress. The proposed service changes for Horizon One are described in the next sections.

How the proposed scope of each Horizon One service aligns with the prioritisation principles is illustrated in the following table.

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[45] Ministry of Social Development, *Social Sector Commissioning 2022–2028 Action Plan* (MSD, 2022), pp 25-27. https://msd.govt.nz/about-msd-and-our-work/publications-resources/planning-strategy/social-sector-commissioning/index.html. [Accessed 24 May 2023]
[46] See SWC-21-MIN-0173 (November 2021).

72vh7ewzmz 2023-06-12 19:18:10

Table 14 Alignment of prioritisation principles with scope of Horizon One service changes

Criteria	Service Experience	Client Engagement Practice	Kotahitanga	Employment Service
1. Start with the foundations	Establish platform and business capabilities needed for Horizons One, Two, and Three	Develop client engagement practices to support students, working age, and seniors	Develop model and implement systems to support continue development in Horizons Two and Three	Implement digital employment to support integration in Future Service Model in Horizon Two
2. Create time and space for staff to support those with more complex needs	Modern systems create time and space for staff supporting students	–		Expanded service digital channel creates time and space for staff supporting jobseekers, employers, providers
3. Deliver early value for clients, staff, and partners	Improved service for students, improved systems for staff	Improved service for students	Improved systems for staff, improved information and process for partners	Improved service for jobseekers, employers, providers
	130,000 students		2,000 partners	99,000 jobseekers
4. Create business patterns that are reusable	Patterns can be extended to working age (340,000), superannuation (860,000) in Horizons Two and Three		–	
5. Start implementation where there is less risk of service disruption	Students largely self-contained		Changes to how we partner can be implemented without impacting client groups	Employment services can largely be delivered as self-contained service
6. Start implementation with services and cohorts of lesser complexity	Students largely self-contained		–	
7. Address technology risks	Replace SAL – rated very high risk	–	Replace Conquest, FAC, Cognos and RDA	Replace employment aspects of MyMSD – rated very high risk

We have defined the intervention logic for each of the service changes to map the preferred scope to the benefits

The full intervention and scope logic can be found in APPENDIX C.

Service Experience will allow us to dramatically improve the service experience we can provide and the outcomes we can enable – as well as delivering improved service for students in Horizon One
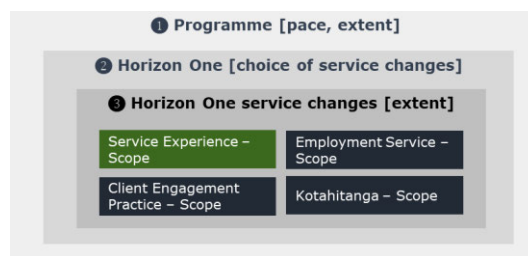
We are not providing our clients, whānau, and communities with a service experience that consistently meets their needs

The problems we face with delivering service to our clients, and the rising pressure placed on us by such things as increasing and more complex levels of need, and changing demographics and patterns of work are well known. These were presented in our Strategic Assessment[47] and our Programme Business Case[48] and accepted by Cabinet. These issues are discussed below.

Our clients and their whānau continue to face difficult, repetitive, and time-consuming processes to get the support they need

Our clients can have difficulty understanding their entitlements, eligibility, and obligations. Some clients may not always receive Full and Correct Entitlement and may lack confidence in entitlement and payment accuracy. Clients cannot always gain consistent access to the necessary information.

Clients cannot consistently perform end-to-end services online. Clients face sometimes inconsistent, fragmented processes and digital services which are time-consuming and challenging to navigate.

When clients switch channels (because a channel does not provide all the services needed) they are required to re-explain their circumstances and needs. This occurs across digital, telephone, and face-to-face channels.

Our staff and partners do not have the systems to adequately support client needs

Staff spend significant amounts of time navigating our processes and accessing multiple systems. This leads to substantial delays and rework, limiting their ability to recognise and understand the needs of clients.

Staff cannot easily find all the information they need about a client, their circumstances, and history to help them in the most effective manner. Clients must repeat their story and our staff often only address immediate needs, instead of taking a holistic view.

Our staff are not able to spend much time supporting clients and helping them improve their wellbeing as their time is taken up collecting information and processing

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[47] See GOV-21-MIN-0039 (November 2021).
[48] See GOV-22-MIN-0011 (May 2022).

72vh7ewzmz 2023-06-12 19:18:10

transactions (implementing decisions) for income support. Errors made result in inevitable rework.

MSD systems and their associated processes will not support rapid implementation of new policy or policy changes in a coherent and consistent manner

Our current systems and their associated processes do not support making rapid changes at acceptable risk. This limits the speed at which new policy or changes to policy can be implemented.

By way of example, recent policy changes have required disproportionately large amounts of resource and time to implement (eg the 2012-13 welfare reform initiative was delivered over three phases taking 24 months and costing $50.9 million with approximately 615–715 FTEs involved; the 2018–2019 family incomes package initiative took 26 months to deliver, costing $8.2 million with approximately 221-231 FTEs involved.)

There will be an increasing likelihood of service failure because of ageing and inflexible systems

The MSD technology environment consists of over 75 core applications providing over 380 technology services with some over 30 years old. There is a growing technology failure risk due to our ageing and end-of-life systems. These systems are difficult and expensive to maintain, and to protect from emerging threats to system and data security.

A survey of our core IT assets was completed in November 2022. Of the 86 applications surveyed, 33 (38%) had an overall risk rating of very high or high, 25 (29%) had an overall risk rating of medium, nine (10%) had an overall risk rating of low, and 19 (22%) had an overall risk rating of very low.[49]

Service Experience: We will put in place the capabilities we need to deliver a vastly improved service experience for clients, whānau, and communities

Our market engagement has confirmed that there are off-the-shelf client service platforms available that provide the core business capabilities we need to provide a joined-up, integrated service experience across multiple channels for our clients

We know that service experience platforms are available that can provide us with a wide range of modern business capabilities to meet the service needs of our clients. In their research work commissioned by MSD, Forrester noted that there were many different and overlapping technology solutions and combinations of cross-vendor solutions in the modern technology stack that could fulfil MSD's requirements.

The capabilities available include:

- A consistent, intuitive, easy-to-use *digital experience* for clients and partners that supports access for those with a wide range of abilities.

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[49] See MSD, *Technology Asset Management Quarterly Report* (MSD, November 2022).

- *Personalised experiences* for our clients that reflect their needs across all channels – whether Internet, phone, or face-to-face, with no requirement for clients to retell their story to us or our partners.
- *Relationship management systems* to provide a consistent and up-to-date understanding of clients and whānau, partners, and their needs/context for our staff. These systems can also directly support our client engagement practices.
- *Process and workflow automation* to remove manual and/or complex processes and help staff focus on the needs of clients.
- *Analytics capabilities* to help us gain insights to improve services, operations, and policy for us and our partners.
- *Low or no-code development* that will enable much faster product and service change and implementation of government policy.

Our opportunity: Use a new Service Experience platform and its business capabilities to enable planned transition from our current ways of delivering service and provide early delivery of an enhanced client service experience to a selected cohort of clients – students

Implementing *Service Experience* business capabilities will enable MSD to:

- *Prioritise early improvements in client service experience* – provide an end-to-end digital client experience that enables clients to stay in channel.
- *Provide the business capabilities needed to deliver our Future Service Model* – enable us to implement a Future Service Model providing significantly improved service experiences through multiple channels – Internet, phone, and face-to-face. It will also enable us to support improved equity of access for all clients by ensuring that phone and/or face-to-face capacity is available for those unable or unwilling to access digital services.
- *Provide business capabilities to support the implementation of* Client Engagement Practice *and* Kotahitanga – *Service Experience* will be a foundational capability for all the proposed service changes in Horizons Two and Three.
- *Address our heritage system risk in a managed, incremental manner* – enable integration of new client-facing systems with existing core platforms while we continue to modernise our heritage technology. This supports a multi-Horizon incremental move away from our heritage systems.
- *Provide a flexible, future systems environment that can continue to grow and change* – this environment can keep growing and changing to meet needs, integrating new systems and functionality as required, and retiring existing systems and functionality as needed. This will enable MSD to continue to support a changing social environment and work effectively with partners while transformation takes place.
- *Continue to give Ministers options throughout our transformation* – provide a building-block style environment that provides choices to government about the pace of building, and the priority of which system "blocks" are replaced when.

72vh7ewzmz 2023-06-12 19:18:10

The* Service Experience *platform and business capabilities will enable us to create a new staff experience so we can better support our clients – in the first Horizon, for students

We will create a new experience for our staff so they can better help our clients, whānau, and communities. This will include a new staff interface with streamlined business processes and workflows. The transformed staff experience we deliver in Horizon One for those working with students will provide the foundations for later reuse as we extend the *Service Experience* to other client cohorts.

The scope of *Service Experience* in Horizon One will be to procure and put in place the core service experience systems platform and capabilities. Using those capabilities, we will deliver a transformed service experience for students, and prepare to extend the service experience to working-age clients

By the end of Horizon One, the Programme will have established the core service experience business capabilities needed for transformation. These capabilities will provide the base for re-designed service experiences for clients, providers, employers and staff. Horizon One will focus on delivering an enhanced service experience for students and staff supporting students. We are using a human-centred design methodology to enable us to better understand, deliver for, and help our clients, their whānau, and communities.

Table 15 Scope of *Service Experience*

1 Service Experience Technology Platform	2 Service Experience for Students	3 Service Experience Extension Preparation
Establish MSD's core service experience technology platform(s) to support the delivery of an enhanced experience for MSD clients, employers, providers and staff	*Re-design the service experience for students and MSD staff working with students – including implementation of a new end-to-end digital self-service capability for students and implementation of new technologies and streamlined business processes to support MSD staff working with this client cohort*	*Preparation for continued service experience redesign across other cohorts, focusing on our Working Age cohort in Horizon Two*
Procurement of service experience platform(s) and onboarding of partner(s). This includes evaluation of responses and technology, platform capability trials and selection of technology / vendors / partners as a continuation on from the procurement activities in Horizon Zero. Implementation of core service experience platform capability and common capability required to use the Service Experience Platform(s) in the MSD environment. This includes technical design and build activities for core networking, architecture, roles, data integration, data migration, data connection & conversion capabilities.	Implementation of a new self-service capability for students to enable MSD to deliver personalised, tailored and enhanced experiences for the students cohort. This will provide a basis for reuse for other cohort experiences in future horizons. In parallel with the self-service capability, a corresponding new staff experience will be implemented – including a new staff interface, streamlined business processes and workflows. This will provide the basis for re-use for implementation in later horizons of a new experience for staff working with other client cohorts. We will also implement client engagement tools to support the Client Engagement Service Change. Decommissioning of SAL.	Prepare for the continued expansion of the self-service capability and associated staff experience changes into other cohorts starting with a focus on the Working Age cohort. Complete migration planning, change and coexistence planning for Horizon Two.

72vh7ewzmz 2023-06-12 19:18:10

Service Experience Options: Our preferred solution for *Service Experience* is to establish the foundational platforms and business capabilities required and implement in Horizon One a transformed service for students

We examined four options for Service Experience *based on a continuum of lower to higher level of ambition*

We then compared these options against our investment objectives for each of the service changes and the critical success factors we identified in the Programme Business Case.

Option 1: Foundations only – rejected as no direct benefit produced for clients or staff in Horizon One

This option delivers the following:

- Establish MSD's core service experience technology platform(s) to support the delivery of an enhanced experience for MSD clients, employers, providers and staff. However, the business capabilities would not be used to support service experience change for clients or staff.

While this option has the lowest cost, it does not deliver direct value to any client groups in Horizon One. This option is therefore rejected.

Option 2: Internal focus – rejected as little direct benefit produced for clients in Horizon One

This option delivers the following:

- Establish MSD's core service experience technology platform(s) to support the delivery of an enhanced experience for MSD clients, employers, providers and staff.
- Implement the business capabilities to develop improved service experiences and tools for MSD staff only.

This option has a higher cost than Option 1 and can be implemented at lower risk as the only change impact is for MSD staff – this is easier to manage than for implementation of a client cohort.

This option requires a significant financial investment, but it does not provide sufficient value to justify the investment. It also delays the implementation of significant service experience change adding complexity, length and cost to the transformation programme. This option is therefore rejected.

Option 3: Initial client value for students in Horizon One – preferred option as provides best value for clients and MSD staff at assessed level of risk

This option delivers the following:

- Establish MSD's core service experience technology platform(s) to support the delivery of an enhanced experience for MSD clients, employers, providers and staff.
- Re-design the service experience for students and MSD staff working with students – including implementation of a new end-to-end digital self-service

72vh7ewzmz 2023-06-12 19:18:10

capability for students and implementation of new technologies and streamlined business processes to support MSD staff working with this client cohort.

- Preparation for continued service experience redesign across other cohorts, focusing on our Working Age cohort in Horizon Two.

The risk for this option is higher as it will require extensive change for a cohort of clients, namely, students. We believe that this risk can be satisfactorily mitigated. This option provides the best balance of value delivered and investment made.

Option 4: Complex value in Horizon One – rejected as considered too high a risk to achieve in Horizon One

This option delivers the following:

- Establish MSD's core service experience technology platform(s) to support the delivery of an enhanced experience for MSD clients, employers, providers and staff.
- Re-design the service experience for students and MSD staff working with students – including implementation of a new end-to-end digital self-service capability for students and implementation of new technologies and streamlined business processes to support MSD staff working with this client cohort.
- Extend the service delivered to the next cohort of clients, namely working age.

While this option may theoretically deliver significant value, it is considered to be too high risk for Horizon One – it requires what we are now considering for multiple Horizons to be collapsed into Horizon One.

A summary of this analysis of the options is shown in the following table. (Note that that costs are provided for comparative purposes only and do not reflect final agreed costs and scope of preferred option as part of the Budget 23 process.)

Table 16 *Service Experience* **options analysis**

Evaluation criteria		Option 1: Foundations only	Option 2: Internal focus	Option 3: Initial value in Horizon One	Option 4: Very complex value in Horizon One
Investment objectives	Enable access	🟢	🟢	🟢	🟢
	Enable staff time	🟢	🟢	🟢	🟢
	Enable modernisation	🟢	🟢	🟢	🟢
	Prove value	🔴	🟤	🟢	🟢
Critical success factors	Te Ao Māori	🔴	🟤	🟢	🟢
	Strategic Fit	🔴	🟤	🟢	🟢
	Business Needs	🔴	🟤	🟢	🟢
	Value for Money	🔴	🟤	🟢	🟢
	Supplier capacity & Capability	🟢	🟢	🟤	🔴
	Affordability	🟢	🟢	🟢	🟢
	Achievability	🟢	🟢	🟤	🔴
Benefit realisation		🔴	🟤	🟢	🟢
Cost		s 9(2)(b)(ii)			
Evaluation		🔴	🟤	🟤	🔴
Conclusions		**Reject** "Insufficient ambition to prove value" Does not enable sufficient value to be proved to clients and their whānau		**Preferred** "Sweet spot" Best balance of simplicity, delivered value and achievability	**Reject** "Too ambitious" The additional complexity and wider scope makes these options impracticable.

Key Low 🔴 Medium Low 🟤 Medium High 🔵 High 🟢

72vh7ewzmz 2023-06-12 19:18:10

Employment Service will enable us to far better support those at risk of poor labour market outcomes – the platform will be in place and delivering benefits in Horizon One, enabling major long-term monetisable benefits

MSD plays a key role providing public employment services to those that the market does not adequately support

In line with this, Cabinet agreed in 2022 that MSD's employment service role is to "… help people at risk of poor labour market outcomes to prepare for, find and retain suitable employment to improve long-term wellbeing."[50] Those at risk of poor labour market outcomes in New Zealand include those with low skill levels in relation to current labour market needs, Māori, Pacific peoples, young people, and disabled people.

MSD plays a key role in providing a Public Employment Service (PES) in New Zealand. Worldwide, PESs promote improved equity for those participating in labour markets by targeting those at risk of poor labour market outcomes and helping them find sustainable employment.[51]

PESs usually serve a different cohort to their private-sector counterparts as "PESs need to provide targeted comprehensive support to the most vulnerable groups".[52] Private-sector employment services (and platforms such as Trade Me and Seek) support many New Zealanders to find work but typically focus on higher-value, easier-to-place vacancies and/or do not provide matching and potential training support for those seeking work. PES can add significant value by providing the needs-based support, advice, and upskilling required by many people at risk of poor labour market outcomes to achieve sustainable employment.

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[50] See SWC-22-MIN-0091 (May 2022).

[51] See World Bank, *Public Employment Services: Functions and Innovations – World Bank Policy Primer 30132* (World Bank September 2003), 4. documents1.worldbank.org/curated/en/859831468779447415/pdf/301320EPPN0no1030Public0employment.pdf [Accessed 1 February 2023]

[52] See OECD, *Building inclusive labour markets: Active labour market policies for the most vulnerable groups* (OECD, October 2021). https://www.oecd.org/coronavirus/policy-responses/building-inclusive-labour-markets-active-labour-market-policies-for-the-most-vulnerable-groups-607662d9/ [Accessed 14 March 2023]

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Our lack of a useful digital service significantly limits the *scope of the services* we can provide to both clients and employers

Our digital service provides only a small part of the functionality that jobseekers, employers, providers, and staff expect and need. As well as this, some underlying systems are at or nearing end-of-life.

RecruitMe has been a key component of MSD's job placement services and until recently was the core system for MSD's internal employment service. RecruitMe was integrated with the core client management system and was used by staff to input information about jobseekers. This information was then used to match clients to available opportunities (which are also manually entered into RecruitMe) based off basic matching functionality. At a high level, RecruitMe was used (with staff input) to collect and aggregate skills and information related to job seekers to match them to available opportunities.

RecruitMe and our Find a Job website were both end of-life products based on outdated technology and limited functionality that were no longer fit for purpose and did not meet jobseeker, employer, provider, or staff needs and expectations. RecruitMe and the Find a Job website were decommissioned in May 2023.

The ageing technology of RecruitMe has been replaced with an interim solution which uses other existing technology at MSD. Although the new front-end website Kimi Mahi Mai is more user friendly for jobseekers than Find a job, it does not fundamentally improve our ability to deliver services or reduce the significant manual input required.

s 9(2)(b)(ii)

Below are some examples of how the current systems may discourage employers from listing and jobseekers from applying. Issues like this mean clients lose access to jobs (if employers do not list vacancies) as well as applicants for those jobs (if jobseekers do not apply or employers cannot access support).

When clients search for a job online with MSD they have to then ring an 0800 number during office hours to apply.

> Over 50% of jobseekers view vacancies online outside of office hours but, because of limitations in our systems, cannot complete their applications at that time.

Our clients cannot apply for training programmes online when we know there is pent-up demand for online referral to training programmes.

> An online provider referral proof-of-concept resulted in 700 referrals in the first week, as compared with 850 referrals in the previous 12 months.

To post a job, employers must fill in a form to post an opportunity that is then manually entered online by MSD staff.

> Only 38% of employers who list a vacancy with MSD do so more than once a year.

72vh7ewzmz 2023-06-12 19:18:10

These limitations also prevent us proactively supporting people outside the benefit system into work before financial needs bring them to our attention. In practice, this may be limiting MSD-listed jobseekers to those with the highest support needs, which can then discourage employers from listing vacancies to a service that caters for those they might see as "hard to place".[53]

Wage-scarring from job loss can have lifetime impacts from which people's incomes never recover. Being able to help those seeking employment support more proactively, before they are receiving a benefit, would help us avoid this.

Our lack of consistent labour market intelligence significantly limits the *quality and value* of the services we can provide

MSD does not have consistent access to good labour market information such as on types of jobs available, training needed, and skills gaps. When this information is available, it is not in a form that can be easily used by MSD's online systems and/or staff to advise jobseekers, employers, and partners.

Providers and employers do not consistently receive the information they need when they need it to best interact with MSD and its clients. This reduces our ability to help our jobseekers gain the skills they need for sustainable employment and maintain that employment. Where training places are unfilled, it also means we are not maximising the potential benefits we could gain from partnerships with providers.

The low functionality of our systems limits what information we can gather on our clients' needs and skills, how they gained employment, and whether that was sustained. This inhibits our ability to learn and then improve the way in which we help clients to find work, employers to list with us, and providers to match their capacity and offerings to the upskilling needed.

Our lack of a useful digital service significantly limits *who we can meaningfully help* through the services we provide

Our lack of a useful digital employment service limits how our over ████ employment-focused staff[54] can improve outcomes for clients. It also makes it more difficult for case managers to see the full picture of how clients have interacted with our employment services and refer them for upskilling where appropriate.

Currently we can only offer meaningful employment services to the approximately 45,000 work-obligated clients in case management. However, there are around another 105,000 work-obligated main-benefit clients who are not receiving case management support,[55] as well as an estimated 70,000 people who are off benefit but are at high risk

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[53] Employers have historically been less willing to use a Public Employment Service as their perception is that only hard-to-place people will be accessing these job boards. See for example World Bank, *Public Employment Services: Functions and Innovations – World Bank Policy Primer 30132* (World Bank September 2003), 4. https://documents1.worldbank.org/curated/en/859831468779447415/pdf/301320EPPN0no1030Public0employment.pdf [Accessed 1 February 2023]

[54] This reflects full time equivalent staff.

[55] These figures reflect numbers as at end of February 2023.

72vh7ewzmz 2023-06-12 19:18:10

of long-term benefit receipt. As things stand, we can do little for these other groups in terms of employment support.

Iwi and Pacific groups are making significant digital advances to support their communities. If the Ministry does not have a digital employment service, it will be left behind and unable to connect and interface with them.

Employment systems used by our staff have low functionality and require manual input by MSD staff for almost all transactions. Our staff must spend significant time on lower-value data input for jobseekers, employers, and providers (who must also navigate manual processes), when it could be spent on higher-value interactions directly with clients.

Because of the manual processes required, scaling up to respond to a crisis requires proportionately more people. New Zealand will continue to face labour market shocks at both national and regional level, such as those recently caused by COVID-19 and Cyclone Gabrielle. Economic shocks usually have a disproportionate impact on those who were already most at risk of poor labour market outcomes.

Our existing employment platforms do not provide a foundation we can build on to improve the scope and quality of our services and extend who we can offer them to

While our core ageing technology of RecruitMe has been recently replaced with an interim solution, it does not fundamentally improve our ability to deliver services or reduce the significant manual input required.

Digital public employment services are recognised globally as essential to effectively helping jobseekers into sustainable work – off the shelf solutions are available

Other countries are experiencing similar drivers for change as part of global Future of Work and other labour market trends. Digital plays the major role in their responses.[56] In addition, technology has been critical for PES in many countries to respond to jobseekers' needs during the COVID-19 crisis.[57]

There is extensive international evidence that public digital employment services result in employment and economic benefits.[58] Digital employment platforms improve the operation of labour markets through impacts like reducing skills mismatches, enabling

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[56] See for example, OECD, *Harnessing digitalisation in Public Employment Services to connect people with jobs* (OECD, June 2022). www.oecd.org/els/emp/Harnessing_digitalisation_in_Public_Employment_Services_to_connect_people_with_jobs.pdf [Accessed 1 February 2023]. Zulum Avila, Javier Omar Rodriguez, *Public employment services: diagnostic tool and guide* (International Labour Organisation), 11. https://www.ilo.org/emppolicy/pubs/WCMS_829545/lang--en/index.htm [Accessed 6 March 20234]

[57] See International Labour Organisation, *Technology adoption in public employment services* (ILO, 2022), ix. https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_840767.pdf [Accessed 1 February 2023]

[58] See for example, OECD, *Harnessing digitalisation in Public Employment Services to connect people with jobs* (OECD, June 2022). www.oecd.org/els/emp/Harnessing_digitalisation_in_Public_Employment_Services_to_connect_people_with_jobs.pdf [Accessed 1 February 2023]

72vh7ewzmz 2023-06-12 19:18:10

insights to improve equity for those participating in labour markets, and deepening labour market intelligence.[59] This brings productivity improvements through better skills matching and consequent GDP benefits.

Our market analysis and engagement shows that there are digital employment platform solutions commercially available that MSD could implement, building directly on the experience gained in other jurisdictions. We do not have to build from scratch.

A Digital Employment Services Platform in New Zealand will increase the services we can provide and their quality

A Digital Employment Services Platform (DESP) will allow jobseekers, providers, and employers to connect directly via digital channels as best suits their needs. This will help MSD employment-focused staff to move from data entry and transaction processing to high-value-add support of jobseekers and employers to improve employment outcomes.

MSD has 484.4 FTE in the employment-specific roles of Job Connect, Work Brokers, Employment Liaison Advisors, Employment Coordinators, and Programme Coordinators.[60] These roles will benefit the most from the efficiency gains generated by DESP (note that Case Managers will receive most of their efficiency benefits from other investment in Te Pae Tawhiti).

We estimate at least half of our approximately 250 Work Brokers' time is spent on low-value activity (data entry, transaction processing, supporting those who could digitally self-serve, etc) and that DESP could reduce this by as much as 50%.[61]

This capacity creation will mean that all MSD employment-focused staff can spend more time helping jobseekers to connect to opportunities (jobs, training and other supports) that meet their needs and match their skills, resulting in more sustainable employment outcomes for more clients.

How it could transform our service is illustrated in the following diagram, which compares the current state and future state for an example job application and training course registration/attendance journey. The icons reflect interactions between parties, with a significant reduction in MSD staff interactions occurring once the DESP is in place.

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[59] See also, Accenture, *Value Proposition – Digital Employment Ecosystem* (February 2023), 1. Presentation to MSD Programme staff.
[60] Staffing sourced from the MOGSSER numbers from August 2022.
[61] This estimate would be refined as design and implementation progresses.

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

CURRENT STATE 8AM - 6PM
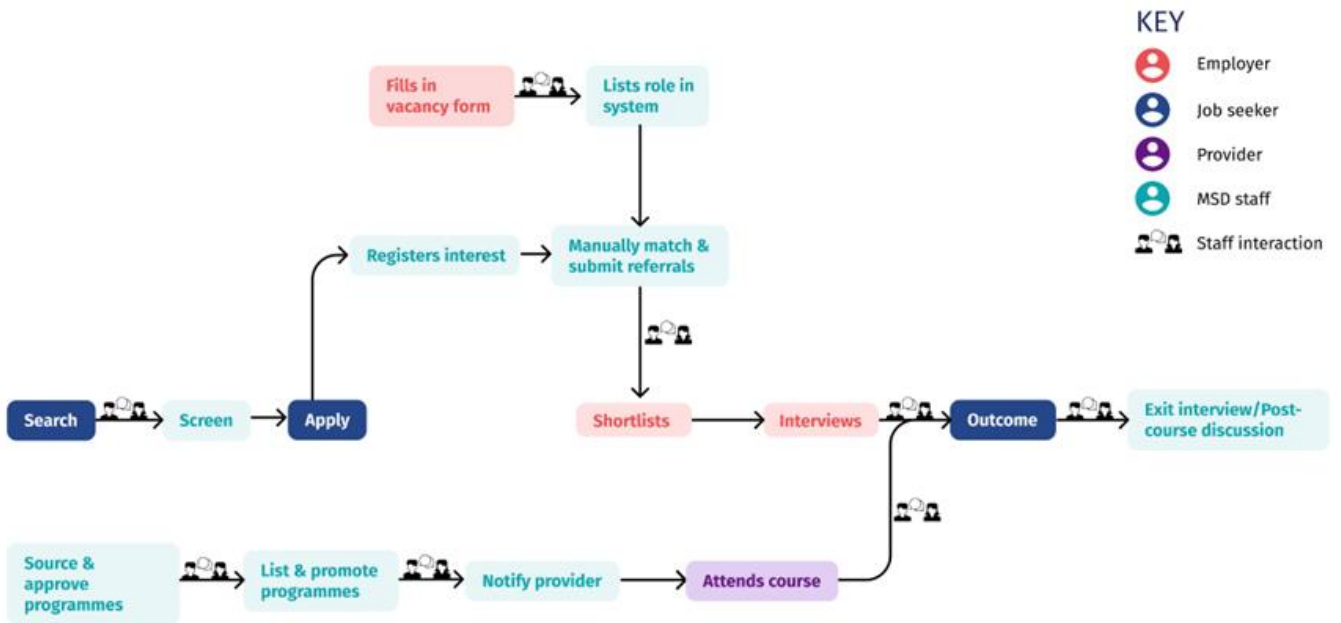
Figure 8 Current state of employment processes

FUTURE STATE 24/7
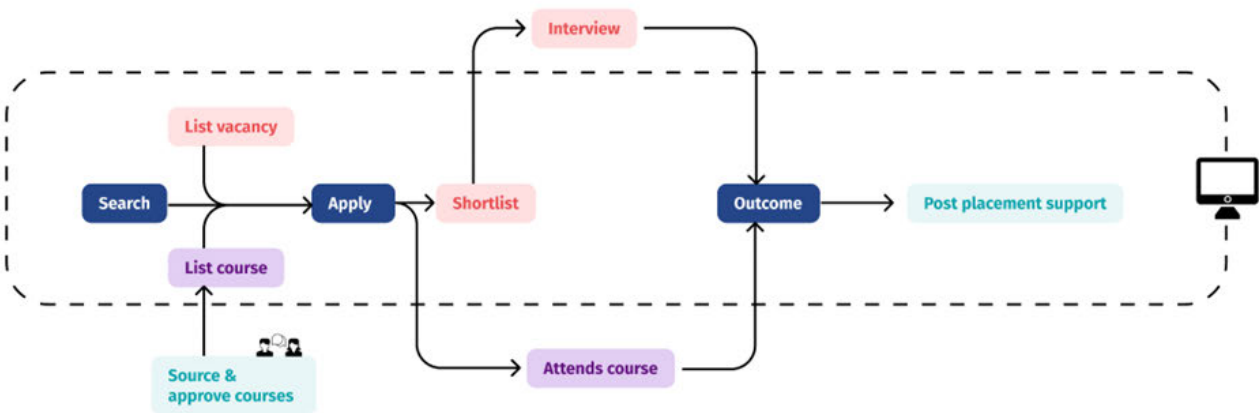
Figure 9 Proposed future state of employment processes

A Digital Employment Services Platform will widen who we can offer employment services to

In addition to enhancing our digital service, a DESP will also allow MSD to cost-effectively support more people who have fewer barriers to employment, with a level of service proportionate to their needs (as part of our mandate from Cabinet).[62]

How a DESP will enable us to widen our reach and effectiveness with our clients beyond the 45,000 we support in case management is illustrated in the following diagram.

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[62] For MSD employment mandate, see SWC-22-MIN-0091, paras 8-9 (October 2021).

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

	Currently on benefit	Currently off benefit
High risk of long-term benefit receipt	*A. Case management for some, with digital employment services and prioritised active intervention from MSD staff for others*	*C. Digital employment services supported by prioritised active intervention from MSD staff*
	Estimated 160,000 people – mostly long-term unemployed, and other key priority cohorts who want support to participate in the labour market	Estimated 70,000 people - recent or intensive benefit history, inter-generational benefit receipt, people cycling on/off benefit
Low-medium risk of long-term benefit receipt	*B. Digital employment services supported by prioritised active intervention from MSD staff*	*D. Digital employment services*
	Estimated 140,000 people – only need some assistance to participate in the labour market	Unknown number of people – may have less significant barriers, but facing (e.g.) underemployment and unsuitable work

Figure 10 How a digital employment platform will support our priority groups[63]

This will change the profile of how we deliver services to our key employment cohorts as follows.
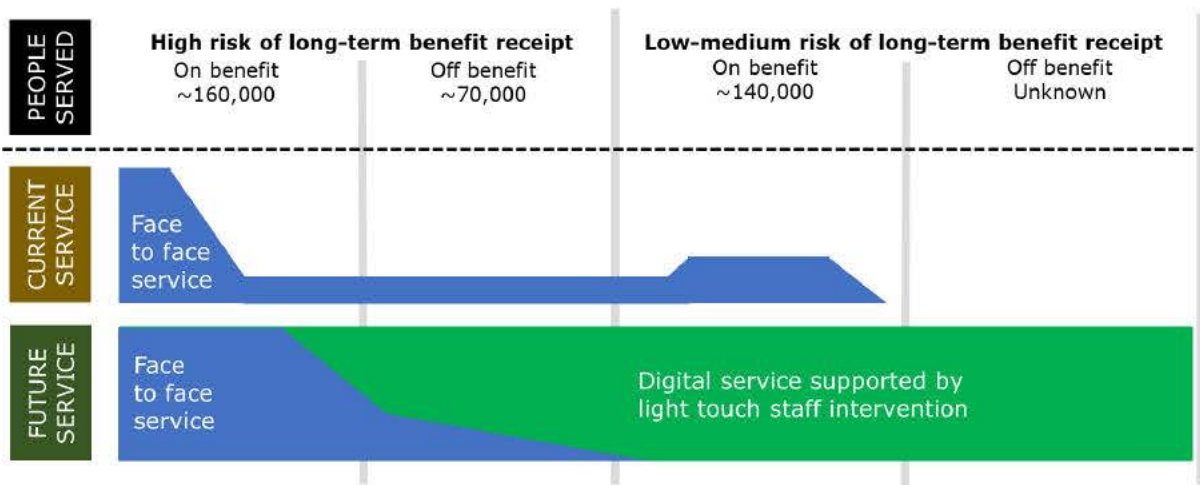
Figure 11: Current and future service provision to priority groups

As can be seen, the digital platform will extend the employment services offered beyond those at high risk of poor labour market outcomes and/or those on benefit and support us in providing a full employment service (whether face to face or digitally) to all those who need it.

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[63] This diagram builds on the quadrants in the Cabinet paper setting MSD's employment direction, namely SWC-22-MIN-0091 (May 2022).

A Digital Employment Services Platform will improve the operation of the wider New Zealand labour market

DESP will improve the operation of the New Zealand labour market by reducing skills mismatches, enabling insights to improve equity for those participating in labour markets, and deepening labour market intelligence. This has the potential to bring productivity improvements with consequential positive impacts on GDP.

Improved labour market information will also help MSD support an equitable and well-functioning labour market, that also supports the Crown's commitments under Te Tiriti o Waitangi to support good employment outcomes for Māori.

DESP will not seek to compete with private sector employment agencies. Instead, it will aim to cooperate with them to reduce friction in the labour market by providing better services to those who require the most support, particularly through needs-matching and upskilling – this is consistent with practices in the wider OECD.[64] Providing the opportunity for private sector employment agencies to list their vacancies on DESP will also create a win-win situation for both PES and these agencies, widening the choices for those at risk of poor labour market outcomes who are currently not always being served by the private sector.

DESP will make available a wider range of more timely labour market data, both for current clients and those beyond the welfare system. Combining this intelligence with local labour market knowledge, collected through our regional labour market managers and others on the ground, will give us a more complete picture of labour market trends and support informed decision-making. A wider range of jobseekers using the DESP would also expand the labour market information we gather, enabling MSD to understand more about jobseekers who operate outside the benefit system.

We expect that the improved labour market intelligence that will become available through the DESP will be of high value to MSD to support both regional and national decision-making. Better local labour market insights will also support New Zealand's ability to respond to emergency events and will be a useful tool to support employers and workers impacted by redundancy and economic downturn, particularly where they interact with MSD's Early Response Redeployment Service.

DESP will also support other agencies and their objectives, for example in relation to labour market testing and determinations on whether skills can be met from within the New Zealand domestic labour market. The information will also support better investment decisions, such as in relation to Active Labour Market Programmes.

DESP will also have the potential to integrate with private-sector employment agencies and present their listings, which could further enhance job choice and labour market intelligence, increasing the overall effectiveness of the wider labour market.

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[64] See for example, Australian Government Department of Jobs and Small Business, *The next generation of employment services: discussion paper* (Australian Government, June 2018). This paper references the Flanders public employment agency and its sharing of information on vacancies with private recruitment firms (p30). The paper envisages future online services integrated with private sector firms as much as possible, without competing with them (p31). https://www.dewr.gov.au/workforce-australia/resources/next-generation-employment-services-discussion-paper [Accessed 12 April 2023]

DESP is forecast to contribute to monetary benefits achieved through reduced payments in the welfare system, as clients receiving a benefit are moved into sustainable work, and others find work without reaching the welfare system.

> By the end of Te Pae Tawhiti programme, Benefit KPI 5 has forecast savings of approximately $1.2b over 12 years from improved employment outcomes (exits into employment and maintaining sustainable employment), of which DESP is a contributor.[65]

Investing in a Digital Employment Services Platform now is critical, as high employment is not projected to last and New Zealand will face further crises

The impact of the issues we face with our current digital service are likely to become far more apparent as unemployment rises or we experience labour market changes (such as industry transformation). Recent forecasts predict that New Zealand will exit its current high employment rate over the next couple of years. One forecast has New Zealand's unemployment rate rising from 3.4% in January 2022 to 4.8% in 2024.[66]

The current high employment labour market forces many employers to look harder for staff. This means that they are more likely to be engaging with MSD despite the issues faced with our digital services. As unemployment increases, employers will increasingly have other options for finding staff. If employers choose then not to list opportunities with MSD because of difficulties with our digital service, this will lessen the choices we can provide to those most at risk of poor outcomes.

Moving forward with DESP for Horizon One of Te Pae Tawhiti Programme will mean MSD is in a better position to respond to the peak of jobseeker numbers forecast for 2025. A DESP will be a valuable tool for MSD to support those at risk of poor labour market outcomes during a downturn, as providing help in the short-term can shelter people from longer-term impacts on their income and wellbeing.

> "Improving the employability of the most vulnerable groups now would increase their chances of being integrated into the labour market as economies recover and employers' needs for labour increase."[67]

DESP will enable us to make more light-touch interventions, expanding our reach to more clients on benefit and supporting them to gain employment and make that employment sustainable. Simultaneously, it will create more capacity for our intensive

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[65] This forecast is based on having the DESP in place before the end of Horizon 1. Any delay to the implementation of the DESP will mean a decrease in the forecast savings over that period. However, the forecast savings are for all the proposed TPT changes that contribute to KPI 5, of which the DESP is one component only.

[66] See for example, https://tradingeconomics.com/new-zealand/unemployment-rate?embed/forecast#:~:text=Unemployment%20Rate%20in%20New%20Zealand%20is%20expected%20to,percent%20in%202025%2C%20according%20to%20our%20econometric%20models. [Accessed 8 March 2023]

[67] See OECD, *Building inclusive labour markets: Active labour market policies for the most vulnerable groups.*

72vh7ewzmz 2023-06-12 19:18:10

services to help those furthest from the labour market. In the future, there is also the potential to use the DESP to focus on those outside the welfare system.

The scope of *Employment Service* in Horizon One is focused on establishing the employment operating model and delivering an accessible digital employment self-service capability

By the end of Horizon One, the Programme will have implemented new capabilities within the Employment Operating Model. This will provide an enhanced jobseeker, employer, and opportunity provider experience, allowing them to interact and self-serve on a common, accessible digital employment capability. We are using a human-centred design methodology to enable us to better understand, deliver for, and help our clients, their whānau, and communities.

Table 17 Scope of *Employment Service*

1 Employment Operating Model	2 Employment Service Self-Service Capability
MSD will implement new capabilities within the Employment Operating Model, processes and business capability that will allow clients, employers, and providers to interact on a common platform A digital self-service capability will be implemented in Horizon One, but the future state Employment Operating Model that will fully incorporate the Future Service Model will be designed and tested for implementation in future Horizons	*MSD will implement self-service capability to enable jobseekers to manage their employment affairs through self-service where that is their preference Additional self-service elements will be implemented for employers (such as the listing of vacancies) and opportunity providers (such as to update training opportunities) so MSD can provide an end-to-end digital self-service experience for jobseekers*
Implement new capabilities within the Employment Operating Model that supports the new Digital Employment Self-Service Capability (online tools, opportunity matching, and MSD client system interfaces). This will include a change in focus and approach of some of MSD's employment-related roles to supporting employers and opportunity providers to shift to the new operating model.	We envisage a two-phase approach that will see in Horizon One a Digital Employment Self-Service Capability supporting self-service and assisted self-service, including an automated opportunity matching capability and MSD back-office data integration to connect jobseekers with potential employers and training opportunities. In Horizon Two this will be fully integrated into the new Experience Platform.
By the end of Horizon One the Digital Employment capability is live and in use in a transitional state providing enhanced jobseeker, employer, training provider and MSD staff experience, and improving labour market outcomes.	This capability will use analytics capabilities and integrated data from within MSD and other organisations to enhance employment services providing value to our clients and staff in supporting our clients, the New Zealand labour market, and improved labour market outcomes by getting jobseekers into work.
The Digital Employment capability will not be fully integrated into the new Experience Platform, MSD client management and the "single client view" until Horizon Two.	

Employment Service Options: Our preferred solution for *Employment Service* is to implement a full-service digital employment solution for jobseekers, employers, and providers using an off-the-shelf platform – this will support major monetisable benefits of approximately $1.2 billion over 12 years

We examined three options for Employment Service *based on a continuum of lower to higher levels of ambition*

We then compared these options against our investment objectives for each of the service changes and the critical success factors we identified in the Programme Business Case.

72vh7ewzmz 2023-06-12 19:18:10

Option 1: Design – rejected

This option delivers:

- The design and analysis work for a digital employment platform for self-service capability to enable jobseekers to manage their employment affairs, and for employers (such as the listing of vacancies) and opportunity providers (such as to update training opportunities) so MSD can provide an end-to-end digital self-service experience for jobseekers.

This option would not involve procuring or implementing a new platform. It does not meet any of the investment objectives and provides no additional benefits. This option is rejected. It delivers no monetisable benefits in Horizon One.

Option 2: Platform and pilot – rejected

This option delivers:

- Implement self-service capability to enable jobseekers to manage their employment affairs through self-service where that is their preference.
- Implement additional self-service elements for employers (such as the listing of vacancies) and opportunity providers (such as to update training opportunities).
- Implement new capabilities within the Employment Operating Model, processes and business capability that will allow clients, employers, and providers to interact on a common platform.
- A pilot to enable selected jobseekers to manage their employment affairs through self-service – there would not be a wider rollout of functionality in Horizon One.

Taking implementation to pilot stage has significant issues.

- It would be very difficult, if not impossible, to manage the boundary of the clients, employers, and providers taking part in the pilot.
- A pilot and would still require a similar amount of implementation work as a full implementation – eg it would still require the full job taxonomy to be developed along with a full user experience for all participants – jobseekers, employers, providers, and MSD staff.
- Managing an effective pilot would require significant additional co-existence effort not required in a full implementation.
- A pilot would not deliver any significant to jobseekers, employers, and providers.

This option is therefore rejected because of the high level of risk it would bring and the low level of value it would deliver. While it has a lower theoretical cost than the preferred option, it is largely impractical. It delivers no monetisable benefits in Horizon One.

Option 3: Platform and implement – preferred

This option delivers the following:

- Implement self-service capability to enable jobseekers to manage their employment affairs through self-service where that is their preference.
- Implement additional self-service elements for employers (such as the listing of vacancies) and opportunity providers (such as to update training opportunities).

72vh7ewzmz 2023-06-12 19:18:10

- Implement new capabilities within the Employment Operating Model, processes and business capability that will allow clients, employers, and providers to interact on a common platform.
- Rollout the functionality to jobseeker, employers, and providers.

A digital self-service capability will be implemented in Horizon One, but the future state Employment Operating Model that will fully incorporate the Future Service Model will be designed and tested for implementation in future Horizons.

This option enables the delivery of major monetisable benefits for the Programme. In Horizon One it will deliver approximately $10 million of monetisable benefits, while after 12 years – three years after the whole Programme has finished – it will have enabled the delivery of approximately $1.2 billion of benefits.

This option provides the best value. While it has the commensurate risk associated with any systems implementation that affects a wide number of stakeholders, we believe that this risk is manageable. We are conducting several proofs of concept using existing systems to ensure that we understand and can manage the change impact on jobseekers, employers, and providers. This option can be achieved within Horizon One. It is the preferred option.[68]

Note that full embedding and integration of the digital employment platform will occur in subsequent Horizons. It would also be rolled out to those seeking work beyond those receiving jobseeker benefit.

The results of this analysis are summarised in the following table. Note that:

- The costs are cash costs for the Horizon for comparison purposes and exclude MSD contribution, depreciation, and capital charge.
- The options within this service change have been assessed against the investment objectives for the specific service change. This is to enable us to choose the best option for the specific service change.
- The options within this service change have been assessed against the critical success factors used in the Programme Business Case as these are common across all service changes.
- It is assumed that Options 1 and 2 do not proceed further and so no monetisable benefit is available.
- The 12-year monetisable benefits show the expected reduction in benefits paid if the whole Programme as scoped goes ahead. These benefits are enabled by *Employment Service*, but rely on the whole Programme completing its three Horizon scope.
- The estimates for these monetisable benefits are based on core assumptions about the changes we can influence in social and employment outcomes. As these estimated savings will be in Crown appropriations, they will not be directly realisable and will be difficult to monitor.

(Note that that costs are provided for comparative purposes only and do not reflect final agreed costs and scope of preferred option as part of the Budget 23 process.)

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[68] Note that these options are consolidated versions of the technical options that were analysed by the *Employment Service* team.

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Table 18 *Employment Service* options analysis

Evaluation criteria		Option 1: Design	Option 2: Platform and pilot	Option 3: Platform and implement
Investment objectives	Deliver digital access	🔴 Low	🟤 Medium Low	🟢 High
	Blended with case management	🔴 Low	🟤 Medium Low	🟢 High
	Automated opportunity match	🔴 Low	🟤 Medium Low	🟢 High
	Labour market information	🔴 Low	🟤 Medium Low	🟢 High
Critical success factors	Te Ao Māori	🔴 Low	🟤 Medium Low	🟢 High
	Strategic Fit	🔴 Low	🟤 Medium Low	🟢 High
	Business Needs	🔴 Low	🔴 Low	🟢 High
	Value for Money	🔴 Low	🔴 Low	🟢 High
	Supplier capacity & Capability	🟢 High	🔵 Medium High	🟢 High
	Affordability	🟢 High	🔵 Medium High	🔵 Medium High
	Achievability	🟢 High	🔴 Low	🔵 Medium High
Benefit realisation		🔴 Low	🔴 Low	🟢 High
Horizon One monetisable benefits		-	-	~$10m
12 year Programme benefits enabled		-	-	~$1.2b
Cost		s 9(2)(b)(ii)		
Evaluation		🔴 Low	🔴 Low	🟢 High
Conclusions		**Reject** "Insufficient ambition to prove value"	**Reject** "Impractical to run pilot"	**Preferred** "Sweet spot" Best balance of delivered value and achievability

Key   Low 🔴   Medium Low 🟤   Medium High 🔵   High 🟢

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Client Engagement Practice will enable us to better meet the increasingly complex needs of many of our clients and support the implementation for students by *Service Experience* in Horizon One

Our current staff-client engagement processes and practices are not meeting the needs of an increasing number of our clients

MSD is seeing more clients and whānau whose needs cannot be met by transactional provision of services – a cohesive, integrated and tiered case management model is required

Currently MSD staff typically only focus on a single need (eg income) at a time – this means they are not always able to easily address multiple needs.

Our staff are also finding that the level of those traditionally referred to as self-starters is reducing. More clients have multiple, complex needs across MSD services and more broad wellbeing considerations (eg employment + income + housing + disability + mental health issues). This situation is being exacerbated by changing demographics.

Our systems and processes are no longer fit-for-purpose and are not delivering for many of our clients. This is compounded by inconsistent staff practice. Together, these issues reduce our ability to deliver holistic, high-value activities and build constructive relationships with clients.

Changing labour markets are shifting the types of roles available and skills being sought, meaning MSD needs to change how it works with clients to support them into work.

The COVID-19 pandemic saw a large increase in support requirements for our clients. While most of our clients were able to quickly transition back into employment, the lives and needs of those continuing to seek support from MSD are becoming increasingly complex. This results in increased demand for more holistic and integrated support that adequately responds to that complexity.

Without well-researched and tested client engagement practices and processes, we will not provide the support that New Zealanders need

Consistent best practice client engagement and case management delivered by all client-facing staff will ensure we deliver better outcomes to New Zealanders

Effective client engagement and case management is clearly essential if MSD staff are to serve our clients more effectively. This has been borne out repeatedly by our discussions with our clients and partners, our case management pilots, our research, and discussions with other agencies, and welfare reviews.

Case management is a collaborative practice that supports staff to work with clients to assess, plan, implement, coordinate, monitor, and evaluate the support required to meet a client's wellbeing needs. While examples of good practice exist in MSD, overall practice is inconsistent. This is due to a lack of unified guidance, no defined core competencies for staff, underdeveloped training foundations and development pathways, and lack of good support from systems.

Although there have been attempts to provide guidance about case management and practice at MSD, there is no unifying framework that ensures consistency. This means a lack of clarity about the practices, processes, and outcomes of case management as an intervention.

Staff are not consistently equipped or supported to deliver case management across multiple areas of need

Case management will enable MSD staff to work beyond a transactional, often single need approach, to taking a holistic view of clients and their wider environment to better understand their needs and support their aspirations. This is a major change for how most of our staff work.

Currently, training and capability building for case management are often one-off or delivered on an ad-hoc basis. There is no ongoing learning and development, clear development pathways, or core competencies across roles. We are not equipped to consistently deliver a robust case management practice.

Client Engagement Practice will deliver the design for the capability, practices, and processes for all MSD staff-client engagements – whether face-to-face or through channels such as phone or digital chat – and in Horizon One support the implementation for students in *Service Experience*

Client Engagement Practice *will define the approach and scope of case management as part of MSD's services to its clients and their whānau so that the contribution of case management in the Future Service Model is clear and agreed*

We will agree the key drivers and desired outcomes for case management at MSD and define how case management fits within the Future Service Model. We will align with the Te Pae Tata strategy consistent with the Ngā Matanga Māori Values Framework.

Key considerations for defining the options MSD has for case management include:

- consistency with MSD's mandate, vision, and legislation
- designing and evaluating potential approaches with key stakeholders, ensuring alignment to and support of *Te Pae Tata*, Ngā Matanga Māori Values Framework, and *Pacific Prosperity*
- taking a human-centred design approach focused on clients and whānau, ensuring alignment to the New Zealand Disability Strategy.

72vh7ewzmz 2023-06-12 19:18:10

Client Engagement Practice *will define the case management model through the processes, practices, capabilities, and measurements that will be used to deliver case management within the Future Service Model*

Defining the case management model includes:

- the processes and practices that staff will follow, and the partnership practices and engagement required
- the cultural practices that must be followed
- the staffing capability required for case management at MSD , including people requirements and role descriptions
- identifying the pre-requisites for supporting technology
- the ongoing requirements for training, supervision, communities of practice, measurement, and continuous improvement
- any key tools needed.

Client Engagement Practice *will test the case management model with different client groups to test the effectiveness of the approach and model*

We will run proofs of concept with sufficient client groups to prove the approach and the benefits that will be produced and test the processes, practices, and staffing capability required. This will involve engaging a wide variety of stakeholders in the proof-of-concept design, evaluation and measurement including Māori and iwi, Pacific people, and those from the disabled community.

We will develop the plan for change to address practices, processes, staffing capability, information and to develop models for staffing scenarios to show the impact on costs and benefits.

Client Engagement Practice *will also support* Service Experience *to deliver the implementation for students in Horizon One*

This service change will also develop and test the necessary engagement practices and processes needed for staff as they provide a transformed service to students as delivered by *Service Experience*. Note that this will not be a full case management service, but we will ensure that engagement practices for students are consistent with the wider engagement model that is being developed. We will provide our staff with clear guidance and training and support them to provide the best service they can.

72vh7ewzmz 2023-06-12 19:18:10

The scope of *Client Engagement Practice* in Horizon One will be developing the processes, practices, and staff capability requirements needed to implement the Future Service Model

By the end of Horizon One, MSD's future Client Engagement Practice Model and supporting framework will be designed, piloted, and implemented with students, in preparation for full roll-out in Horizon Two. We are using a human-centred design methodology to enable us to better understand, deliver for, and help our clients, their whānau, and communities.

Table 19 Scope of *Client Engagement Practice*

1 Client Engagement Framework	2 Client Engagement Practice Model	3 Client Engagement Implementation Preparation
Discover, design, test and iterate a Framework to support the delivery of new Client Engagement Practice Model and to move towards high value and direct client support	*Discover, design, test and pilot a new Client Engagement Practice Model to support case management staff serving MSD clients in delivering a personalised and tailored service*	*Prepare for implementation of the Client Engagement Practice Model, Operating Framework and enabling technology*
Complete a baseline assessment of the current Case Management Framework including capability of case management staff. Design a supporting framework to enable the Client Engagement Practice Model, including the development of HR processes, identification of operational budget requirements and workload management processes. The new Client Engagement Practice Model and supporting Framework will be tested and validated iteratively. Including but not limited to connecting to services and understanding needs, integrated client view, integrated client plan, and integrated knowledge management.	Complete a baseline assessment of the processes and practices within the current state Client Engagement Practice Model. In parallel, perform discovery activities including practice model research, options analysis and enabling technology pre-requisites. Leveraging a human-centric design approach, design a Client Engagement Practice Model for 1:1 case management (as an intervention) and non-caseload practice (by interaction) – including engagement approaches, practice and processes design, workforce design, technology and information, and data and analytics design. In collaboration with the Future Service Model, the new Client Engagement Practice Model, supporting Framework and its supporting technology will be tested and validated iteratively. 'Supporting technology' refers to functionality, which could include an integrated client view, integrated client plan and workflow. The work to support service coordination (and other processes and practices required) will be completed to the level required to support the Service Experience implementation for students within the Future Service Model.	Core input into the Horizon Two Detailed Business Case, gap assessment, resourcing requirements, budget requirements, and other Horizon Two preparations. Intention for full roll-out in Horizon Two of: • Client Engagement Practice Model • Case Management supporting framework • Service Experience enabling technology for Client Experience Practice.

Note that this work is distinct from the Future Service Model design stream that covers the wider service experience design, client engagement, the service model approach to partnership, and the service approach for clients. Both these streams of work will work closely together.

72vh7ewzmz 2023-06-12 19:18:10

Client Engagement Practice Options: **Our preferred solution for** *Client Engagement Practice* **is laying the foundations for the platform and supporting the implementation of students in Horizon One to provide value to MSD staff and a cohort of clients**

We examined four options for* Client Engagement Practice *based on a continuum of lower to higher level of ambition

We then compared these options against our investment objectives for each of the service changes and the critical success factors we identified in the Programme Business Case.

Option 1: Model, Plan – rejected as does not test the model or adequately support Service Experience

This option would provide:

- Design of the client experience practice model.
- Development of a full implementation plan to support funding and change for Horizon Two.

This option provides the baseline requirements for *Client Engagement Practice*. However, the design will remain theoretical unless it is tested. The risk for this option is low (as reflected in the achievability rating). While this is the lowest cost option, it will produce an untested result that will inevitably add cost in later Horizons.

Option 2: Model, Plan, Test – rejected as does not adequately support Service Experience

This option would provide:

- Design of the client experience practice model.
- Development of full implementation plan to support funding and change for Horizon Two.
- Proofs of concept to prove the model.

Service Experience will impact *Client Engagement Practice*. There is a risk with this option that *Client Engagement Practice* will not align with *Service Experience*. While this option has a lower cost than our preferred option and can be implemented at low risk (no significant change management is required as only proofs of concept are required – there is no live implementation), it does not deliver sufficient value, and would add risk to *Service Experience*, and inevitable require rework in future Horizons.

Option 3: Model, Plan, Test, Students – preferred

This option would provide the following:

- Discover, design, test and iterate a Framework to support the delivery of new Client Engagement Practice Model and to move towards high value and direct client support.
- Discover, design, test and pilot a new Client Engagement Practice Model to support case management staff serving MSD clients in delivering a personalised and tailored service.

72vh7ewzmz 2023-06-12 19:18:10

- Prepare for implementation of the Client Engagement Practice Model, Operating Framework and enabling technology.
- The work to support service coordination (and other processes and practices required) will be completed to the level required to support the Service Experience implementation for students within the Future Service Model.

This provides a tested client engagement model, the necessary tools, and an implemented service for students. While it has a slightly higher risk than Options 1 and 2 (as it requires implementation of a cohort of clients, namely, students), this is the preferred option as it develops the client engagement foundations and provides direct value by supporting the implementation of students.

Option 4: Model, Plan, Proofs of Concept, Students, other cohorts – rejected as 'bridge too far'

This option would provide the following:

- Discover, design, test and iterate a Framework to support the delivery of new Client Engagement Practice Model and to move towards high value and direct client support.
- Discover, design, test and pilot a new Client Engagement Practice Model to support case management staff serving MSD clients in delivering a personalised and tailored service.
- Prepare for implementation of the Client Engagement Practice Model, Operating Framework and enabling technology.
- The work to support service coordination (and other processes and practices required) will be completed to the level required to support the Service Experience implementation for students within the Future Service Model.
- Implementation of the service model required for additional cohorts.

This option builds on Option 3 by implementing client engagement beyond what is required for the student support practices and processes.

The addition of additional cohorts adds significant risk and complexity to the Horizon One work. It also makes it more difficult to understand the level of funding we would require for the job changes that would now need to occur in Horizon One. This option is considered 'a bridge too far' for Horizon One.

Option 3: Model, Plan, Pilot Support is the best balance between delivering value and achievability and is our preferred sub-option for Client Engagement Practice

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Table 20 *Client Engagement Practice* options analysis

Evaluation criteria		Option 1: Model and plan	Option 2: Model, plan, trials	Option 3: Model, plan, trials, students	Option 4: Model, plan, partial impl
Investment objectives	Develop approach	High	High	High	High
	Define model	High	High	High	High
	Prove the model	Low	Medium High	High	High
	Implementation clarity	Medium Low	Medium High	High	High
Critical success factors	Te Ao Māori	Medium High	High	High	High
	Strategic Fit	Medium High	High	High	High
	Business Needs	Medium High	High	High	High
	Value for Money	Medium High	High	High	High
	Supplier capacity & Capability	High	High	High	High
	Affordability	High	High	High	Medium Low
	Achievability	High	High	Medium Low	Low
Benefit realisation		Medium Low	Medium High	Medium High	High
Cost		s 9(2)(b)(ii)			
Evaluation		Medium Low	Medium High	High	Low
Conclusions		Reject "Do not provide direct value to clients"		Preferred "Sweet spot"	Reject "Too difficult to achieve"

Key — Low ⬤ (red) Medium Low ⬤ (brown) Medium High ⬤ (blue) High ⬤ (green)

(Note that that costs are provided for comparative purposes only and do not reflect final agreed costs and scope of preferred option as part of the Budget 23 process.)

72vh7ewzmz 2023-06-12 19:18:10

Kotahitanga: Effective partnering and commissioning is critical for supporting the Crown to fulfil its Te Tiriti obligations, delivering on the Social Sector Commissioning Action Plan and achieving better and more equitable outcomes
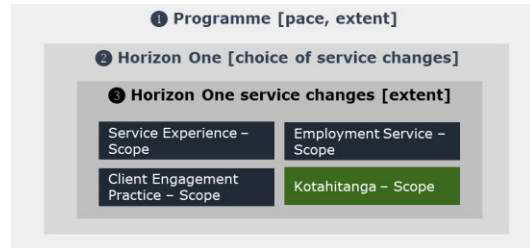
We must have the capability, systems, processes, and information to partner effectively

Strong foundations are needed for us to deliver on our social sector commissioning commitments

The Government has released the Social Sector Commissioning Action Plan 2022–2028.[69] The purpose of this work is to "transform the way social supports and services are commissioned so they best support people, families and whānau to live the lives they value". MSD is leading this cross-sector work programme by hosting the Commissioning Hub and is expected to lead by example for the social sector in how to transform its own commissioning activity.

Cabinet has directed MSD and other social sector agencies to start implementing relational commissioning immediately, with plans for scaling up a relational approach by mid-2023. It agreed that relational approaches should become normalised practice across government-funded social sector services from 2028.[70]

Central to this direction is action five of the Action Plan: "Government agencies and Crown entities make operational changes to deliver the government endorsed 'commitments' to commissioning practice".

Kotahitanga: Effective partnering and commissioning (*Kotahitanga*) is the key mechanism for MSD to fulfil the Action Plan and Cabinet mandate by building the foundations for relational commissioning in MSD in Horizon One and implementing, embedding and extending relational commissioning approaches in Horizons Two and Three.

Te Tiriti o Waitangi is a tūāpapa, our foundation for partnership

The Government has committed to growing the capability and capacity of government agencies to support the Crown to be a better Te Tiriti o Waitangi partner and to ensure they can work alongside and empower Māori, to achieve better outcomes for Māori. As

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[69] Ministry of Social Development, *Social Sector Commissioning 2022–2028 Action Plan* (MSD, 2022). https://msd.govt.nz/about-msd-and-our-work/publications-resources/planning-strategy/social-sector-commissioning/index.html. [Accessed 24 May 2023]
[70] See SWC 21-MIN-0173 (November 2021).

72vh7ewzmz 2023-06-12 19:18:10

part of this, we are committed to supporting Māori, whānau, hapū and iwi to realise their own potential and aspirations.

In Horizon One, *Kotahitanga* will support the capacity of MSD staff to support Crown's commitment to Te Tiriti o Waitangi plus design and test with partners a relational commissioning model with Te Tiriti o Waitangi as the tūāpapa (foundation).

There are significant barriers to us working in effective partnerships and effectively implementing the social sector commissioning actions

We need to improve the experience of our partners, developing long-term positive relationships built on trust and confidence, so that they can be more effective in the work they do. This includes Māori-Crown partnerships, partnering for delivery of services and support, partnering for social connection and wellbeing, and commercial partnerships.

We have significant barriers to operating as effective partners and fulfilling our social sector commissioning accountabilities.

- Our partnering and commissioning processes are complex, inefficient, siloed and outputs rather than outcomes-based – they are not consistent with the outcomes we desire.
- We are not engaging effectively with Māori, iwi and hapū and communities to support broader social development outcomes.
- There are barriers to diverse partners entering the market and we do not have a universal explicit focus on equitable social sector commissioning to improve equity of outcomes.
- Our partners find it difficult to work with us to achieve shared outcomes as we do not resource partners to engage and participate.
- Our systems constrain what we can do, prevent us from working in a relational way, and are at significant risk of failure in the short term.
- We cannot easily gather, store, analyse, use, and share information with our partners or generate evidence and insights on partnering that would foster ongoing innovation and learning.

The resolution of these issues requires investment in capability, systems, processes, and information. It will require us to work far more closely with our partners, in a spirit of true partnership to design and test new approaches. This is a significant change that will require investment.

Transformation of our partnership approaches and supporting systems, processes, information, and capabilities will bring us major opportunities

We have three major candidates for our Horizon One work:

- *Design and test a social sector commissioning operating model with Te Tiriti o Waitangi as the Tūāpapa* – this will deliver a model with our partners for relational commissioning, supported with the processes and capability for us and our partners.
- *Build systems foundations for commissioning* – we can replace our current ageing systems with fit-for-purpose modern solutions that support effective contracting, procurement and reporting and define requirements to ensure that the service experience platform is fit-for-purpose for our partners.

- *Redesign funding and information approaches* – we need to transform our funding approaches and ensure they are supported by the information needed by us and our partners.

Effective partnering more broadly is a key tool for improving equity of outcomes – the overarching benefit sought by the Programme and a key focus of government strategies and action plans

Transformed partnering will be a critical tool to improve equity of outcomes for Māori and Pacific people and support their aspirations for intergenerational wellbeing.

Effective partnering is essential for MSD to deliver on its own core purpose and on cross-government commitments to improve outcomes for Māori, Pacific people, seniors, youth, disabled people, carers, women, families, and whānau. These include the welfare reforms, the *New Zealand Employment Strategy* and its action plans, *Enabling Good Lives and the New Zealand Disability Strategy, the Child and Youth Wellbeing Strategy* and *Te Aorerekura: the National Strategy to Eliminate Family Violence and Sexual Violence.*

Through effective partnering with non-government organisations, hapū, iwi and Māori organisations, employers, business and industry groups, community leaders and other government agencies, we can leverage our collective strengths and areas of expertise, achieve greater reach, agility, and innovation in our practice and have better informed decision-making.

Partnering also enables people to connect directly with trusted groups who may be more accessible, have greater reach and be able to understand what matters most to them and their whānau and support their aspirations. Partnering allows us to be responsive to the diverse needs of communities, and support culturally appropriate solutions.

The scope of *Kotahitanga: Effective partnering and commissioning* in Horizon One is to build and implement the systems and processes and develop the staff capability needed to embed a relational commissioning approach

By the end of Horizon One, the Programme will have designed and tested a relational commissioning operating model aligned with Te Tiriti o Waitangi. This work will have also:

- built systems foundations for commissioning (using new MSD Corporate Platform where appropriate)
- designed, tested and implemented funding approaches
- designed, tested and implemented fit-for-purpose, information, data and analytics approaches to support effective commissioning.

Table 21 Scope of *Kotahitanga*

1 Commissioning operating model	2 Technology foundations for commissioning	3 Redesign funding models and information approaches	4 Implementation preparation
Design and test with selected partners a Relational Commissioning Operating Model with Te Tiriti o Waitangi as the Tūāpapa	*Redesign funding models and information approaches with partners to improve how we commission and achieve impact from our investment*	*Build technology foundations to support sourcing, contracting, reporting and payments, to replace legacy systems and support the Relational Commissioning Operating Model*	*Supporting our partners and workforce with change management activities while preparing for future horizons*
This work will look for opportunities to create and embed a Relational Commissioning Operating Model with a small range of partners (including Māori, iwi and hapū, who represent different community perspectives.[71] This work looks to scale up to test with a larger range of partners in subsequent horizons. This work will identify partners to collaboratively design and test elements of the operating model.-This approach looks to develop the operating model incrementally, providing value over time. This work will contribute to Horizon 2 by informing future requirements for relational commissioning and building on the technology foundations from Horizon 1.	This work will look for opportunities to redesign, funding models and information approaches with selected partners which will support the development of the Relational Commissioning Operating Model. This work looks to support equitable, outcome-based relational commissioning with transparent success measures. Effective collection, storing, use and sharing information are key enablers to strategic investment and the operating model.	This work will replace high risk systems, Conquest, FAC, Cognos and RDA, with fit-for-purpose solution that is integrated and supports an effective system for sourcing, contracting, reporting and payments. This approach will leverage existing MSD investment (especially in new MSD Corporate Platform) where possible to improve staff and partner experience. This will support work of future horizons by contributing to the procurement for the experience platform to support a relational commissioning approach and a more positive partner experience.[72]	This work will look to support our partners and workforce with change management activities for testing; Relational Commissioning Operating Model, Redesigned funding models & information approaches, and Technology foundations for commissioning. This work will define workforce and partner capacity and capability required to deliver the operating model and, build the foundational capability needed in our staff to support the Relational Commissioning Operating Model. Implementation preparation also focuses on developing Horizon Two implementation planning for the and business case inputs.

Kotahitanga options: Our preferred solution for *Kotahitanga: Effective partnering and commissioning* is to create the core processes, people capability and system foundations needed to deliver transformed partnering relationships to a cohort of commissioning partners

We examined three options for Kotahitanga: Effective partnering and commissioning, *based on a continuum of lower to higher level of ambition*

We then compared these options against our investment objectives for the service change and the critical success factors we identified in the Programme Business Case.

Option 1: Do minimum

This option is focused on policy and design only. It would:

- Design a Relational Commissioning Operating Model with Te Tiriti o Waitangi as the Tūāpapa.

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[71] We will attempt to ensure that this group is representative of the range of MSD's partners.
[72] We note that there may be policy changes required to support changes in funding models.

72vh7ewzmz 2023-06-12 19:18:10

- Redesign funding models and information approaches to improve how we commission and achieve impact from our investment.

This option is the do minimum option. While it is very achievable (ie it can be implemented at low risk as it has little impact on partners and so little change management is required), it brings little change to our partner relationships before Horizon Two, and therefore little Horizon One value. It would not make any changes to data management and analysis and would not provide any improved technology support for gaining insights. While it is the least expensive option, it does not deliver sufficient value over the three years of the Horizon. It would delay the changes that we need to make to our partnerships, and we would not meet our cross-agency social sector commissioning commitments.

Option 2: Design, test, and learn

This option makes changes to how we partner to bring value to a cohort of partners and the clients, whānau, and communities they serve. It would:

- Design and test with selected partners a Relational Commissioning Operating Model with Te Tiriti o Waitangi as the Tūāpapa.
- Redesign funding models and information approaches with partners to improve how we commission and achieve impact from our investment.
- Build technology foundations to support sourcing, contracting, reporting and payments, to replace legacy systems and support the Relational Commissioning Operating Model.
- Support our partners and workforce with change management activities while preparing for future horizons.

This option has a higher risk than the previous option as it will require implementation of systems as well as impacting a number of partners with the associated change management risks. However, these risks can be mitigated (we have already implemented the core finance systems that we will build upon and ensured we have the level of consultation and change management required). This option provides the best balance of scope, value, and achievability.

Option 3: Full implementation

This option is the do maximum option. It would add the following to Option 2:

- Design and test with selected partners a Relational Commissioning Operating Model with Te Tiriti o Waitangi as the Tūāpapa.
- Redesign funding models and information approaches with partners to improve how we commission and achieve impact from our investment.
- Build technology foundations to support sourcing, contracting, reporting and payments, to replace legacy systems and support the Relational Commissioning Operating Model.
- Implement full social sector commissioning processes across all partners and in all regions.

While it provides the highest value, we do not believe it is possible to achieve this scope in Horizon One (ie it has a significant risk).

The results of this analysis are shown in the following table.

(Note that that costs are provided for comparative purposes only and do not reflect final agreed costs and scope of preferred option as part of the Budget 23 process.)

Table 22 *Kotahitanga: Effective partnering and commissioning* options analysis

Evaluation criteria		Option 1: Design and policy	Option 2: Design, test, learn	Option 3: Fully implement
Investment objectives	Deliver digital access	🔴 Low	🔵 Medium High	🟢 High
	Blended with case management	🔴 Low	🔵 Medium High	🟢 High
	Automated opportunity match	🔴 Low	🔵 Medium High	🟢 High
	Labour market information	🔴 Low	🔵 Medium High	🟢 High
Critical success factors	Te Ao Māori	🔴 Low	🔵 Medium High	🟢 High
	Strategic Fit	🔴 Low	🔵 Medium High	🟢 High
	Business Needs	🔴 Low	🔵 Medium High	🟢 High
	Value for Money	🔴 Low	🔵 Medium High	🟤 Medium Low
	Supplier capacity & Capability	🟢 High	🟢 High	🔴 Low
	Affordability	🟢 High	🟢 High	🔴 Low
	Achievability	🟢 High	🟤 Medium Low	🔴 Low
Benefit realisation		🔴 Low	🔵 Medium High	🟢 High
Cost		s 9(2)(b)(ii)		
Evaluation		🔴 Low	🟢 High	🔴 Low
Conclusions		**Reject** Too low ambition. Focused on design and does not deliver direct value to partners.	**Preferred** Balance of ambition and delivering value to partners. Testing approach with partners will support best outcome.	**Reject** Could achieve best outcomes, but ambition too high for what can be achieved in Horizon One and has too high a risk. Will not have sufficient testing of design.

Key   Low 🔴   Medium Low 🟤   Medium High 🔵   High 🟢

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Supporting work – Foundations, Design, and Transformation management – is required for us to achieve the outcomes we seek from each service change

To ensure the success of the service changes, there is underlying supporting work required to support all service changes, namely foundation, design, and transformation management. The outcomes sought from this work is summarised below.

Foundation work is needed ...

Building on existing work, by the end of Horizon One, the Programme and its delivery partners will have established the core cloud and network, information, and data governance, identity, security, and integration systems, processes, and workforce capability needed to support the Horizon One service changes and ready the Programme to start Horizon Two.

Table 23 Scope of Foundation

1 Technology foundations
Build technology foundations across cloud, network, security, identity, integration, process automation, data and information to support and enable the four service changes
Building on existing work, by the end of Horizon One, we will have established the core cloud and network, master data management, identity, security, and integration systems, processes, and workforce capability needed to support the Horizon One service changes and ready the Programme to start Horizon Two. This might include the following examples: - Implement the ability to verify client and partner identity in close to real time.   - Move internal applications to the cloud.   - Uplift further Application Programming Interface capability.   - Enable cloud native voice capability to support new service platforms.   - Mobilise a Mobile Device Management platform.   - Provision security process and tooling across service change enabling foundations.

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Design work is needed ...

The Programme will need to continue to develop, manage, and govern the core design artefacts required to support the Horizon One service changes and ensure that planned Horizon Two service changes can begin.

Table 24 Scope of design

1 Future Service Model	2 Business Process	3 Information, Data and Analytics
Following an iterative, human-centric design approach – continue to develop, manage, and govern the Future Service Model end state and the transitional shifts required to deliver transformation	*Define, manage, and govern the business process framework, methods, and tools that will be used by MSD to deliver services consistently and produce the benefits these will bring*	*Continue to define, manage, and govern how MSD will use information and data responsibly, to deliver services, insights and analytics for better decisions and better lives for clients, staff and partners*
Continue to develop the Future Service Model that will enable MSD to respond early, understand needs, design services, connect to services, deliver services, and sustain outcomes. Focusing on MSD's Student Services and Employment Services being impacted in Horizon One. Continue to define a needs-based, tiered service delivery model that understands the needs of a client and their whānau to determine the best-fit service approach to achieve better outcomes.	Develop an over-arching business process architecture and governance structures to manage it. Undertake redesign of business processes in conjunction with the design and implementation of new technology and the implementation of the service changes as these occur Horizon to Horizon. Develop a standard set of agreed modular and reusable business processes including capturing and ensuring compliance with our MSD business rules, policies, and legislation. Establish the processes and tools to be able to measure and improve our business processes for efficiency and automation.	Design and deliver information and analytics products that enable Horizon One service changes, including foundational capability (such as the new data warehouse and analytics platform). Implement key information and data governance to support transformation and ongoing delivery. Includes embedding initial Māori data governance throughout the operating model. Enhance our ability to effectively collect, manage, use and share data and information responsibly. This includes continuing to build information management, information security and privacy maturity.
4 People, Workforce & Workspace	**5 Technology**	**6 Legal, Integrity & Policy**
Define, manage, and govern the design for the future workforce, and type of skills, as well as the types of workplaces that MSD will have in place as a result of the Programme	*Continue to define, manage, and govern the design of the systems, platforms, and applications infrastructure MSD will have in place to at the end of the Programme*	*Identifying and advising on policy and integrity issues relevant to the programme Identifying, assessing and enabling potential policy and legislation changes that may be desirable to support the proposed service change scope*
Design the future roles and numbers of staff required in the transformed service, the change needed to move to the future state, the cost impact of these changes, and how the change will be phased and managed across the service delivery roles.	Continue to develop, maintain, and govern an integrated technology design across: • Digital experience • Service enablement • Cohesive and integrated technology ecosystem • Enabling better insights • Digital workplace (technology enablers for digital ways of working) • Digital workforce (technology focused capability development)	Continue to identify and advise on policy, legal, and integrity issues relevant to the development of programme initiatives and plans. Continue to identify, assess, and enable potential policy and legislative changes that may be desirable to support the Programme across: • Future Service Model • Automated Decision-Making • Service Experience • Client Engagement Practice • Employment Service • Kotahitanga Create and maintain a forward view of any upcoming policy and legislative changes that may impact the delivery of the Programme. Ensure integrity by design is at the forefront for the design of the Programme.

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Transformation management is needed …

We will establish, govern, and manage the Programme to ensure that plans and other pre-requisites are in place, activities are managed, deliverables are produced, benefits are achieved, and change is managed.

Table 25 Scope of transformation management

1 Transformation Office	2 Programme Design & Planning	3 Change, Communications & Engagement
Deliver a single, integrated MSD-wide programme of work that enables transformation to successfully occur Enhance, maintain, and manage an integrated Programme delivery plan. Administer risk and issue management processes and procedures. Manage the preparation of Ministerial briefings, memos, Cabinet papers, Select Committee, and any other Ministerial, Cabinet, or Select Committee communications. Understand, quantify, realise, measure, and report on Programme benefits. Administer Programme governance and oversight arrangements and processes. Manage and coordinate the Programme's assurance requirements. Establish and manage the transformation reporting regime.	*Establish and manage the Programme plans and progress to enable transformation* Manage the overall design of Programme deliverables and supporting artefacts. Develop and maintain Programme delivery plan, ensuring alignment between bottom-up workstream plans and the top-down Horizon roadmap. Coordinate and support Workstream Leads to develop workstream plans, which are aligned to the baselined plan and key milestones. Provide oversight and monitoring of Programme deliverables, including supporting Programme and Workstream Leads to articulate the purpose of the deliverable and its function, who will use it and how it will be used. Support escalations, change requests, and decision traceability.	*Achieve successful adoption by staff and stakeholders of the changes needed to enable transformation* Develop change management strategy, governance, and plans to support the transformation occurring throughout the Programme. Manage and monitor change against plans and update plans accordingly. Identify stakeholders to engage with, develop strategy to engage and ensure integration and alignment with change management and workstream plans. Manage and monitor engagement against plans and update plans accordingly. Develop communications strategy, governance, and plans to support Programme transformation objectives. Manage and monitor communications against plans and update plans accordingly.
4 Service Aggregation & Resourcing	**5 Business Case and Cost**	**6 Centres of Excellence**
Ensure the required providers and resources are available and effectively managed to deliver the Programme Manage and monitor integrated resourcing plan for whole Programme. Review, update, and manage Programme resource requirements, including the identification and sourcing of specialist skills where required (and where they are not available within MSD). Support procurement and contracting activity across the Programme, including adherence with the Government Procurement Rules. Manage the relationship with, and performance of, service providers supporting MSD to deliver Programme outcomes. Monitor service provider performance and progress any interventions required to ensure that services are delivered to the required level of quality, and within desired timelines.	*Secure Programme funding required and manage expenditure against budgets and outcomes sought* Establish and maintain the Programme's Financial Management Strategy, as well as develop and maintain the financial management plan (including funding sources, funding allocations and specified outcomes, budget breakdowns for programmes, portfolios and component workstreams, drawdown dates, and drawdown approvals processes and delegations). Deliver Detailed Business Cases for the Programme, coordinating inputs needed from across the Programme. Monitor and track the Programme's resource usage and spend rates. Manage the ongoing relationship with the Treasury, and with the Minister's office to ensure Cabinet deadlines for submission are met.	*Establish, operate, and manage the Centres of Excellence required to enable transformation* Establish a Centre of Excellence to provide an equity lens to the Programme to ensure that, at workstream and initiative level, thought is given to equity considerations, including those that arise under Te Tiriti O Waitangi, and that the outcomes to be delivered by Te Pae Tawhiti Programme are inclusive and equitable. Establish a Centre of Excellence to support alignment with policy and legislation. *Note: Some Centres of Excellence will continue to be established throughout Horizon One*

HORIZON ONE OPTIONS: We have developed options for Horizon One based on variable levels of ambition for each service change
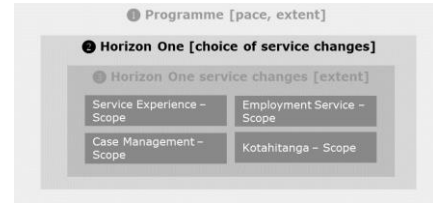
We have developed four options for Horizon One based on different levels of ambition for each of the service changes

Each of the key options identified have been plotted against level of ambition, from designing a solution only up to implementation across all eligible clients. These options are plotted against relative levels of ambition in the following diagram.

Figure 12 Options for Horizon One

Each option is a combination of options within each of the service changes with the required level of supporting foundations, design, and transformation management. These options are discussed below.

Option A: Foundations and design

This option establishes:

- *Service Experience* – procure and establish platform.
- *Employment Service* – design only.
- *Client Engagement Practice* – develop client engagement model and develop plans for implementation.
- *Kotahitanga* – develop design and policy only.

This option is the do minimum option. This option has the lowest overall risk as reflected in the achievability ranking as well as having the lowest overall cost. It will result in significant slowing of the long-term programme with a consequential increase in overall costs, an increase in co-existence costs, and delay in benefits. While it will have the lowest Horizon One costs, it will result in additional costs in later Horizons and delay transformation and changes to our customer experience.

Option B: Pilot and test

This option establishes:

- *Service Experience* – procure and establish platform, implement for MSD staff only.
- *Employment Service* – design, procurement, and pilot.
- *Client Engagement Practice* – develop client engagement model and develop plans for implementation, proofs of concept.
- *Kotahitanga* – develop design and policy, implement new supporting technology, pilot transformed partnership approaches.

This option lays foundations and pilots across all service changes – clients, partners, jobseekers, employers. It does not deliver direct value to any significant client group.

This option will also result in slowing of the long-term programme with a consequential rise in overall costs, an increase in co-existence costs, and delay in benefits.

This option has a higher overall risk as reflected in the achievability rating as it is attempting a higher scope but is still relatively low as it is only implementing a pilot. This option has a higher overall cost than Option A. There will be significant issues in implementing an effective *Employment Service* pilot as it is difficult to partition off parts of the labour market for a pilot. Such a pilot would be impractical – this raises the risk.

Option C: Partially implement

This option establishes:

- *Service Experience* – procure and establish platform, implement for MSD staff, and students.
- *Employment Service* – design, procurement, and implementation.
- *Client Engagement Practice* – develop client engagement model and develop plans for implementation, proofs of concept, students.
- *Kotahitanga* – develop design and policy, implement new supporting technology, pilot transformed partnership approaches.

This option implements transformed services for major cohorts – all jobseekers and students – and implements and tests partnership approaches across a significant subset

72vh7ewzmz 2023-06-12 19:18:10

of all partners, prepares for extension to other cohorts, and delivers measurable value across multiple measures. Monetary benefits will be achieved through reduced benefit payments as more jobseekers find sustainable employment.

This option has a higher risk as it will be rolling out services to a cohort of clients, namely, students. We believe that this risk is manageable and justified by the value that we can achieve. Taking this approach of picking one cohort also helps mitigate risk in the next Horizon.

This option provides the best balance between achievability and value delivered.

Option D: More fully implement

This option establishes:

- *Employment Service* – design, procurement, and implementation.
- *Service Experience* – procure and establish platform, implement for MSD staff, students, other cohorts.
- *Client Engagement Practice* – develop client engagement model and develop plans for implementation, proofs of concept, students, other cohorts.
- *Kotahitanga* – develop design and policy, implement new supporting technology, pilot transformed partnership approaches.

This option would dramatically accelerate the work in Horizon One. It would extend services beyond students and jobseekers and fully implement the social sector commissioning changes. Monetary benefits will be achieved through reduced benefit payments as more jobseekers find sustainable employment.

This would be a very ambitious programme for one Horizon. It would be difficult to resource and manage. The required pace would also not provide sufficient time to truly test and learn. The risk of failure would therefore be very high.

When the options are compared against the investment objectives and critical success factors Option C: Partially implement emerges as the sweet spot with the best balance of ambition and delivered client value

The following table compares the four options against the Programme Business Case investment objectives and the critical success factors. This enables us to pick the best overall option for the Horizon that is in line with the objectives of the Programme Business Case.

Note that the costs are cash costs for the Horizon for comparison purposes and exclude MSD contribution, depreciation, and capital charge.

The monetary benefit for the Horizon One service changes comes from increased employment placing and sustainable employment and will be realised through reduced benefits paid. This is only available for the options where *Employment Service* is fully implemented. The 12-year benefits assume full three Horizon implementation of the Programme.

(Note that that costs are provided for comparative purposes only and do not reflect final agreed costs and scope of preferred option as part of the Budget 23 process.)

72vh7ewzmz 2023-06-12 19:18:10

Table 26 Summary evaluation of options

Evaluation criteria		Option A: Foundations & design	Option B: Pilot and test	Option C: Partially implement	Option D: More fully implement
Investment objectives	Integrated services	Low	Low	Medium High	High
	Partnerships	Low	Low	Medium High	High
	Technology modernisation				
	Risk	Low	Low	Medium High	High
	Agility	Low	Low	Medium High	High
	Information	Low	Low	Medium High	High
	Easier access	Low	Low	Medium High	High
Critical success factors	Te Ao Māori	Medium Low	Medium Low	Medium High	High
	Strategic Fit	Medium Low	Medium Low	Medium High	High
	Business Needs	Medium Low	Medium Low	Medium High	High
	Value for Money	Low	Low	Medium High	Medium Low
	Supplier capacity & Capability	High	High	Medium High	Low
	Affordability	High	High	Medium High	Low
	Achievability	High	Medium Low	Medium High	Low
Benefit realisation		Low	Low	Medium High	High
Horizon One Cost		s 9(2)(b)(ii)			
Horizon One monetary benefits		-	-	~ $16m	~$16m
12-year monetary benefit from Programme		Not estimated: Will be < $1.2b as Programme will be delayed		~ $1.2b	~ $1.2b
Evaluation		Low	Medium Low	Medium High	Low
		Reject "Low ambition" Lays essential foundations but no direct client or partner value – will slow whole programme significantly	**Reject "Insufficient value"** Enables design to be tested but does not deliver significant value to clients or partners – slows programme	**Preferred "Sweet spot"** Enables balanced development and delivers sustainable client value – maintains programme pace	**Reject "Not achievable"** Would deliver excellent value, but is not achievable

KEY

Low	(red)	Medium Low	(brown)
Medium High	(blue)	High	(green)

72vh7ewzmz 2023-06-12 19:18:10

The financial benefits result from improvement in employment outcomes – implementation of the Programme will result in approximate financial benefits of $1.2 billion over 12 years

As noted in the discussion of benefits in the Strategic Case, financial benefits will be achieved from improved employment outcomes. Based on our targeted benefits:

- By the end of Horizon One, there would be an approximate saving of $16 million.

- By the end of Horizon Three, there would be an approximate saving of $0.9 billion.

- After 12 years from the start of the programme – three years after the completion of Horizon Three – there would be an approximate saving of $1.2 billion.

- If the changes are then sustained for 10 years post-Horizon Three, this could result in an approximate saving of $3 billion to $4 billion (there is clearly a high level of uncertainty when extrapolating out this far).

We have presented the 12-year benefits in the comparison table. On this basis we have assumed that the benefits will only be achieved with those options that commit to a full implementation of the Programme over three Horizons.

Note that the estimates for these monetisable benefits are based on core assumptions about the changes we can influence in social and employment outcomes. As these estimated savings will be in Crown appropriations, they will not be directly realisable and will be difficult to monitor.

The implementation risk rises as ambition for Horizon One rises – this is reflected in the achievability critical success factor

The following table summarises the level of risk by ambition option for the core Programme risks identified. This is discussed below.

Option A: Foundations and design – this option will have a low overall risk as it has low ambition for Horizon One with little impact on our clients, whānau, and partners. Risk of funding certainty is likely to be high as direct value is not delivered to any groups.

Option B: Pilot and test – this option has increasing risk as there is more engagement and change risk with client groups.

Option C: Partially implement – this option has a medium/high risk overall, which is to be expected for a change programme of this size.

Option D: More fully implement – this option requires an extensive implementation across Horizon One that is outside our ability to manage. All risk categories will be high as a result.

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Table 27 Summary evaluation of risks by level of ambition

Evaluation criteria		Option A: Foundations & design	Option B: Pilot and test	Option C: Partially implement	Option D: More fully implement
Key risks	Upholding Crown commitment to Te Tiriti o Waitangi Partnership	Low risk	Low risk	Low risk	Medium high risk
	Changes in government priorities	Low risk	Low risk	Medium low risk	High risk
	Funding Certainty	High risk	High risk	Medium high risk	High risk
	Resourcing	Low risk	Medium low risk	Medium high risk	High risk
	Platform Selection	Low risk	Low risk	Medium low risk	High risk
	Benefits Realisation	Low risk	Low risk	Medium low risk	High risk
	Stakeholder Engagement	Low risk	High risk	Medium high risk	High risk
	Change Management	Low risk	High risk	Medium high risk	High risk
Relative risk evaluation		Low risk	Medium high risk	Medium high risk	High risk

KEY

High risk ● (red)   Medium high risk ● (amber)
Medium low risk ● (blue)   Low risk ● (green)

	Option A	Option B	Option C	Option D
	Low Limited scope with no significant delivery of change makes risks relatively low, except for funding	**Medium high** Piloting and testing increases the risk – employment pilot difficult to manage, reflected in engagement and change	**Medium high** Increases overall risk based on ambition of Horizon One	**High** Highest scope and rate of change would bring significant risk across all areas

72vh7ewzmz 2023-06-12 19:18:10

CONCLUSIONS: Our preferred option is to continue the Programme as scoped in the Programme Business Case

Each of the options for Horizon One will have an impact on choices in future Horizons – reducing the service change ambition would lead to a slower pace Programme option

Choosing Options A or B will slow the overall Programme and therefore commit government to a transformation of longer than our scoped three Horizons. Benefits will be delayed, costs will increase, and delivery risk will also increase as the transformation timeframe is extended.

MSD will have an improved understanding of the Programme-wide options after the completion of Horizon One

The completion of the foundation service changes for Horizon One will give MSD an improved perspective on the Programme pace and extent options.

Reducing the scope of ambition of Horizon One will force MSD into a slower pace option before it has sufficient information to assess the impact on value this will have.

Our preferred option is to complete all four service changes at their defined scope

Completing all four service changes at their defined scope supports the highest level of benefits for the Programme and enables the remaining Horizons to occur with no impact on time or ambition. It is therefore our preferred option for Horizon One. The service changes that have been identified are at the core of the Ministry's business, will deliver value to those we serve, and will deliver to the benefits described. They cover the full scope of MSD's transformation programme.
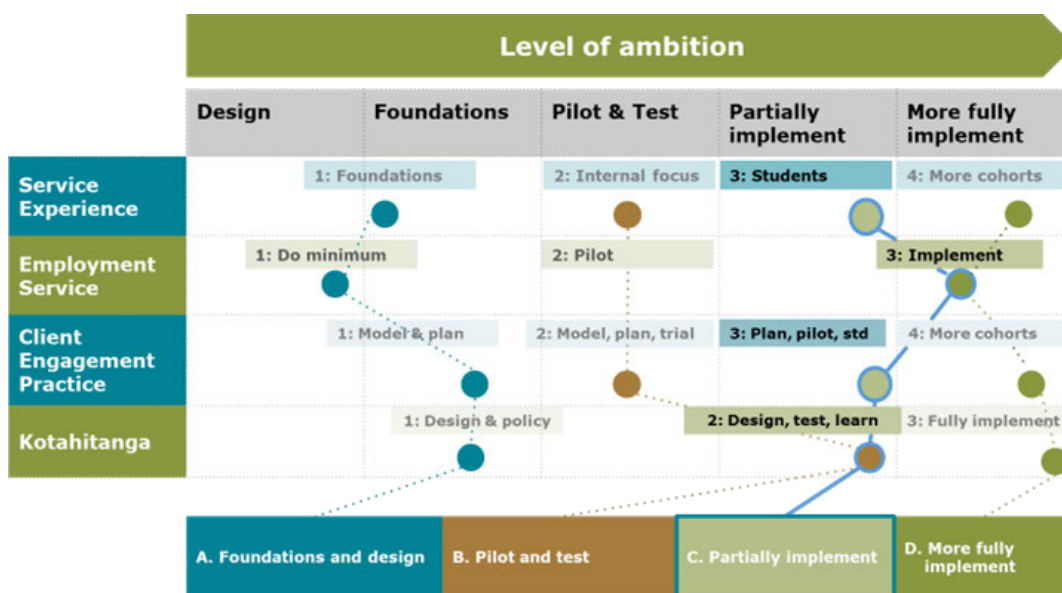
Figure 13 Options analysis summary

72vh7ewzmz 2023-06-12 19:18:10

Our preferred options will lay critical foundations for the next Horizons and deliver value to specific client cohorts

Our preferred option delivers value for cohorts of clients in Horizon One

The following diagram outlines the foundations that are laid by the service changes and the value that is delivered to specific client cohorts.
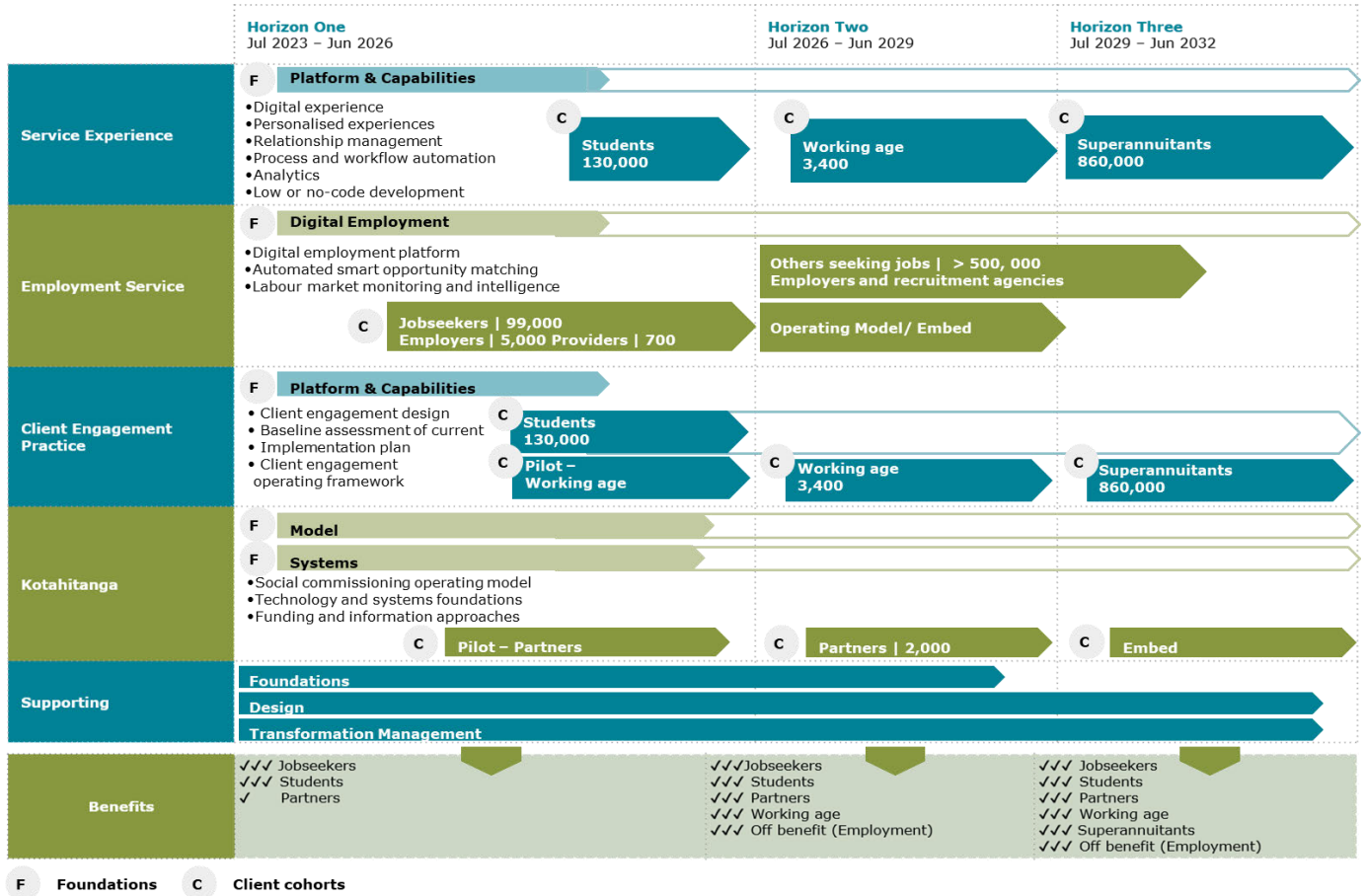
Figure 14 Deliverables from Horizon One

Our preferred option will lay the critical foundations for the next Horizons

The work we complete in Horizon One will lay the necessary foundations for future Horizons. This is summarised in the following table.

72vh7ewzmz 2023-06-12 19:18:10

Table 28 Foundations that the service changes lay for future Horizons

Service Change	Foundations for Horizon Two	Foundations for Horizon Three
Service Experience	*Core system platforms and business capabilities* in place to support rollout to working age: • Digital experience • Personalised experiences • Relationship management • Process and workflow automation • Analytics • Low or no-code development *Time and space available for staff to support those with more complex needs* and Māori, Pacific people, and those with a disability	*Core system platforms and business capabilities* in place to support rollout to seniors *Time and space available for staff to support those with more complex needs* and Māori, Pacific people, and those with a disability
Employment Service	*Core digital employment platform* in place to support implementation of integrated operating model for employment services into the *Service Experience* platform with special focus on Māori, Pacific people, and disabled people *Time and space available for staff to support those at risk of poor labour market outcomes* including Māori, Pacific people, and those with a disability	[*Employment Service* transformation will be complete by end of Horizon Two]
Client Engagement Practice	*Tested client engagement practices and processes* (through pilots) to roll out to working age *Capability profiles and development plans* for client engagement *Plans for implementation* to working age in Horizon Two	*Tested client engagement practices and processes* (through pilots) to enable roll out to seniors *Capability profiles and development plans* for client engagement
Kotahitanga	*Tested Social Sector Commissioning Operating Model* (tested with partners including Māori, iwi, hapū, communities and regions) that identifies how we work at a local, regional and national level *Foundational commissioning management systems* to support partnering and social sector commissioning *Foundational staff capability* needed to support the operating model	*Social Sector Commissioning Sector Operating Model* (tested with partners including Māori, iwi, hapū, communities and regions) that identifies how we work at a local, regional and national level *Foundational commissioning management systems* to support partnering and social sector commissioning *Foundational staff capability* needed to support the operating model

72vh7ewzmz 2023-06-12 19:18:10

Service Change	Foundations for Horizon Two	Foundations for Horizon Three
	consistent with community need and Te Tiriti o Waitangi	consistent with community need and Te Tiriti o Waitangi
	Defined system requirements for Service Experience platform that support the Social Sector Commissioning operating model for us and our partners for implementation	
	Implementation plan for the Social Sector Commissioning Operating Model to enable the partnering strategy	

... Our preferred option will deliver real change in Horizon One for our clients, whānau, communities, and MSD staff

In Horizon One we will deliver significant change across three key areas:

- Students
- Partners
- Employment.

This is summarised in the following table.

Table 29 Change delivered in Horizon One to key stakeholders

Area	Now	Horizon One (2023/24 to 2025/2026)
STUDENT ALLOWANCES AND LOANS		
Students 130,000	Time consuming service and support application process Inconsistent experience across channels, with need to re-explain story Poor online experience Difficult to navigate and find information No single point of access for entitlements	Access to services and supports through channel of their choice – online, phone, face-to-face Changing channels does not require re-explaining story Modern, easy-to-use online experience Accessibility built into the design for Māori, Pacific people, and disabled people Improved experience for application for service or support Accurate, up-to-date online information on progress of service or support application Those with more complex needs or who cannot or are unwilling to use digital channels and who need phone or face-to-face support will be able to get it
Staff supporting students	Difficult to navigate and use systems Cannot easily gain single picture of student situation	Easy to use and navigate systems Single picture of student circumstances and services and supports delivered

72vh7ewzmz 2023-06-12 19:18:10

Area	Now	Horizon One (2023/24 to 2025/2026)
	No single point of access to all information needed	Single point of access for all information needed to do job More time available to support those with more complex needs.
PARTNERING		
Partners 2,000	Māori, iwi and hapū and communities not effectively engaged to support broader social development outcomes Difficult to work with MSD to achieve shared outcomes Not resourced by MSD to engage and participate MSD partnering and commissioning processes are complex, inefficient, and outputs rather than outcomes-based Barriers to diverse partners entering the market	A relational commissioning operating model aligned with Te Tiriti o Waitangi, designed and tested with partners Clear and transparent approach to funding, focused on shared outcomes, not outputs Easier to work with MSD with simpler, more efficient partnering and commissioning and reporting processes Decreased barriers to diverse partners entering the market Information sharing to support outcomes desired, as well as ongoing innovation and learning
Staff supporting partners	Partnering and commissioning processes are complex, inefficient, siloed, and outputs rather than outcomes-based Difficult to use systems Systems constrain staff preventing them from working in a relational way Systems at significant risk of failure in the short term Systems cannot easily gather, store, analyse, use, and share information with our partners or generate evidence and insights on partnering that would foster ongoing innovation and learning	Simple, consistent, efficient, integrated processes that are outcomes-based Systems are modern, integrated, sustainable, and easy to use Systems enable relational commissioning Systems gather and store the information in a form that can be easily accessed, analysed and shared Information supports ongoing innovation and learning
EMPLOYMENT		
Jobseekers 99,000	Cannot currently access jobs and training opportunities (employment services) without needing to engage MSD staff members during office hours – cannot do what is needed solely online Need to switch channels and re-explain circumstances to access service Do not always get referred to the right job or the appropriate help to get it	24/ 7 access to employment and upskilling opportunities Ability to apply for jobs and self-refer to upskilling online in most circumstances Automatic notifications and recommendations for jobs and upskilling opportunities in most circumstances Integrated to ensure information already received can be pre-populated Skills-based matching to allow for quick and accurate matching to available jobs Increased user experience
Employers 5,000	Cannot currently access employment services (eg listing a job) without	Greater awareness and self-service access to the suite of MSD employment services

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Area	Now	Horizon One (2023/24 to 2025/2026)
	needing to engage MSD staff members Cannot easily manage vacancies or access funding options	List jobs online 24X7, and connect directly and quickly via skills-based matching to jobseekers Automated notifications on jobseeker availability and labour market information Options for MSD products (wage subsidies) when jobseekers are eligible Improved user experience
Employment service providers 700	Do not always receive the information needed to best manage the services provided to jobseekers Forecasts for services to providers are often inaccurate – difficult for providers to plan	Ability to receive referrals directly from clients themselves Increased ability to promote training courses and receive more client referrals that are eligible and match to the needs of their upskilling programmes
Staff supporting jobseekers, employers, providers	Have to support clients who would have preferred self-service, thereby losing the opportunity to support the most vulnerable of our clients Matching of jobs, training, and services is time-consuming Poor availability to good labour market information to provide good advice to jobseekers and employers	Full view of jobseeker circumstances and all supporting information needed Good labour market information to give good advice to jobseekers, employers, and providers More time available to support those most at risk of poor labour market outcomes Skills based job matching to allow for quicker and more accurate referrals to sourced jobs Improved user experience

We have ensured that our preferred options for each service change have a clear line of sight back to our Programme objectives

Each of the service changes for Horizon One have their own set of problems and investment objectives that map back to the problems and investment objectives identified in the Programme Business Case. This is illustrated in the diagram on the following page.

We have therefore established a clear "line of sight" from what we are proposing in Horizon One back to what was agreed by Cabinet in the Programme Business Case and forward to the benefits we have identified.

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA
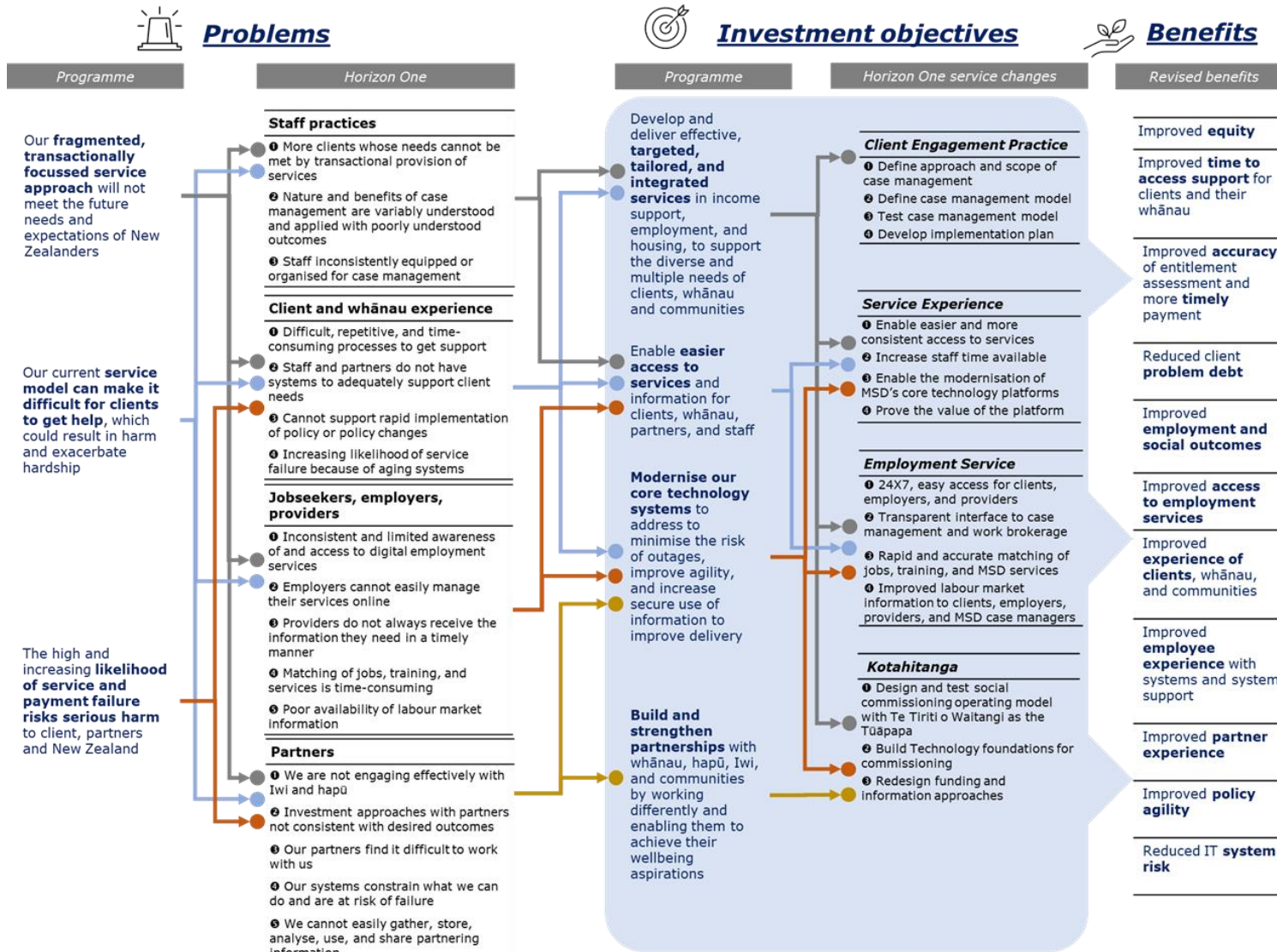
Figure 15 How the proposed service changes map to the Programme Business Case problems and investment objectives

Commercial Case

We are procurement ready and have formal procurement plans in place

We engaged with the market through deep dives with vendors, strategic partner research, and desktop partner reports to support the development of the Detailed Business Case and the design of initiatives for *Service Experience* and *Employment Service*

We completed three forms of market insights and analysis:

- *Research* – this involved MSD, partners, and research organisations undertaking research.
- *Market led showcases and deep-dives* – this provided the opportunity for vendors to describe and demonstrate how they could help the Programme.
- *Strategic partner insights* – we commissioned one of our strategic partners to research and provide insights.

The research ...

We commissioned Gartner[73] and Forrester[74] – two leading market organisations – to provide analysis and insights reports:

- Gartner provided their current research on capabilities and comparisons for *Service Experience* platforms.
- Forrester provided targeted research on key platforms that could meet the Ministry's specific needs for its systems and a report on Human Social Services technology trends and emerging platforms.

... the market-led showcases and deep dives ...

On 14 June 2022, a supplier message was posted on the Government Electronic Tendering Service (GETS), inviting potential vendors to attend a supplier briefing session on 27 June 2022. At this session, the suppliers heard about what the Programme is, the proposed scope for Horizon One, and what we are trying to achieve. An overview of the Future Service Model and digital employment was also provided. Approximately 80 suppliers attended in person or by video.[75]

A market briefing document was published on GETS. This briefing document provided further information on the Programme and invited respondents to complete the response form. The 25 responses received were reviewed by a panel and five respondents were invited to participate in a series of deep-dive sessions.

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[73] See www.gartner.com.www.gartner.com. [Accessed 27 October 2022]
[74] See www.forrester.com.www.forrester.com. [Accessed 27 October 2022]
[75] As reported by the Procurement Team.

72vh7ewzmz 2023-06-12 19:18:10

Each of the five respondents engaged with MSD over three days of intensive sessions to demonstrate their capabilities and discuss how they could meet MSD's requirements for *Service Experience* and *Employment Service*. This included providing information on approaches to implementation and the potential effort and costs required to help inform our planning for Horizon One.

Following the deep-dive sessions, all panel members were offered the opportunity to provide their feedback on each vendor and any insights. Respondents were also asked for their feedback on the process.

... the strategic partner insights

We commissioned Accenture[76] to deliver two case studies on *Service Experience* solution design and implementations from other relevant jurisdictions.

Accenture presented case studies on Employment and Experience Initiatives within a Transformation – specifically the German Federal Labour Agency and the Experience Transformation at the Australian Tax Office. Follow up video meetings were held with experts in Australia and Germany to discuss the case studies in more detail.

The market engagement confirmed the viability of the market, informed our planning for Horizon One and cost estimates, and enabled us to better plan and target our procurement

The market engagement process has given MSD confidence that there are solutions that can meet our requirements for *Employment Service* and *Service Experience*. The evidence gathered shows that there will be different options available, not just for the solution but also the flexibility available around delivery.

Some key conclusions from the market engagement were:

- *There is a viable market for the key procurements we need to undertake* – we identified potential vendors for the *Employment Service* and *Service Experience* with strong confidence ratings in their ability to deliver. In their research, Forrester noted, "There are many different and overlapping technology solutions and combinations of cross-vendor solutions in the modern technology stack that could fulfil MSD's requirements".
- *The respondents presented a wider range of opportunities than we had anticipated* – this was the case especially for the respondents presenting service experience capabilities.
- *We were able to refine our plans* – discussions with vendors enabled us to refine our plans and potential timeframes. Engagement with respondents also enabled us to extend and refine our list of critical success factors and ensure that these are accounted for in our Horizon One plans.
- *We were able to refine our cost estimates* – engagement with respondents around costs has informed our cost estimates for Horizon One and the outyear impacts.

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[76] See www.accenture.com/ [Accessed 27 October 2022]

We have refined our procurement approaches – we have engaged with the market and learned from other agencies and implementations

As we procure services, MSD will continue to retain accountability for Programme aggregation through supply partners

Our delivery environment is already complex with many existing supplier relationships and an integrated programme of work managed at enterprise level. We are already responsible for integrating the delivery of numerous projects and programmes to respond to the needs of our clients and government. To achieve this, we manage a set of partners and suppliers who work with us.

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

- maintain control of risks and accountabilities over each aspect of a service or product
- reduce cost and dependency risks by engaging with many suppliers instead of single supply partner models
- mitigate commercial and delivery risk through the flexibility provided across a range of specialist partners
- continue to integrate across our MSD-wide Integrated Work Programme.

We will continue to be the aggregator for the Programme recognising we will need to augment our own capabilities with additional expertise from the market. Strong coordination and management will be vital to the success of the Programme.

Within our overall role of aggregator, we will appoint Transformation Partners to take accountability for key areas (eg platforms for a specific service change). However, MSD will continue to be the aggregator across its suppliers and Transformation Partners.

To deliver the Programme, we will have dedicated commercial and legal resources to ensure that contracts are aligned and managed successfully and contractual, commercial, and performance management frameworks are in place.

We will continue to use a variety of methods to engage with the market

We will continue to engage with the market through a range of mechanisms. These will include:

- publishing a forward procurement plan (notice via GETs indicating what we are expecting to procure and when)
- briefing and knowledge sessions for current and potential suppliers
- requests for information
- desk-based and supplier-led market analysis sessions
- engagement on investment intentions or policy development
- meetings with industry bodies, key suppliers or a range of suppliers individually

72vh7ewzmz 2023-06-12 19:18:10

- providing pre-tender briefings to suppliers who are interested in a contract opportunity
- market engagement and showcases.

We are engaging in a smarter way with our strategic partners to ensure that we align incentives to what we want to achieve

To ensure that our strategic partners have the incentives needed to support our objectives collaboratively and flexibly, our strategic partners will:

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

We have tailored our procurement approach to a tight market

As we have planned our procurement, we have actively tailored our approaches to a tight market, building on what we have learned from others. This includes:

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

We have adopted key procurement learnings from Inland Revenue's transformation programme

We have adopted many of the learnings from Inland Revenue. These include:

- aligning contracting transformation frameworks to the Programme methodology
- linking contract provisions for products and services to key milestones and/or outcomes
- structured payment regimes to ensure suppliers have 'skin in the game'
- structured frameworks for managing different tiers of suppliers.

We have drawn from the Auditor General's report on Inland Revenue's procurement for the Business Transformation programme

The report outlined the following four recommendations:

- *Improve compliance with the Government Procurement Rules* – we are closely aligned to these Rules, and they are our guide for undertaking all our procurements.
- *Strengthen the application of quality controls for procurement* – each procurement plan that is put in place will have quality compliance requirements included. These will be agreed and enforced by MSD's Commercial Operations Group.
- *Improve the contract record management to ensure a complete and accessible audit trail* – all procurements will require compliance with MSD's records management standards. These will be reviewed by the Commercial Operations Group.
- *Put adequate probity assurance arrangements in place and document the probity approach for procurements* – we will establish fit-for-purpose probity arrangements that we will use for all procurements across the Programme.[77]

All procurement approvals will be managed through our established Procurement Board. The Board ensures that procurement processes follow MSD's policies and guidelines and the Government Procurement Rules.

We have refined the principles we identified in the Programme Business Case that are guiding procurement

Our Programme Business Case included a comprehensive set of procurement principles. We continue to refine these.

We will embed a te ao Māori view

Supporting the Crown in its Te Tiriti obligations and embedding a te ao Māori view will require specialist services from New Zealand supply partners and strong New Zealand input into services provided by our supply partners. We are committed to the principles of *Te Kupenga Hao Pāuaua,*[78] the initiative developed by Te Puni Kōkiri and the Ministry of Business, Innovation and Employment.

We note the challenges of balancing leading Western modality procurement practice with procuring and implementing all our service changes so we can embed a te ao Māori view. We will review the accessibility of the language we use for all our contracting activity.

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[77] See, Controller and Auditor General, *Inland Revenue Department: Procurement for the Business Transformation programme* (NZ Government, March 2018). oag.parliament.nz/2018/ird-procurement/docs/ird-procurement.pdf [Accessed 8 August 2022] oag.parliament.nz/2018/ird-procurement/docs/ird-procurement.pdf [Accessed 8 August 2022]
[78] See, Te Puni Kōkiri, *Progressive Procurement* (TPK, August 2021). www.tpk.govt.nz/en/a-matou-kaupapa/maori-economic-resilience/progressive-procurement [Accessed 8 August 2022]

We will seek broader outcomes for New Zealand from our procurement

We will ask specific questions in our procurement documents and apply suitable weightings around broader outcomes to foster the growth of NZ Incorporated capacity and capability as well as growing Māori and Pacific capabilities.

We will seek transformation partners with the critical expertise we need

The Programme will be implementing complex change across the organisation. Transformation partners with the appropriate expertise will be required.

We will continue to require tactical suppliers for services and products not considered strategic for the Programme

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

We will follow best practice sourcing approaches

Our procurement policy, Government Procurement Rules,[79] probity protocols, and partnering models will be adhered to. We will ensure that vendors are provided sufficient time to prepare submissions given the potential complexity of the solutions we require.

Our preference will be to use open market procurements

Procurements will be published as open tenders on GETS. Any closed processes will be identified and endorsed through MSD governance processes.

We will engage with the market early and often to understand what it can deliver

We will engage with the market early and often on the components of the Programme we need to deliver and inform possible suppliers of our intended path before publishing the opportunity. This will allow us to manage expectations as well as 'warm up' potential collaborations. We will conduct early market research using research agencies as well as building on the insights of our strategic partners.

We will use several sourcing channels across a range of requirements and expertise

We will use a hierarchy of sourcing channels to guide our decision-making. While we have many existing agreements with suppliers, we also recognise many of our requirements will be new or unique. Across the life of the Programme, we will engage with both the global and local market.

We will boost MSD's sourcing expertise to support the Programme

Our Commercial Operations Group will lead sourcing and procurement activity and support partner management for the Programme. Resources will flex to support the needs of the Programme. We will continue to seek sourcing advice from experts to support procurement and evaluation activities.

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[79] See, New Zealand Government Procurement, *Government Procurement Rules* (NZ Government, nd). www.procurement.govt.nz/procurement/principles-charter-and-rules/government-procurement-rules/ [Accessed 8 August 2022]

72vh7ewzmz 2023-06-12 19:18:10

We will embrace different ways of working

We will continue to consider different ways of working to deliver the outcomes required for a transformation of this nature. This will mean we make clear decisions about how we resource packages of work, either through internal resource development or deployment or partnerships with other government agencies to leverage capability.

We will have strong procurement governance and probity arrangements

Probity protocols will be developed with regular probity audits conducted to ensure that the sourcing activities are sound, transparent, and fair to all suppliers. Specialist probity roles will be added to the Programme Team, likely to include a probity advisor and a probity auditor.

We understand the range of services we need for Horizon One and already have many arrangements in place that meet many of our procurement needs

We understand the range of services we need for Horizon One

We have defined our procurement requirements across our Horizon One service changes, and the supporting work in foundations, design and transformation management. The key categories of products and services we will need to procure for Horizon One are:

- *Design* – services required to support the understanding of requirements and the design of what is required to be implemented.
- *Product* – products required to support the service change or support components.
- *Implementation* and *integration* – expertise as to how to develop, customise, configure, implement, and support the chosen products needed, as well as integrating them into our existing environment.

How these categories fit with our needs for Horizon One is illustrated in the following table.

Table 30 Procurement requirements for Horizon One

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We already have comprehensive supplier and panel arrangements in place to meet some of these service needs

We have already formed strategic partnerships with advisory partners who have been supporting us in the planning phases. We also have existing key partners who may continue providing services.

72vh7ewzmz 2023-06-12 19:18:10

The key existing relationships are summarised in the following table.

As can be seen, the key areas where arrangements are not in place are:

- *Service Experience* – products and implementation/integration
- *Employment Service* – products and implementation/integration.

There may also need to be additional procurements undertaken to complement and enhance the products and suppliers identified in this analysis.

Table 31 Services and products required and existing supplier arrangements – Major procurements marked

Programme Area		Procurement approach		
		Design services	**Solution**	**Implement/Integrate /Support services**
Service changes	**Service Experience**	Accenture [ICT architecture advisor] ICT architecture panel – being established PwC [service design]	New Service Experience platform(s) – no existing major supplier arrangements DXC [existing SWIFTT welfare payments system] Fronde [existing SAL student allowances system] IBM /Merative [existing Cúram case management system] OpenText [OpenText correspondence system] Genesys [call centre systems]	No existing major supplier arrangements
	Employment Service	Accenture [ICT architecture advisor] ICT architecture [panel being established]	New Employment Service platform – no existing major supplier arrangements	No existing major supplier arrangements
	Client Engagement Practice	PwC [case management design services]		
Supporting	**Kotahitanga**	Accenture [ICT architecture advisor] ICT architecture panel – being established	Oracle [contract management]	Accenture [Corporate Platform integration partner]
	Foundations	Security AoG panel Accenture [ICT architecture advisor]	Amazon Web Services [AWS cloud platform] Atlassian [collaboration systems] Cloud trans t on [Datacom] IBM [integration platform] Microsoft [Azure cloud platform] Microsoft [Office 365] Microsoft [SharePoint] Oracle [data] Oracle [FMIS] SAP [HRMIS, payroll] SAS [Data and analytics] Spark [data centres, contact centres, 0800, TaaS] Spark [secur ty SIEM system] Vodafone [mobil ty solutions] Westpac [payments, cards]	Accenture [Corporate platform integration partner]
	Design	PwC [Future Serv ce Model serv ce design] Specialist data consultation panel		
	Transformation Management			Accenture [costing and benefits] Accenture [planning and adv ce services] Agile services panel KPMG [assurance] Procurement resourcing panel PwC [programme office services]

72vh7ewzmz 2023-06-12 19:18:10

We have identified how we will procure the new products and services needed

Our procurement approaches are informed by our standard procurement hierarchy

We will procure products and services using our agreed procurement hierarchy:

1. *Existing MSD Agreement* – these will be used where they are compliant with the Government Procurement Rules and match the requirements of the product or service to be procured.

2. *All-of-Government (AoG) Contract* – these will be used where existing MSD agreements do not fulfil requirements.

3. *Syndicated Procurement Agreement (other Agency-led)* – these will be used where common capability requirements are not suitable.

4. *Approach to open market* – where none of the above arrangements are suitable, MSD will go to the open market.

We note that in some cases, we will need to undertake more requirements and design work to determine the procurement approach to take.

How these approaches will be applied are summarised in the following table.

Table 32 Services and products required and existing supplier arrangements – Major procurements marked

Arrangements and requirements		Procurement approach		
		Design services	**Solution**	**Implement/Integrate/ Support services**
Service changes	**Service Experience**	Existing MSD Agreements – current suppliers and panels	Approach to open market – Transformation Partner	
	Employment Service	Existing MSD Agreements – current supplier	Approach to open market – Transformation Partner	
	Client Engagement Practice	Existing MSD Agreements – current suppliers and panels	Procurement not required	
	Kotahitanga	Existing MSD Agreements – current suppliers and panels	Existing MSD Agreements – current suppliers [Contract Management System]	Existing MSD Agreements – current suppliers
Supporting	**Foundations**	Existing MSD Agreements – current suppliers and panels	Existing MSD Agreement – current suppliers	Existing MSD Agreement – current suppliers
	Design	Existing MSD Agreements – current suppliers and panels	Procurement not required	
	Transformation Management	Procurement not required		Existing MSD Agreements – current suppliers and panels

72vh7ewzmz 2023-06-12 19:18:10

MSD already has existing supplier arrangements and/or panels in place for all of the procurement required with the exception of *Service Experience* and *Employment Service*.

We will seek Transformation Partners for *Service Experience* and *Employment Service*

Service Experience and *Employment Service* will require major procurements that cannot be met by existing MSD arrangements or AoG contracts. We do not believe that pursuing a syndicated procurement agreement is appropriate for the capability we specifically require for MSD for these service changes.

We have identified four key options for these procurements:

1. *Go to market for the software platforms first and then return to market to select an implementation partner* – will add four to six months to timeframe and reduces the ability to pass risk to the implementer.
2. *Go to market for joint bids from solution provider and implementation partner* – some product providers will not suggest a partner, limiting the responses MSD will receive.
3. *Go to market for solutions needed and MSD implements them* – MSD needs to take on integration risk with reduced ability to hold product providers to account.
4. *Go to market for Prime Partner who recommends the appropriate solutions and will implement them* – this approach supports mature contracting and ensures the Transformation Partner takes on risk.

Our preferred option therefore is to go to market for a Transformation Partner. This approach enables us to:

- ensure that the integration expertise is available, and we do not have to source all the products and integrate them ourselves
- have a shorter procurement time
- not exclude any product sets because vendors are unwilling to recommend a partner
- ensure we can source a lead vendor who will take on a significant proportion of the delivery risk.

The remainder of the services we require for Horizon One can mostly be procured through existing supplier contracts, panels, and AoG contracts (as noted above).

The Transformation Partner approach enables us to better manage risk

The Transformation Partner will hold the risks and the relationships with the other parties that are required to deliver the solution through the contracts it has in place to manage them and the risk it decides to manage itself. This structure will help move significant responsibility and risk to the Transformation Partner. We will manage this through appropriate commercial agreements.

Service Experience requires the procurement of a Transformation Partner who brings the required products and services

For *Service Experience* we need to procure a Transformation Partner that will recommend the appropriate platforms and products and configure and implement these to meet our needs.

The Transformation Partner service requirements are summarised in the following diagram.
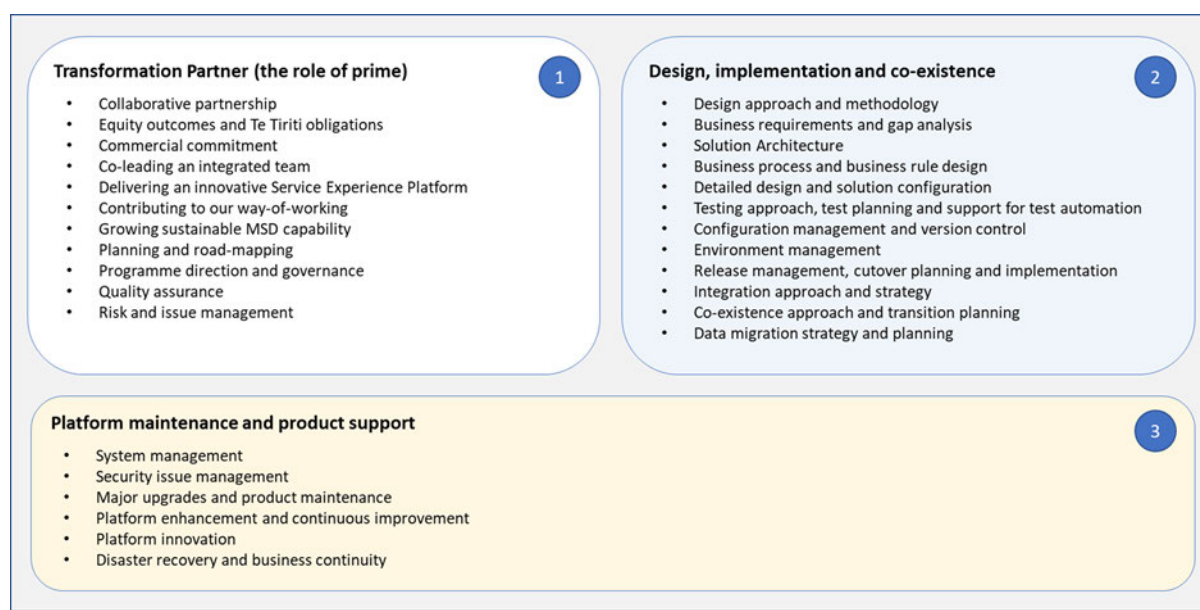
Figure 16 Transformation Partner service requirements

The procurement undertaken will require testing the ability and experience of the Transformation Partner, to help grow our own capability and capacity to support the experience platform. This will include knowledge transfer, upskilling of our teams, and any other professional service activities.

We will require support from the Transformation Partner after going live and will extend this support until we have confidence in our internal ability to manage the platform.

Also, depending on the solutions procured, we will need to procure:

- partner(s) to support the integration of the solutions into the MSD ICT environment
- partner(s) to support the decommissioning of legacy systems and the migration of data to new platforms.

Service Experience will be a complex procurement with vendors being asked for an integrated 'big footprint' approach

Service Experience requires a platform or platforms and not just a thin digital layer that covers MSD's existing applications – we will need a stack of the integrated capabilities required to deliver the future service experience. The platform will cover a broad range of the functions across our technology landscape needed to deliver on the capabilities of the Future Service Model. These functions are summarised in the following diagram.
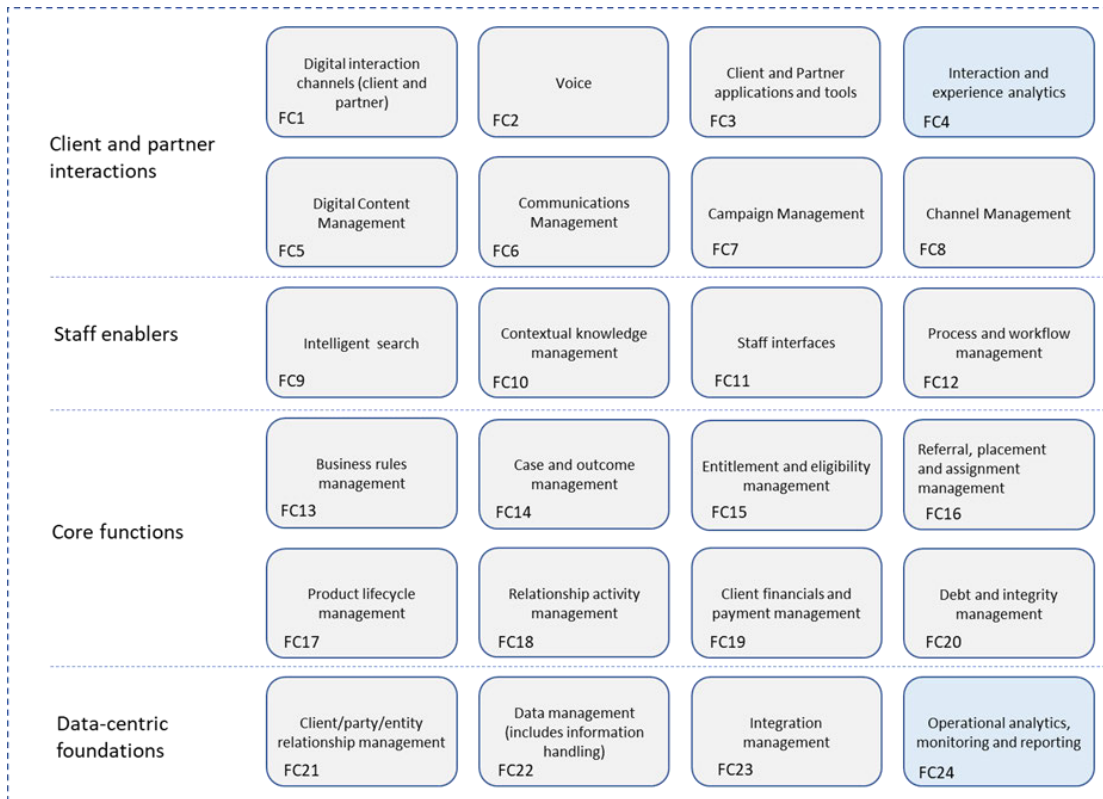
Figure 17 Service Experience capabilities sought

We will use an outcome-based Request for Proposal (RFP). This will have a broad functional scope and will be seeking a 'big footprint' solution that provides integrated service delivery capability, connecting product, service, customer and process across interaction channels for clients, partners and staff. Going to market with a broad functional scope will allow us to consider an integrated 'big footprint' solution covering large areas of our functional scope or a 'best-of-breed' solution covering multiple solutions integrated together.

The RFP document will be clear about our intent to simplify our technology architecture and replace or retire existing systems.

Decisions on what we retain in our current architecture will be made alongside the procurement process. Within the RFP document, we will provide our current thinking on whether to replace or keep any existing applications, eg prefer to completely replace system x, prefer to retain system x, open to keeping either parts of system x, or none. This approach means that respondents can understand our current thinking, but can also propose an alternative approach.

We will provide sufficient information on other applications in our technology landscape that are outside of the scope of the experience platform but still need to be integrated with it. This will allow respondents to ensure that their proposals fit within the broader enterprise architecture.

We will ensure that our non-functional requirements are clear, including our need to support policy agility, coherence, and consistency, as well as rapid response to changes in our wider environment.

72vh7ewzmz 2023-06-12 19:18:10

Supplying this level of detail will enable RFP respondents to give us their view on the best mix of solutions they believe will deliver the outcomes we are striving to achieve.

Because of the size and significance of the services and products required, we believe that an open market tender should be used. This will help ensure that we are not excluding suppliers or products.

The procurement plan is summarised in the following tables.

Table 33 *Service Experience* procurement summary

Service Experience			
Scope of procurement	Procurement of *Service Experience* platform and services to implement and support		
Existing arrangements	None		
Proposed procurement approach	Open tender		
Payment mechanism	Mechanism is likely to be monthly payments based on licensing payments and payments for services with retention – to be confirmed at time of contract		
Contract type	A Master Services Agreement with terms that are fit for purpose for the outcomes MSD will be procuring and licence agreements for individual products		
Contract term	Five years plus three years plus three years – to be confirmed at time of contract		
Risk allocation	The Transformation Partner approach will enable us to allocate significant risk to the vendor. Risks will be allocated as follows: • Transformation Partner for provision and operation of the *Service Experience* platform • Ministry for systems that it interfaces to the *Service Experience* platform • Ministry for roll-out and change management. Risk transfer will be negotiated and confirmed at contracting		
	Ministry	**Supplier**	**Shared**
Development and configuration risk			✓
Transition and implementation risk			✓
Availability and performance risk		✓	
Operating risk		✓	
Variability of demand risks			✓
Termination and takeover risks			✓
Technological advancement risks			✓
Financing and residual value risks	✓		
Security risks (IT)			✓

72vh7ewzmz 2023-06-12 19:18:10

Table 34 *Service Experience* procurement timeline

Steps	Start Date	Completion Date
Supplier Briefing Chief Executive and Deputy Chief Executive Transformation / SRO will introduce the market to the upcoming tender via a live briefing session. Interested parties will also be able to attend online.		04/07/2023
RFP released on GETS		**10/07/2023**
Response time Respondents	10/07/2023	19/09/2023
Supplier Q & A online option		18/07/2023
Supplier Q & A online option		11/08/2023
Supplier Q & A online option		25/08/2023
RFP written close		**19/09/2023**
Procurement compliance check and prep for release to Eval Panel – including COI process		20/09/2023
Eval Panel RFP evaluation period	21/09/2023	12/10/2023
Eval Panel Finance Specialist initial reviews commence in parallel. Input for post presentation stage	21/09/2023	3/11/2023
Consolidation of eval scores, comments, strengths & weaknesses, observations for next stages	13/10/2023	17/10/2023
Eval Panel Moderation and discuss what we need to cover with each Respondent who is shortlisted for the presentation stage		19/10/2023
Question lists for Respondents prepared. Reviewed and endorsed by Eval Panel.	20/10/2023	24/10/2023
Shortlist to presentation stage recommendation paper drafted and endorsed by necessary parties	20/10/2023	31/10/2023
Shortlist recommendation paper approved by Procurement Board		3/11/2023
All Respondents notified of outcome as related to them		**4/11/2023**
Final Presentation Agenda and targeted question lists sent to shortlisted Respondents		4/11/2023
Continued preparation time for Respondents re Presentations (based on receiving question list)	4/11/2023	14/11/2023
Presentations over 4 days (3 – 4 hours each)	15/11/2023	21/11/2023
Eval Panel complete eval from Presentations	22/11/2023	24/11/2023
All Evaluation content consolidated and prepared for moderation	27/11/2023	29/11/2023
Evaluation panel moderation across written and presentation, seeking to identify top Respondents to progress through to Solution Due Diligence (product testing).	30/11/2023	4/12/2023
Recommendation to shortlist to Solution Due Diligence prepared. Reviewed and endorsed by Eval Panel	5/12/2023	11/12/2023
Shortlist Recommendation for Solution Due Diligence sent to Governance for review and approval	11/12/2023	14/12/2023
All Respondents notified of outcome as related to them		**14/12/2023**
Debriefs for unsuccessful Respondents completed		**5/06/2024**
Drafting for Due Diligence process, including product testing scope and scripting commences	7/07/2023	24/10/2023
Review cycles for all Due Diligence information	25/10/2023	5/12/2023
RFP Due Diligence Document Suite released to Final Shortlisted Respondents	**15/12/2023**	**15/12/2023**
Configure / Prep time for Shortlisted Respondents prior to commencement of product testing	15/12/2023	15/02/2024
Initial Q & A session offered to each Shortlisted Respondent (assume 2)	16/01/2024	18/01/2024
Product Testing Window	16/02/2024	22/03/2024
Due Diligence Delivery and Commercial cycles – 1 (1 day each Respondent, 1 day summarising and discussing internally – identify next content for validation)	8/02/2024	14/02/2024

72vh7ewzmz 2023-06-12 19:18:10

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

Steps	Start Date	Completion Date
update, review, prep for next DD cycle	15/02/2024	19/02/2024
Due Diligence cycle – 2	20/02/2024	26/02/2024
update, review, prep for next DD cycle	27/02/2024	29/02/2024
Due Diligence cycle – 3	1/03/2024	7/03/2024
update, review, prep for next DD cycle	8/03/2024	12/03/2024
Due Diligence cycle – 4	13/03/2024	19/03/2024
update, review, prep for next DD cycle	20/03/2024	22/03/2024
Due Diligence cycle – 5	25/03/2024	29/03/2024
update, review, summary	1/04/2024	3/04/2024
Individual evaluations of product testing / environment completed and submitted	4/04/2024	9/04/2024
Collation and summary of results for Product Testing stage prepared	10/04/2024	12/04/2024
Eval Panel meets and moderates – agreeing final preferred supplier.	15/04/2024	16/04/2024
Recommendation drafted. Reviewed and endorsed by Eval Panel	17/04/2024	19/04/2024
Recommendation for preferred supplier sent to [Governance] for review and approval	19/04/2024	24/04/2024
Preferred Transformation Partner informed (subject to successful negotiation)		**24/04/2024**
Debrief for unsuccessful Respondent completed by:		**5/06/2024**

72vh7ewzmz 2023-06-12 19:18:10

Employment Service also requires the procurement of a separate Transformation Partner who brings the required products and services – this is likely to be a commercial-off-the-shelf solution

The market engagement process has indicated that it is likely we can procure an off-the-shelf cloud-based solution for *Employment Service*.

For *Employment Service*, we need to procure:

- a Transformation Partner that will recommend the appropriate platform(s) and solution(s) and configure and implement these to meet our needs
- core digital employment platform(s) to support the delivery of an enhanced experience for MSD clients, employers, providers and staff.

Also, depending on the solutions finally implemented, we will need to procure:

- partner(s) to support the integration of the platform into the MSD ICT environment
- partner(s) to support the decommissioning of legacy systems and the migration of data to new platforms.

Employment Service will be seeking an off-the-shelf solution to meet our core digital employment requirements, with the add-on solutions, implementation, and integration services needed

Our market engagement and research indicates that there are off-the-shelf solutions that can meet our digital employment platform needs. We will be seeking the solutions and a Transformation Partner to integrate and implement them to meet our needs. The core platform will need to deliver:

- Digital employment platform for job seekers, employers, and providers.
- Automated smart opportunity matching.
- Interfaces to the *Service Experience* platform (integration will occur in Horizon Two).
- Labour market monitoring and intelligence.

Procurement will occur through open-market procurement. The market engagement has enabled us to understand the market for the products and services required for *Employment Service*. Because of the size and significance of the services and products required, we believe that an open market tender should be used. This will help ensure that we are not excluding suppliers or products.

The procurement plan is summarised in the following tables.

72vh7ewzmz 2023-06-12 19:18:10

Table 35 *Employment Service* procurement summary

Employment Service	
Scope of procurement	Procurement of *Employment Service* platform and services to implement and support
Existing arrangements	None
Proposed procurement approach	Open tender
Payment mechanism	Mechanism is likely to be monthly payments based on licensing payments and payments for services with retention – to be confirmed at time of contract
Contract type	A Master Services Agreement with terms that are fit for purpose for the outcomes MSD will be procuring and licence agreements for individual products
Contract term	Five years plus three years plus three years – to be confirmed at time of contract
Risk allocation	The Transformation Partner approach will enable us to allocate significant risk to the vendor. Risks will be allocated as follows: • Transformation Partner for provision and operation of the *Employment Service* platform • Ministry for systems that it interfaces to the *Employment Service* platform • Ministry for roll-out and change management. Risk transfer will be negotiated and confirmed at contracting

	Ministry	Supplier	Shared
Development and configuration risk			✓
Transition and implementation risk			✓
Availability and performance risk		✓	
Operating risk		✓	
Variability of demand risks			✓
Termination and takeover risks			✓
Technological advancement risks			✓
Financing and residual value risks	✓		
Security risks (IT)			✓

Table 36 Procurement timeline

Activity	Date
Pre-open tender meeting	4/7/2023
Tender released on GETS	10/7/203
Supplier briefing 1	18/7/2023
Supplier briefing 2	20/7/2023

72vh7ewzmz 2023-06-12 19:18:10

Activity	Date
Vendors questions end	7/8/2023
Tender closes (27 business days)	17/8/2023
Shortlist approved	18/9/2023
Supplier demos completed	9/10/2023
Pricing discussions completed	12/10/2023
Preferred solution confirmed	26/10/2023
Product testing and contract dialogue completed	8/12/2023
Contract negotiation commences	18/12/2023

A cross-functional team will evaluate the bids – one for each of the two service changes – and recommend the preferred supplier against evaluation criteria

The key aspects of the evaluation process are:

- A cross-functional team will undertake the evaluation process.
- The evaluation panel will include non-voting members to manage and advise on such things as vendor liaison, financial analysis, legal advice, any deep technical knowledge requirements, and probity.
- The evaluation model and weighting will be provided to potential respondents in the RFP documentation.
- Suppliers will be encouraged to detail new and innovative ways to deliver the specifications.
- Evaluation and/or due diligence may include demonstrations, detailed engagement, site visits, customer references, live systems for MSD to interact with, interviews of key staff proposed, and provision of further information.

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

We will use Master Services Agreements with terms that are fit-for-purpose for the outcomes MSD will be procuring and licence agreements for solutions and services. We will base our contracts on established, best practice contracting frameworks.

The contract and key milestones are being determined for each of the procurements required. Contract length is dependent on the services required, relationship type, and Programme delivery phases. In some cases, these may be over multiple financial years. Our contracting provisions for services or products may include:

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

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

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

We will use a range of payment mechanisms

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We are establishing frameworks to manage contracts, escalations, change, performance, and relationships – these will build on existing arrangements

We have a contractual model established for the Programme's key strategic partners. These contracts include the key areas of roles and responsibilities, escalation, mediation, and urgent relief and change control. In this model we will be seeking to ensure that our Transformation Partners own and manage a significant portion of the solution and implementation risk.

This model will be expanded to include management arrangements for new strategic and operational partners as these are appointed, including those for managing contracts and performance requirements through dedicated contract managers. Performance and relationship management frameworks, tailored to each requirement, will be agreed, reviewed, and documented to support the MSD's Service Aggregator role. These arrangements will enable us to control costs, drive service excellence, and mitigate risks.

There will be a named resource person who has the responsibility for relationship management with each provider. This person will need to understand the supply partner's business and strategic goals and be able to see issues and risks from their supply partner's point of view, while balancing our own requirements and priorities.

We will be open, transparent, and upfront with our partners and have a 'no surprises' ethos, and actively seek feedback from our partners on our performance. We will use regular structured management sessions, including allowing our partners to provide feedback on our performance.

72vh7ewzmz 2023-06-12 19:18:10

We will ensure appropriate financial treatment

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

Financial Case

This financial case reflects the funding as part of Budget 23 to fund Te Pae Tawhiti Programme for the first two years of Horizon One

MSD has worked with Treasury to agree funding for Te Pae Tawhiti Programme for the first two years of Horizon One. s 9(2)(f)(iv)

We estimated the costs for the core categories through activity-based costing, market insights, and assumption-driven approaches

Activity-based costings were developed using effort estimates developed by the Programme

Activities for Horizon One were determined as part of Strategic Alignment Workshops.

Estimates of effort, team sizes, and numbers of teams for Horizon One activities were developed in workshops with key staff and participants from our Strategic Partners.

Costing insights gathered from the market engagement process enabled us to refine our costs

The market engagement process involved five vendors providing cost estimates. This information was synthesised from estimation data from other sources.

Assumption-driven approaches to costing were used in key areas

Programme cost assumptions were derived using bottom-up, resource-level cost estimates.

Co-existence assumptions were developed by key staff and validated by experts who have undertaken similar transformations for public sector entities within New Zealand.

The following table summarises how the costing approaches were used across the key cost categories.

Table 37 How the costing approaches were used

	Service Change	Activity-Based Costing (FTE)	Market Insights	Assumption-Driven	Benchmarks
Service changes	Service experience	✓	✓		
	Employment Service	✓	✓		
	Client Engagement Practice	✓			
	Kotahitanga	✓		✓	
	Design	✓			
	Transformation management			✓	✓
	Foundations	✓			✓
	Co-existence			✓	✓

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We have estimated cash costs for the first two years of Horizon One – $183 million excluding any contingency

The estimated total cash costs for the first two years of Horizon One are summarised in the following table.

Table 38 Years one to two costs estimates (cash, excluding contingencies)

s 9(2)(b)(ii)

Note that these costs are undiscounted.

72vh7ewzmz 2023-06-12 19:18:10

Based on a commitment to transformation, we identified funding of up to $83 million that can be reprioritised from within MSD's baselines

This reprioritisation relies on the Programme work in Horizon One going ahead and will reduce our capacity to focus on other change activity

A commitment to transformation enables MSD to reprioritise existing funding from projects that will no longer be required to the same level if the Programme commences, and transformation starts. It also enables us to reprioritise balance sheet funds that are earmarked for existing technology that will be replaced by the Programme. It will reduce our capacity to focus on other change activity.

Reprioritised capital programme funding (in-flight projects and technology baseline) of $43 million

Capital funding will be made available by redirecting funding from our capital work programme that would have been applied to either investing in new work or maintaining and improving our current platforms and infrastructure.

For example:

- Digital Workplace continuous improvements using the Microsoft 365 platform, storage and compute advancements, and service modernisation activities.
- Client Management System improvements in employment service delivery not required as a result of transformation.

We expect to be able to reprioritise to the Programme approximately 20% of capital funding in the 2023/24 year, with this increasing in 2024/25. The impact of this reprioritisation will be mainly in work associated with maintaining and improving our current systems platforms. Given we currently prioritise through incremental planning we will continue to balance our portfolio of work against legislative and Ministerial priorities and technical, and critical systems and assets work.

There may be a flow on impact to our ability to deliver some work should our wider work programme demand continue to increase. We will address this through improved processes and management of capacity to continually prioritise to make room to transform.

Non-Backfilled FTE transferred from current state of $40 million

This is departmental personnel funding for business-as-usual resources that will be moved to the Programme and not backfilled. This occurs where work is no longer required because of what the Programme will deliver in Horizon One.

We have already factored into our planning the transfer of technology resources into the Programme as work on heritage systems decreases.

Service Delivery implementation teams will also start to redirect resource into the transformation programme from the start of Horizon One and this will ramp up over the horizon.

72vh7ewzmz 2023-06-12 19:18:10

Redirection of staff will have impacts on the work programme and MSD plans to manage that impact as part of our existing prioritisation and planning processes.

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Budget 23 agreed a total of $183 million for 2023/24 to 2024/25 – including savings of $83 million from MSD's baselines – with $20 million appropriated for the 2023/24 financial year and $80 million in tagged contingency

In April 2023 joint Ministers with delegated authority from Cabinet agreed to the tranche of funding for the Te Pae Tawhiti Programme, namely delivering Horizon One of MSD's Transformation initiative.[80]

The total funding amount agreed in Budget 23 was up to $183 million over the 2023/24 and 2024/25 financial years, consisting of:

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

Of the $183 million, $150.8 million is operating and $32.2 million capital.

The savings from within MSD's baseline will be applied through fiscally neutral capital to operating swaps and through operating and capital funding transfers within MSD.

Therefore, this business case seeks to appropriate $130.8 million for the Horizon One initiative to Vote Social Development, Departmental Other Expenses, Te Pae Tawhiti – Horizon One (MYA) across the 2023/24 and 2024/25 financial years. The balance of funding ($32.2 million) for this initiative will be an allocation of capital funding from within MSD's existing capital programme. This will then (when the $20 million already appropriated is added) provide a total of $183 million across the forecast period for Horizon One.

Ministers also agreed that the Minister for Social Development and Employment and Minister of Finance are required to be satisfied that the level of further savings available from within MSD's baselines for reprioritisation are sufficient to progress the first two years of Horizon One.[81]

We have ensured that the scope of the service changes are consistent with the funding available.

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[80] See CAB-23-MIN-0139 (April 2023).
[81] See CAB-23-MIN-0139 (April 2023).

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

The cost and funding estimates rely on key assumptions

The key costing assumptions are outlined in the following table.

Table 39 Key financial assumptions

Category	#	Assumption
General	1	Values are discounted using a rate of 5%.
	2	Risk and uncertainty will be addressed via s 9(2)(f)(iv)
	3	Any demand-related FTE increases during the Programme lifecycle are not included given they would be required regardless of the Programme operating or not.
	4	Depreciation commences from year four when the asset/s being established (system integrations) are ready for use. This is not included in the costings since it commences outside of year two.
Cost avoidance	5	Any reductions in MSD's current state departmental expenditure due to the Programme will not be quantified. This includes IST cost avoidance and cost savings due to improved efficiency.
Years 1-2	6	Year 1-2 costs include standing teams and excludes ramp-up for Year 3 and Horizon 2.
Programme	7	Horizon Zero Costs have not been included since any Horizon Zero scope that is not delivered within FY23 will have available funding rolled over from FY23.
Workforce	8	There are no impacts on staff remuneration as a result of the scope of Years 1-2.
Funding	9	s 9(2)(f)(iv)

The full set of assumptions can be found in the supporting costing documentation.

72vh7ewzmz 2023-06-12 19:18:10

We have assessed the impact of Horizon One costs on overall costs across the three Horizons and the estimates in the Programme Business Case for the whole programme still stand

We continue to re-evaluate our estimates for the whole Programme for all three Horizons. As at the time of this business case, our estimates for the whole Programme sit around the middle of the estimates presented in the Programme Business Case, namely $2.1 billion to $2.6 billion. We continue to reassess the Programme costs (including ongoing maintenance and licensing costs) and will provide a detailed update in the next Detailed Business Case.

In the first Horizon, our uncertainty rises year on year – we are confident that we can manage costs within our estimates for the first two years, but year three is where most uncertainty lies

The Programme has undertaken a significant and rigorous replanning exercise for Horizon One following Budget 2023 decisions. The confirmed funding for individual service changes and workstreams is lower than previously thought, which has resulted in varied scope reductions across the programme. Horizon One plans have been recast considering the revised cost envelope and the need to maximise benefits and manage risk.

Due to the nature of Budget 2023 decisions, a formal contingency is not in place. Due to the ramp up and scaling of resources/work (e.g. not all additional resources will be in place on 1 July for instance; there is a month long stand down over the Christmas period for all consultants and contractors) and the fact that the current numbers have not been phased yet, we believe there will be contingency in each workstream.

If unexpected costs appear in years one or two, MSD will look to its baseline to meet the need. We expect the regular reporting to Ministers to support the confidence around financial management.

The uncertainty of the costs will change through the Horizon depending on the phase the Programme is in. When we consider the profile of the Programme in the first Horizon, we believe that the uncertainty will rise from year two onwards and become especially apparent in Year Three. The key phases are illustrated in the following table.

Table 40 Key programme phases

Service change	Core work undertaken in years		
	Year one 2023/24	**Year two 2024/25**	**Year three 2025/26**
OVERALL FOCUS	*Procurement, discovery, design*	*Design, build, test, first deployment*	*Rollout, change management, incremental improvement*
Service Experience	Procure platform Start discovery and design	Design, build, test integrate platforms Start deployment	Manage deployment Manage change
Employment Service	Procure platform Complete discovery and design	Develop operating model Build, test platform Deployment	Manage deployment Manage change
Client Engagement Practice	Design and pilot, Support students service experience		Plan implementation
Kotahitanga	Complete systems discovery and design	Build, test, deploy systems	Manage change Extend systems
	Design and test operating model		Implementation planning completed
	Design funding and information	Test and refine funding and information Start implementing funding and information	Complete funding and information Complete initial extension

s 9(2)(b)(ii), s 9(2)(f)(iv)

Given that year three is where most uncertainty will occur, s 9(2)(f)(iv)

We have agreed funding as part of Budget 23 for years one and two of Horizon One.
s 9(2)(f)(iv)

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Management Case

We have confirmed our overall delivery approach as presented in the Programme Business Case and refined those areas where we have improved our understanding – we are investment-ready now.

The Programme will deliver transformation for our organisation, the partners we work with, and the clients, whānau, and communities we serve through a programme that delivers change integrated across the whole of MSD

We have a strong track record of delivering complex change while continuing to provide services for New Zealanders

The core approach to governing, managing, and delivering the Programme we described in the Programme Business Case remains valid. Our planning for how we will manage and deliver has been further refined. We have:

- Enhanced our governance and management structures and processes, including the Deputy Chief Executive Transformation (as Senior Responsible Officer) providing direct accountability to the Leadership Team for the Programme.
- Established reporting arrangements that will ensure appropriate Ministerial oversight to support on time and on budget delivery.
- Plans, schedules, and resourcing profiles to successfully deliver the service changes and supporting work in Horizon One.
- A clear view of our key risks, how we will mitigate them, and have a comprehensive risk and issue management process in place.
- An MSD-wide delivery model that enables us to provide long stability for the Programme.
- A Horizon-based approach, which provides choices for Ministers.
- A change and engagement approach that reflects the size and complexity of the transformation we are planning.
- A co-existence approach to manage the transition from today's systems, practices, and business processes.
- A Benefits Realisation Management plan to inform how we will monitor and realise our expected benefits.
- Engaged with other agencies and our partners to learn what will make the Programme successful.
- Strong assurance arrangements embedded to ensure the Programme is well-managed and successfully delivers.

Our Programme is investment-ready now.

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Clear and robust governance and management structures and processes are in place

The MSD Leadership Team governs the Programme through the Te Pae Tawhiti Transformation and Investment Committee, with the Programme being directed by the Deputy Chief Executive, Transformation

The Programme's governance landscape in context of MSD is illustrated in the following diagram. It will be responsive and adaptive over the life of the Programme to ensure it remains fit-for-purpose.
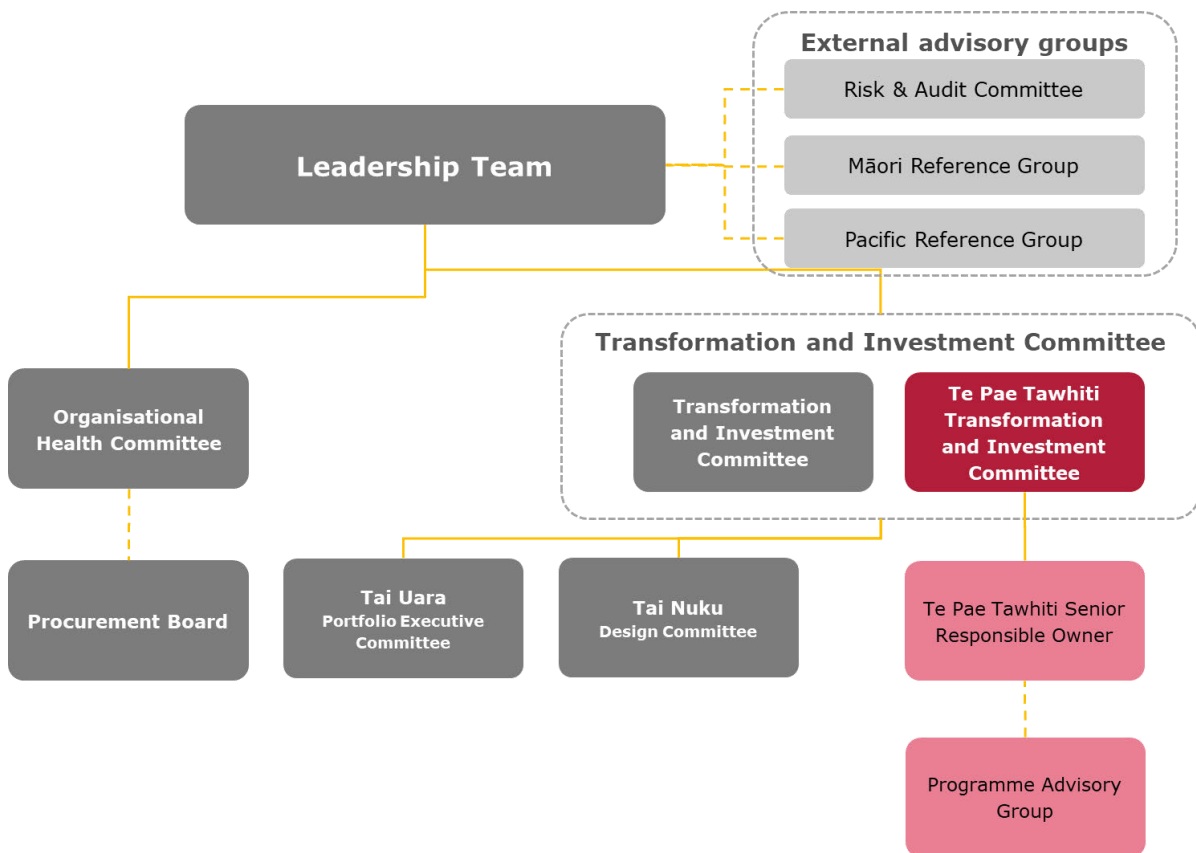
Figure 18 Governance context for Te Pae Tawhiti Programme Horizon One

We have ensured that the governance committees have the expertise needed to perform their function. We have added external members to core Programme governance to bring the experience and expertise necessary, as well as independent challenge. This includes the areas of large-scale transformations, assurance, as well as Māori and Pacific cultural capability.

The *Leadership Team* is the primary governance body for MSD. It meets weekly, with a monthly session focused on the Programme. With respect to the Programme, the Leadership Team:

- Approves Programme investment decisions and changes which exceed defined delegations of lower-level governance

72vh7ewzmz 2023-06-12 19:18:10

- Guides the Programme on Transformation Design deliverables which define the future shape of MSD
- Governs escalated risks and issues from the Programme that impact MSD's operational environment.

The *Transformation and Investment Committee* (TIC) is the core governance group for the Programme. It has a fortnightly meeting (Te Pae Tawhiti TIC) focused on the Programme to provide direct governance. This includes overseeing the realisation of benefits.

Te Pae Tawhiti TIC:

- Approves and endorses Business Case, and any changes within delegated authority
- Approves guardrails for the Programme
- Approves Transformation design deliverables which define the future shape of MSD
- Governs Programme level risks and issues.

The LT is also supported by the *Organisational Health Committee* (OHC) which oversees the impacts of the Programme on our people and resources.

In addition, the LT has three key advisory groups:

- The *Māori Reference Group* provides feedback and advice to guide our approach and ensures alignment with Te Pae Tata. It has been actively engaged in the design phase to ensure the Programme's planned services and initiatives deliver positive outcomes for Māori.
- The *Pacific Reference Group* provides feedback and advice to guide our approach and ensures alignment with the Pacific Prosperity. It has been actively engaged in the design phase to support the Programme's planned services and initiatives deliver positive outcomes for Pacific people.
- The *Risk and Audit Committee* provides independent advice to the Chief Executive on MSD's risk management processes. In relation to the Programme, this Committee is part of the MSD lines of defence assurance model.

Tai Uara (The *Portfolio Executive Committee* (PEC)) provides management and oversight for the prioritisation and optimisation of MSD's resources related to the Integrated Work Programme and Portfolio Investments. This includes the work of the Programme.

Tai Nuku (The *Design Committee)* ensures integrity, consistency and quality of designs to deliver on the Ministry's future vision through:

- Endorsing MSD's design principles and guardrails
- Approving designs with guardrails and providing advice and recommendations to the Transformation and Investment Committee.

The *Programme Advisory Group (PAG)* is an advisory body for the SRO to manage day-to-day running/steering of the programme. Currently PAG meets up to three times a week and is chaired by the SRO.

72vh7ewzmz 2023-06-12 19:18:10

The Senior Responsible Officer (SRO) is supported by the Programme Director; the Director, Transformation Office; and the Portfolio Owners

The *Deputy Chief Executive Transformation* is accountable for all transformation related work in MSD. This role is also the *Senior Responsible Owner* (SRO) for the Programme.

The *Programme Director, Te Pae Tawhiti* leads the transformation Programme, taking a strong leadership role in the overall design, structure, and content of the Programme.

The Director, Transformation Office leads strategic management of MSD's overall Integrated Work Programme, which includes transformation as well as all other work in Portfolios. The Transformation Office functions include:

- planning and managing the Integrated Work Programme
- coordination
- investment advice to governance
- benefits and value management
- controls and assurance.

Portfolios are responsible for managing and delivering the work of our Integrated Work Programme in a joined-up manner. This covers work required to implement the Programme and other change that is implemented through their Portfolio. Portfolio Owners have oversight of all work in their Portfolio and manage relationships with the LT, including their accountable DCE. They are accountable for the management of risks and work programme dependencies.

Workstreams within the Programme deliver the transformation management work. Workstream Leads have oversight of all work in their workstream. They are accountable to the Programme Director for deliverables. Workstream Leads are accountable for the management of risks and work programme dependencies.

Note that for consistency and clarity of roles and responsibilities, in many cases, Portfolio Owners, also fulfil the role of Programme Workstream leads.

The *Transformation Office* supports the MSD-wide Integrated Work Programme, which includes the Programme work as well as all other work in Portfolios.

How the Programme structure integrates into this MSD-wide structure is summarised in the following diagram.

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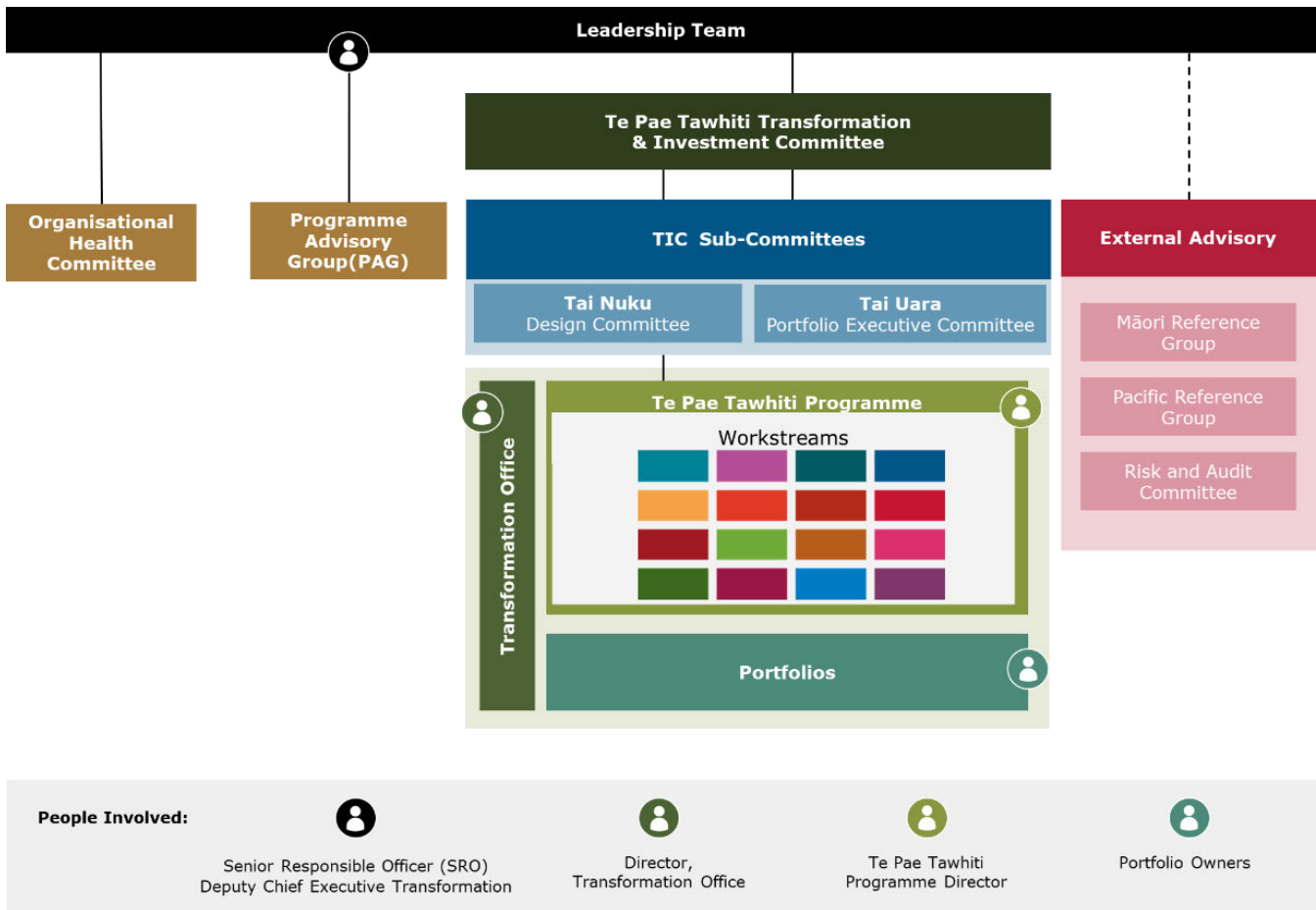
Figure 19 Te Pae Tawhiti Programme Horizon One structure

Our reporting arrangements will ensure appropriate Ministerial oversight to support on time and on budget delivery

Using the lessons from ACC and Inland Revenue, we have developed robust reporting processes and templates that are managed by the Transformation Office and up and through Programme Leadership. Reporting will be responsive and adaptive over the life of the Programme to ensure it remains fit-for-purpose.

We will continue to monitor and assess progress against funding, forecast and expended, and resources used to ensure that we are following the best path to achieve our desired outcomes.

The key external reporting is to Cabinet and Joint Ministers:

- *Cabinet* – Cabinet will receive six-monthly reports on progress, costs, and benefits, against those set out in the business cases.

- *Joint Ministers* – the Minister for Social Development and Employment and the Minister of Finance will receive quarterly reports on progress, costs, and benefits, against those set out in the business cases.

72vh7ewzmz 2023-06-12 19:18:10

These arrangements will ensure appropriate Ministerial oversight to support on time and on budget delivery.

The key internal reporting is to the LT and the Transformation and Investment Committee

- *Leadership Team* – the LT will receive quarterly reports setting out progress against business case, as well as six-monthly reviews incorporating external perspectives on the Programme. The LT will approve all reports to Ministers and Cabinet.

- *Transformation and Investment Committee* – TIC will receive monthly reporting on costs, progress against the delivery plan, confidence against milestones, investment objectives, benefits, risks, issues, dependencies, engagement, resources, assurance reviews, and lessons learnt.

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

We have plans and schedules to successfully deliver the service changes and supporting work in Horizon One, and we understand the resources we need

The focus of the first three-year Horizon is to establish the key foundations for what will determine the service model for MSD for the next 30 years, as well as delivering value to initial cohorts of clients

This first Horizon establishes the foundations for the four key categories of work – *Service Experience*, *Employment Service*, *Client Engagement Practice*, and *Kotahitanga*. As well as establishing these foundations, the Horizon One service changes will deliver tangible value to cohorts of clients and partners.

The core outcomes we are seeking for the work we are planning for Horizon One are as follows.

Service Experience – establish system platforms to dramatically improve the service experience of our clients, with initial roll-out in Horizon One to students

By the end of Horizon One, Te Pae Tawhiti Programme and its delivery partners will have established the core service experience technology foundations for MSD's business. These foundations will provide the base for re-designed service experiences for clients, providers, employers and staff in subsequent horizons. Horizon One will focus on delivering an enhanced service experience for students and staff supporting students.

This will enable us to significantly improve the service we can provide, starting with students in Horizon One, and moving on to working age in Horizon Two, and seniors in Horizon Three.

Employment Service – deliver transformed services to jobseekers, employers, and providers to get more people into more sustainable work – delivered in Horizon One

By the end of Horizon One, Te Pae Tawhiti programme will have implemented new capabilities within the Employment Operating Model providing enhanced jobseeker, employer, opportunity provider experience, allowing them to interact and self-serve on a common digital employment capability

This will significantly increase our capability to transition jobseekers into sustainable employment.

Client Engagement Practice – establish how our staff engage with our clients to better meet their needs in a holistic manner, especially as these needs become more complex – start with students in Horizon One

By the end of Horizon One, MSD's future Client Engagement Practice Model and supporting Framework will be designed and pilot will be launched in preparation for full roll-out in Horizon Two.

72vh7ewzmz 2023-06-12 19:18:10

This foundation of client engagement will enable us to support our clients far better, especially those with more complex needs.

Kotahitanga – deliver a relational commissioning model and supporting processes and systems to improve the effectiveness of our partnering and the services our partners are able to deliver

By the end of Horizon One, Te Pae Tawhiti Programme will have designed and tested, with partners, components of a Relational Commissioning Operating Model, including redesigned funding models and information approaches. This work will also build the technology foundations to replace legacy systems (using the new MSD Coproarte Platform where possible) and enable a relational approach to commissioning.

This will enable us to greatly improve the effectiveness of our partnerships to deliver better outcomes for individuals, whānau, and communities, as well as meeting our cross-agency social sector commissioning commitments.

These service changes are supported by three workstreams – foundations, design, transformation management

Foundations – building on existing work, by the end of Horizon One, the Programme will have established the core cloud and network, information and data governance, identity, security, and integration systems, business processes, and workforce capability needed to support the Horizon One service changes and ready us to start Horizon Two. These foundations are prerequisites for achieving the significant uplifts in service we are planning.

Design – continue to develop, manage, and govern the core design artefacts needed to support the Horizon One service changes and ensure that planned Horizon Two service changes can begin. This is especially critical for ensuring we have a fully joined-up Future Service Model that enables our clients to relate to us through the channel best suited to their needs, situations, and abilities. It also helps us ensure we understand the staff capabilities we will need to work in a transformed environment and better serve our clients, whānau, and communities.

Transformation Management – Establish, govern, and manage the Programme to ensure that plans and other pre-requisites are in place, activities are managed, deliverables are produced, benefits are achieved, and change is managed. Effective transformation management will enable us to deliver what we propose and achieve the benefits.

We have undergone extensive scoping and planning for each of the Horizon One service changes

We have followed a structured, comprehensive process to scope and plan the Horizon One service changes. This included:

- Confirming problems to be solved
- Identifying investment objectives
- Identifying benefits that could be achieved
- Analysing options available, comparing options, and choosing preferred options
- Identifying scope of work to complete
- Developing plans to deliver
- Estimating costs.

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We engaged with our Māori Reference Group and Pacific Reference Group to ensure the Programme's planned services and initiatives deliver positive outcomes for Māori and Pacific people.

We also scoped the supporting work needed – technology foundations, design, and transformation management. This process engaged subject matter experts from across MSD supported by our strategic partners.

The delivery plan articulates the scope, sequencing, and prioritisation of work items that make up the service changes to be delivered in Horizon One, including foundational work to enable future service changes to be delivered in later Horizons.

The indicative roadmap for the service changes in scope for Horizon One is summarised in the following diagram.

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MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA
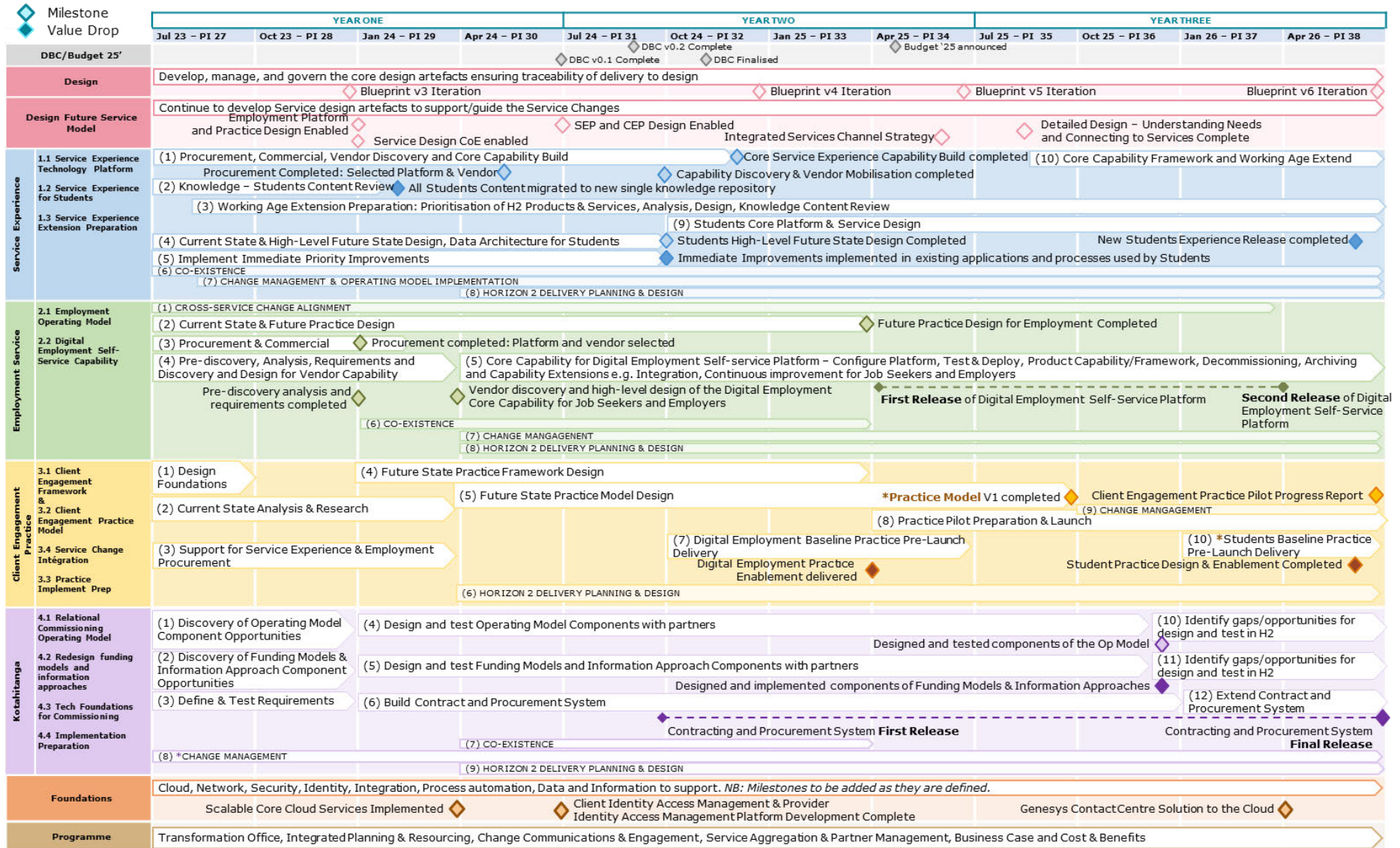
Figure 20 Te Pae Tawhiti Programme Horizon One plan summary

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MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

We have identified the key milestones

The key milestones for Horizon One are summarised in the following table.

Table 41 Key milestones for Horizon One

Service change	Milestone	Date
Service Experience	All students content migrated to new single knowledge repository	31 January 2024
	Procurement completed: selected Platform and Vendor	30 April 2024
	Capability discovery and vendor mobilisation completed	30 September 2024
	Students high-level future state design completed	30 September 2024
	Immediate improvements implemented in existing applications and processes used by Students	30 September 2024
	Core service experience capability build completed	30 November 2024
	New students experience release completed	31 May 2026
Employment Service	Procurement completed: platform and vendor selected	31 December 2023
	Pre-discovery analysis and requirements completed	31 December 2023
	Discovery and design completed for high-level employment service core capability for jobseekers and employers	31 March 2024
	Future practice design for employment completed	31 March 2025
	First release of digital employment self-service platform	31 March 2025
	Second release of digital employment self-service platform	31 March 2026
Client Engagement Practice	Digital employment practice enablement delivered	31 March 2025
	Practice model v1 completed	30 September 2025
	Student practice design and enablement completed	31 May 2026
	Client engagement practice pilot progress report	30 June 2026
Kotahitanga	Designed and tested components of the operating model	15 December 2025
	Design and implement components of funding models and information approaches	15 December 2025
	Foundational contracting and procurement system first release	30 September 2024
	Foundational contracting and procurement system final release	30 June 2026
Foundations	Cloud: scalable core cloud services	31 March 2024
	Identity: client identity access management and provider identity access management platform development environment ready for digital employment self-service platform and service experience platform	30 June 2024
	Genesys contact centre solution in the cloud	31/03/2026

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s 9(2)(f)(iv)

The Programme Business Case sought the transformation of MSD and noted that this is a long-term commitment

The transformation of MSD is a long-term commitment. Our current estimates are that this is a nine-year commitment over three Horizons of three years each. Given the scope of what is anticipated, any pausing or stopping of work will have a major impact, slowing transformation, increasing our co-existence costs, increasing our programme costs, delaying benefits, while increasing the risk of diverting our direction away from core transformation and the benefits it will bring. We will fail to address our core problems and will still have to spend money on maintaining our ageing and inadequate systems. If the Programme was halted at the end of two years (July 2025), MSD will not be left with stranded assets. Assets will simply not be used to their full potential and government and New Zealand will be missing out on possible value. Any pause will also result in loss of trust from community partners and stakeholders as well as inevitable loss of expertise in the Programme.

s 9(2)(f)(iv)

Please note: page 170 has been withheld under Section 9(2)(f)(iv)

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MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

We are taking a strategic lens as to how we support strategic sourcing of the resource we need for the Programme

We have a *Programme Resource Management Approach* in place so we can recruit the resources we need. Our strategic approach to resourcing the Programme is summarised in the following diagram. This illustrates how our resourcing is informed by our core strategies, considers the key planning variables, and makes sourcing decisions to support Horizon planning.
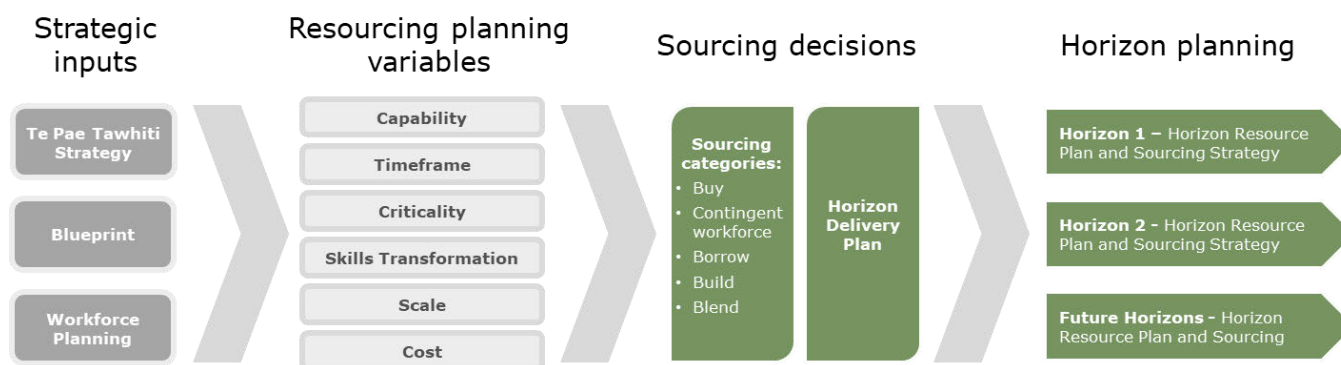
Figure 21 Strategic approach to resourcing

Strategic inputs will guide programme resource planning:

- *Te Pae Tawhiti – Our Future* outlines the strategic direction for the future-state organisation.
- The Blueprint outlines the scope of the service change and enablers work to achieve the strategic shifts in *Te Pae Tawhiti – Our Future.*
- Workforce Planning plans the required capabilities and scale to realise the objectives of *Te Pae Tawhiti – Our Future*.

The resource planning variables are the key factors that drive resource decisions at a strategic level for the Programme lifetime:

- Is it a key capability we are trying to build in the organisation and what is the best source?
- Can we build/source the capability with existing resources and what skills transformation is required?
- In what timeframe do we need the resource?
- What is the scale of the resource that we need across the Programme?
- How critical is the resource?
- How much will it cost and is it within budget?

Key Programme sourcing decisions will be made based on the resource planning variables. Sourcing decisions fall into five categories:

- *Buy* from external sources (eg strategic partners).
- Use a *contingent workforce* (eg contractors).
- *Borrow* (second) from other internal MSD sources or other government agencies

- *Build* the capability in MSD via the Programme (eg second/transfer from internal sources or recruit externally).
- *Adopt a blended approach* using all available options above, or amend delivery schedules to accommodate availability.

We are taking a long-term approach to building the capability that we require in the Programme. For example, we know that for the development of the Future Service Model and the client engagement practices we will need staff who understand our business but can also contribute to a human-centred design context. We therefore have a training programme to enable existing MSD staff to be involved in service design. We will extend this approach to cover scarce resources such as business analysis and business process design to ensure that we have the long-term capability we need with specific MSD knowledge.

Using our core FTE assumption, we have developed detailed resourcing estimates for Horizon One

Our estimated approximate resourcing requirements for the first two years Horizon One are summarised in the following table. These FTE estimates include MSD and vendor resources needed over the two years.

Table 42 Resourcing estimates in FTEs, excluding co-existence and integration

s 9(2)(b)(ii)

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MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

We have made key assumptions about how we will source the required resources in line with our resourcing approach

We have identified three major categories of resourcing for planning purposes:

- MSD sourced resources – staff, backfilled staff, fixed term workforce, or contractors.
- Case management resources – sourced specifically from MSD for the Client Engagement Practice proofs of concept and pilots in 2025/26 (they will be backfilled).
- Vendor sourced resources – provided as part of a wider package of solutions and services.

s 9(2)(b)(ii)

We expect the reprioritised staff (as part of the financial contribution made by MSD)
s 9(2)(b)(ii)

Given the current number of people already working in the Programme, we expect that MSD will need to source approximately s 9(2)(b)(ii) people.

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Our Delivery Model takes an end-to-end view across how MSD prioritises, plans, delivers and measures work related to optimisation and transformation of our services and ways of working

The Programme will be a major part – and managed as part of – MSD's wider Integrated Work Programme. This is to enable strong integration of all design, implementation, and change activities, enterprise-wide prioritisation, easier management of resource conflicts, and streamlined governance and management.

There will be dedicated funding and resources for the Programme to ensure that it retains its priority status.

MSD operates on four planning cadences:

- *multi-year* – the four-year fiscal planning cycle and extending out further for long-term work programmes (such as this Programme and the Welfare Overhaul work programme)
- *annual* – the yearly external and internal budget cycle
- *quarterly* – the quarterly Programme Increment cycle
- *sprint* – the two weekly delivery cycle.

We operate a formal enterprise-wide prioritisation each quarter.

Regular reporting to the Leadership Team provides visibility of the overall work programme, including what the balance of the work programme looks like and where the risks and pressure points are. Having a view of the overall balance of the work programme enables MSD to create the necessary time and space by making clear and visible trade-offs.

This end-to-end approach is summarised in the diagram on the following page.
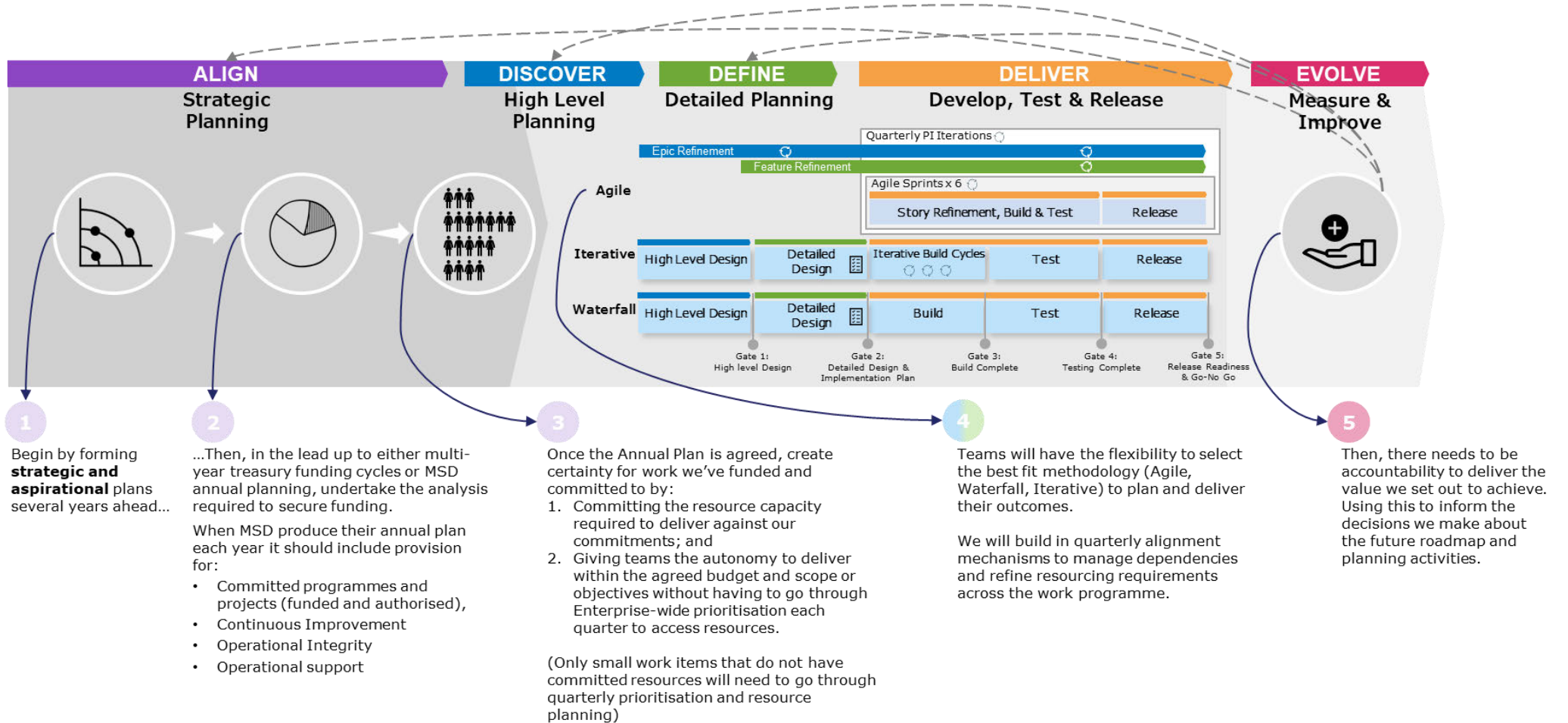
Figure 22 Change Delivery Model

We are shifting from just-in-time quarterly planning to creating long-term stability

Our delivery approach is enabling us to shift from a just-in-time quarterly planning cycle to an approach that fosters long-term stability. We are planning much earlier, committing to key priorities at least one year in advance, and monitoring value to ensure that we are getting what we expected to from our investments. We are considering our capacity to deliver and impact to our operating model when we plan our roadmaps so we can to spread work and have time to address resourcing gaps. When we decide to commit to work, we are not just locking in funding, we are also locking in the resourcing capacity required to complete the work.

We are aligning our prioritisation of work across the whole of MSD

We are taking a whole-of-MSD view to prioritisation, planning and value management:

- Planning much earlier and making clear decisions about how we will invest across programmes, projects, and investments in continuous improvement to deliver upon our priorities and make best use of our scarce resources.

- Monitoring our success and using this to inform decisions to continue, stop or adjust our work plan.

Our high-level planning supports the reserving of resources needed

Once we commit to funding programmes, projects and continuous improvement backlogs, we carve-out the resource capacity needed to deliver committed work and enable teams to deliver against agreed objectives with certainty, autonomy, and budget. We do not force the committed and resourced work back through the MSD-wide IWP prioritisation process so that it has to compete for resources each quarter.

We ensure shared services teams do not constrain delivery

We are addressing capacity constraints by unblocking shared services teams who have been constraining our ability to deliver at pace. We are assessing options to reduce demand, increase supply, optimise efficiency of service, and/or adjust the engagement model to find the best fit solution for each team.

We are continuing to address the resourcing gaps that emerge from our long-term roadmap and capacity planning.

We are growing in our planning ability

We are continually maturing our planning capability to optimise the efficiency of PI-planning, as well as throughput and predictability of delivery teams.

We are investing in the tools we need

We are investing in the tooling and information management we need to support efficient processes and to make informed decisions throughout the project and programme lifecycle.

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

In Horizon One, we will use the existing portfolios to deliver transformation as part of the Integrated Work Programme

A Portfolio is a multi-disciplinary team of people. It is made up of Value Streams with multiple Delivery Teams in each Value Stream. Each Portfolio has an appointed Portfolio Owner and a Portfolio Manager.

Over Horizon One, we may have a mix of Portfolios. Some may be focused solely on transformation change – others will deliver both transformation and other change under one Portfolio Owner.

A cohesive work programme with alignment between transformation and other change is paramount. A Portfolio that delivers a mix of transformation and other change under one Portfolio Owner will enable alignment and integration between the types of change, especially as transformation grows to be more of the Integrated Work Programme. It will support key roles to sit across the work thereby minimising unwanted trade-offs and preventing divergence within a Portfolio.

In line with our delivery approach, the Programme will have dedicated funding and resourcing

There will be dedicated funding and resources for the Programme to ensure that it retains its priority status. Transformation work resources will be dedicated and situated in multi-disciplinary teams. The Programme funding within the Portfolios will be ring-fenced. This will be reflected through our enterprise and Portfolio roadmaps and our Programme Increment prioritisation processes to ensure that practical effect is given to the priority the Programme needs to have.

The Programme is supported by a range of critical approaches and groups

Cross-agency forums are being established to support a joined-up approach for the Programme

In light of our lead role in the sector and the wide range of cross-government initiatives, it is critical that we engaged with other key government agencies to ensure that we fulfil our accountabilities and support a joined-up welfare system.

We expect to formalise governance arrangements in 2023 to include representatives from other key agencies to support a more joined-up, sector wide approach for the Programme. This is supported by an engagement plan that considers how to involve other agencies who do not have a direct role in the sector, but have an interest in some aspects of what the Programme is delivering (e.g. case management).

Senior leaders from the Central Agencies (Treasury and GCDO being the core of the group) meet with Programme leaders monthly to monitor progress and provide advice. These meetings involve:

- Review of progress, areas of concern, and their resolution
- Identification of any connections across the wider government system that could usefully be made
- Provision and testing of the information that Central Agencies need to fulfil their assurance roles.

The MSD-wide Transformation Office has developed a range of tools, approaches, and frameworks to support effective programme management and delivery

The Transformation Office was established late 2022 to work across the whole of MSD including the Te Pae Tawhiti Programme, enabling MSD to take an enterprise-wide view of an integrated work programme. The Transformation Office has developed and is in the process of implementing a range of tools, approaches, and frameworks to support effective programme management and delivery. This includes the change delivery approach, deliverables management, financial management, knowledge management, and quality management approaches (including assurance). The Transformation Office is working with technology to develop and deliver a set of planning and reporting tools that are scalable for the management of a transformation programme.

Human-centred design is at the core of our delivery

To deliver better outcomes for our clients, we need to design and deliver experiences in partnership with diverse clients and rōpū within the communities of Aotearoa

We are using a human-centred design methodology to enable us to better understand, deliver for, and help our clients, their whānau, and communities. Our human-centred strategies give us insights into the wants and needs of different people who access or deliver our services.

Our approach is based on:

- collaborating with groups who will be most impacted by our design of experiences and keeping less impacted groups informed
- a focus on inclusivity and transparency
- designing within existing policy parameters (wherever possible)
- working with a small number of communities, building on the strength of existing relationships, to learn, ideate and test.

We will extend our reach and build new relationships over time, designing in a way that is representative of broader Aotearoa, without over-consulting at the beginning of a long journey.

This work is also a critical input to deliver on the Future Service Model and Te Pae Tawhiti – Our Future

Engaging to deeply understand the experiences of people and whānau, and design how they should be in future, will set up the service design work programme to 2028. We will understand how to give expression to *Te Pae Tawhiti – Our Future* through service experiences, and how the Programme will use this work. We will also know how to expand our approach across the motu as we build, test, and implement these future experiences.

Four Centres of Excellence will support successful delivery – each with its own detailed 'how to' guide

We are cognisant of the challenges involved in the delivery of a large-scale transformation programme and are investing in the support needed to ensure that we are successful. Four Centres of Excellence (CoE) are being established:

- Service Design – through adopting human-centred design, we will put people and whānau first
- Business Process – will guide the business process assessment, redesign, and implementation to be progressed through transformation
- Delivery practice including agile – will support our delivery approach, which incorporates agile
- Equity – will support inclusive and equitable outcomes.

These are supported by detailed 'how to' guides that guide its practice.

MSD must continue to retain accountability for Programme aggregation

We are already responsible for aggregating the delivery of numerous projects and programmes to respond to the needs of our clients and government. To achieve this, we already manage a set of partners and suppliers who work with us to achieve outcomes.

MSD must retain these accountabilities for the Programme if it is to manage the dependencies across its multiple streams of work. This is consistent with the approach taken by other agencies, most notably Inland Revenue.

This approach means we can:

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

- maintain control of risks and accountabilities over each aspect of a service or product, whether inside or outside of the Programme

- reduce cost and dependency risks by engaging with many suppliers instead of single supply partner models

- mitigate commercial and delivery risk through the flexibility provided across a range of specialist partners

- continue to integrate across our MSD-wide Integrated Work Programme.

We will continue to be the aggregator for the Programme recognising we may need to augment our own capabilities with additional expertise from the market. Strong coordination and management will be vital to the success of the Programme.

We will maintain a high level of control of risk and accountability over the contracted products. To deliver the Programme, we will have dedicated commercial and legal resources to ensure that contracts are aligned and managed successfully and contractual, commercial, and performance management frameworks are in place.

Our change and engagement approaches reflect the size and complexity of the transformation we are planning

A well-coordinated and effective change approach is essential given the ambition of the Programme

The Programme will deliver transformation for our organisation, the partners we work with, the clients we serve, and their whānau and communities. Change will impact multiple elements of MSD's service model, systems, processes, people and organisation, data and information, and culture.

The Programme will impact many groups and people, including:

- *MSD staff* – over 8,900 frontline case managers, contact centre, processing centre staff, and national office staff.
- *Partner organisations* – over 2,000 stakeholder groups and providers including hapū, iwi, Māori organisations, Pacific groups, NGOs, community organisations, and local and central government agencies.
- *Clients* – 1 million New Zealanders across the country accessing a wide range of services.
- *Employers* – thousands of employers across the country.
- *Suppliers* – MSD has supplier arrangements already in place with key partners.

Successfully embedding transformational change across MSD will be far more complex than simply going live with planned changes. With strong change management MSD will be supported to:

- build consensus among staff, partners, and clients about the design of specific changes that will better meet their needs
- plan, test, and implement the full suite of changes while also ensuring the transition does not disrupt essential services
- define and instil new values, attitudes, norms, and behaviours that support new ways of working.

We have developed robust change, engagement and communications strategies to ensure we deliver effective change.

Engagement and communications will be key enablers to deliver effective change

Effective engagement will be critical to successfully delivering the Programme and to ensure stakeholders and partners feel engaged, informed, and empowered to contribute to outcomes over the life of the Programme. We will engage with our stakeholders and communicate to:

- build support
- create understanding
- ensure clarity
- enable change
- mitigate risk.

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Our approach to change is based on change management processes we know work

MSD is well versed in implementing change. Changes are regularly launched across Service Delivery and the wider organisation that impact how individuals work and manage workflows, or that impact their role, reporting structures, behaviours, or identity within the organisation.

The Programme will leverage MSD's change methodology, processes, tools, and templates, tailoring and enhancing these as appropriate to manage the types, size, scale, and pace of changes within the Programme. Our Change Approach is divided into three stages: plan and assess (warm-up), enable and implement (launch), and embed and sustain (follow-up). This is underpinned by a consolidated view of MSD's work programme, stakeholders, and change impacts. This enables:

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

We will use a standard and repeatable change rhythm within these phases to enact a set of change activities over the life of a specific change, from the initial design of the change/improvement, through to embedding the change in BAU. The change workstream of the Programme and the MSD Change Team will support the organisation through the life cycle of the change.

We will take a leader-led approach

The Programme will be leader-led with existing relationship owners (eg Regional Commissioners) driving engagement about the Programme through existing channels and networks.

We recognise that leadership support for the change is critical. Oversight by MSD leadership will be fundamental to manage risks, make prioritisation decisions, and provide assurance to Ministers on MSD's ability to deliver BAU services alongside transformation.

A key focus will be on gaining the alignment, commitment, and advocacy of senior leaders, as well as other identified key influencers, and equipping these leaders with the skills and knowledge to influence change in the business.

In line with the leader-led approach, decision-making around business and people change will be made by the MSD leadership.

Change practitioners will be embedded across the Programme to understand and support change

We will embed change practitioners across the Programme. This will ensure they have an in-depth understanding of the changes, are connected to those impacted, and are well-positioned to support roll-out activity. These embedded practitioners will be supported, at a strategic level, by a small core Programme Change Team.

72vh7ewzmz 2023-06-12 19:18:10

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

Change capabilities will be embedded across the workstreams to:

- get involved in the mahi early and develop a genuine understanding of the changes to occur
- support communications and engagement activity
- support change preparation/planning to enhance uptake
- support staff to make sense of proposed changes
- ensure the Programme is setup for success from a change perspective
- support the delivery of initial change artefacts (such as stakeholder analysis, impact assessments, and change personas).

We will build on the existing Te Kupenga Ora Change Network to raise awareness of, and support staff through, the service changes. We are aware that focused attention on client change management will be needed so we will establish a change network to support external stakeholders, including partners, clients, and employers, to navigate the Programme change in support of implementation.

Our engagement will reflect the Crown's commitment to Te Tiriti

MSD is committed to better supporting and enabling Māori, whānau, hapū, iwi and communities to realise their own potential and aspirations. Our engagement approach will support engagement with Māori, and foster opportunities to embed a Māori world view throughout the Programme.

The Programme will continue to engage with MSD's Māori Reference Group and seek to leverage established networks and existing relationships with whānau, hapū, and iwi, to seek input into the Programme.

Our engagement will reflect the diversity of people who interact with us

Separate engagement approaches are being developed, outlining how the Programme intends to engage with different groups across New Zealand whose experiences, values and preferences will need to be explored. In setting out these specific groups, we recognise that people will have identities that intersect across groups, as well as unique individual needs and values. Engagement approaches are being developed for:

- Pacific people
- people with health conditions and disabled people
- refugee and migrant communities
- young people
- seniors
- students.

This engagement will help us discover, design, test and iterate with representatives across all our stakeholder groups. We will help us ensure that key equity groups include people with health conditions, disabled people, whānau, hapū, iwi, Pacific people, and intersectionalities (such as tangata whaikaha Māori or disabled Māori).

72vh7ewzmz 2023-06-12 19:18:10

We will have comprehensive engagement with our staff

Staff are a crucial stakeholder whose involvement is critical to the Programme and its success. Uptake and socialising internally are critical to the changes being understood, adopted and embodied to lead to transformational outcomes.

Internal engagement plans will be developed for service delivery staff, regional staff, and National Office staff. These plans will be developed to support collective participation and involvement.

The details of planned communication mechanisms with staff are set out in a separate Communication Plan.

We will manage engagement with our partners and other affected agencies

We will explicitly engage with our partners through *Kotahitanga* and *Employment Service*. We will also engage with other agencies impacted by our Horizon One workplans (eg Ministry of Education and Inland Revenue for the student work).

Our engagement with other agencies is supported by our partnering strategy.

Our management of change is supported by a formal Co-existence Approach

Co-existence occurs when heritage and target state systems need to operate together to support the safe and uninterrupted delivery of services as the future state is incrementally established

Co-existence is necessary when implementation occurs through one or more transition states. These transition states will occur when:

- the implementation and release of a system is incremental, consisting of two or more cutovers (ie not a single 'big bang')
- the new system is required to co-exist with one or more heritage systems to support continued operation of a business process during the period from one cutover to the next.

Co-existence is a key risk that must be actively managed

Our business will be operating in a managed state of transitional co-existence throughout much of the transformation. During this time, we must continue to operate our business and deliver for our clients during multiple interim states in the Programme delivery. Our new and old ways of working will need to operate together.

While some continued investment in heritage systems is unavoidable, unplanned expenditure on our heritage systems will reduce funding for our new systems. Co-existence must be carefully managed to avoid architectural drift, which will drive up costs and increase risk.

Because we will need to continue to invest in systems we eventually intend to decommission, not all funding for existing systems can be reprioritised to the Programme. Some will need to be ringfenced to 'keeping the lights on'. Investment in heritage systems will need to continue to address:

- unacceptable security, stability issues, or support risks
- unacceptable process issues
- policy or legislation changes that cannot wait until the Programme delivers the new systems that would support these.

There will also be transitional phases where we will need to invest in keeping duplicate solutions (old and new) operating together. This will have implications for:

- ongoing costs for operating the new and old systems
- ongoing costs for maintaining the complexity of having old and new processes in production (eg increased change management and work related to our staff and also our clients)
- ensuring the integrity of data duplicated across multiple systems.

The need to identify, plan for, and manage co-existence early and effectively is a key learning from other programmes. We recognise that this challenge will be even more complex for MSD given the critical nature of maintaining continuity and improving equity in welfare services for New Zealanders, coupled with the complexity of our current data and technology architecture. We know we will also need to consider how we can retain

72vh7ewzmz 2023-06-12 19:18:10

key people who understand the existing processes and systems during co-existence until the transition to new is completed.

We have a co-existence approach in place to manage the transitions needed while ensuring continued operation of our business processes, and will understand, plan, and manage the impacts of co-existence

Our Co-existence Approach provides a framework to identify the impacts that a transition state will have across the organisation and define the mitigations that will be needed to achieve stable and sustainable operations through to the next transition state (or final state).

Our Co-existence Approach will support us to identify and plan to address potential co-existence impacts. It will be coupled with strong design and Programme governance. This structured approach will enable the Programme to consider the co-existence impacts inherent in our delivery plan, to revise and strengthen how we bundle and sequence the transformation. It will help us identify impacts for all people (clients, staff, service delivery partners and other ecosystem partners) and the change management needed to ensure business continuity throughout all transition states.

The key principles that inform our co-existence approach are summarised in the following table.

Table 43 Co-existence principles

Principles	Rationale	Implications
Client experiences will be enhanced and not negatively impacted by transformation	We are changing to create easier and richer experiences when interacting with us.	When evaluating changes and transition states, the programme needs to consider customer impacts both direct (e.g. changes to a form) and indirect (e.g. impact to staff time). In some cases the Programme may accept impact where it will not form a material barrier for clients.
Co-existence impacts to our workforce and service delivery partners must be minimised to the extent that investment required to minimise impact is feasible.	Limiting negative impacts of co-existence for all service delivery staff and partners is paramount.	May require greater investment in temporary architecture to support co-existence rather than increasing burdens for staff e.g. through manual workaround and/or process inefficiencies.
Business processes will be considered in their entirety	Transition states are designed to be temporary and should avoid imposing excessive inconvenience or cost.	Avoid transition state designs that require users to cross system boundaries to complete individual tasks. Staff collaborating on a business process should be able to share information easily. Managers overseeing a business process must have tools/reporting available to them to maintain visibility of the work.

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Principles	Rationale	Implications
Data & information about clients must remain accessible, accurate, current and secure between current state and target state systems	Data is MSD's most important asset. Safeguarding it is a primary concern for the whole organisation.	Security of data surfaced in the transition states/target state should be no lower than in the original source systems. Changes/design decisions that impact availability/ synchronisation of critical data must be reported to the business and governance forums.
Clear policies must be in place to define the mastery and management of any replicated data	This will ensure the traceability of data so that any errors can be quickly traced and corrected.	Policies need to be presented and agreed by technical leadership. Potentially dual masters may arise but should not be preferred. Systems must maintain a link to the source/master data. Traceability should be possible between the legacy and new systems.
All transition states will be designed to be sustainable and will support the continuous trajectory of the programme	Transition states must be sustainable and stable in case further transitions or future horizons are delayed or cancelled. MSD should have the option of pausing between transition states without incurring unduly high financial costs, or building unduly high technical debt.	At times, key delivery concepts such as MVP and incremental delivery may be challenged in order to ensure sustainable transition states are in place. Legacy systems may have to be kept for longer than ideal or intended. Investment in co-existence architecture may be larger than anticipated.
We will identify points-in-time after which changes to current state systems will be kept to a minimum.	Continuing to change current state systems will add complexity to co-existence and will make delivery within Te Pae Tawhiti more complex as the starting point for implementing target state solutions is continually changing.	Potential or planned changes to current state systems need to go through a cost/benefit analysis which considers impacts to Te Pae Tawhiti. Some existing planned changes may be discarded (or see scope reduced). Exceptions will need to apply where change is unavoidable, such as for critical events.

Our Benefits Realisation Management plan outlines how we will monitor and realise our expected benefits

We have clarified the benefits expected to be gained from the Programme – these are defined in the Strategic Case

Benefit logic models link the service changes to the measures they are most likely to directly influence, in turn driving the benefit KPIs and the benefit itself. Stakeholders across the organisation were engaged to validate the logic models and obtain buy-in. This engagement also ensured targets set are achievable with benefit and measure owners aligned with these expectations.

Our Benefits Realisation Management plan provides a framework to ensure benefits are derived from the Programme and the correct level of management is given to each benefit

A comprehensive Benefits Realisation Management plan is being developed. It is built around six key domains:

- *Benefit logic models and benefit profiles* – defining the benefits.
- *Governance* – outlining the review and escalation pathways, and key responsibilities of governing bodies within MSD as well .as identifying the cadences required for reporting to external bodies
- *Benefit reporting process* – establishment of reporting cadences to Programme milestones and defining data flow through the reporting process as well as identifying key reports related to benefits tracking and intended users.
- *BRM Support Capability* – associated roles and tasks supporting benefits reporting and realisation management.
- *BRM Change Process* – defining process for ongoing evaluation and maintenance of benefit profiles and KPIs, ensuring constant alignment with evolving organisational evaluations.
- *Roles and Responsibilities* – defining and identifying the number of key benefit roles and outlining the responsibilities of each role as well as identification of individuals and agreement with them to fill these roles (still in development).

A benefit profile is being developed for each benefit

For each benefit we have identified the following key information:

- benefit name and description
- measurement metric/unit of measure
- method of measurement
- benefit calculations (if quantitative)
- risks, assumptions and dependencies
- data source
- data owner
- baseline measurement (where available)
- beneficiary

- benefit owner.

We are building our benefit realisation capability to help realise the benefits we have identified

We will establish a dedicated group within MSD that has experience in benefit realisation and management. This group will provide capability to support governance members and other people with responsibilities for benefits management. The group functions will include ensuring delivery activity, and that reports and risks are being effectively managed.

We will learn and adapt our benefits management practice over time

We will focus on learning from experience and improve our benefits management practice by encouraging a culture of continuous improvement. This approach will allow us to change and optimise benefits over time. To do this, we will establish a change process to modify the Benefits Realisation Management Plan, change benefit profiles, add new benefits, and set out responsibilities for initiating the change process.

There will be clear roles and responsibilities for benefits realisation

Benefit owners hold the ultimate accountability in ensuring that their benefit is realised. The benefit owner will hold a role within MSD most likely to influence the measures, KPIs, and benefit through a transformation of their business practices. Benefit owners will be supported to perform this role, including by benefit measure owners who hold responsibility for reporting activities and data availability throughout the life of the benefit.

We are actively seeking learnings from other organisations who have undertaken equivalent transformations

We are learning from other New Zealand agencies

We have established relationships with organisations who are delivering or have delivered similar transformation programmes so that we can learn from their experience. We are benchmarking our experience with other similar organisations including Inland Revenue (IR) and ACC. We are engaging with ACC on the development of *Client Engagement Practices*. We continue to engage with the Ministry of Business, Innovation and Employment (MBIE) for learnings and advice about complex procurements.

In August 2022, we held an intensive Lessons Learned session with IR and MSD Programme leaders. These insights have informed our Programme design and we have already started to implement lessons learned from the IR transformation.

We have effective ongoing relationships between programme directors and leaders from the IR transformation. From late September 2022, we had key staff from the Service Transformation Unit at IR join the Programme for three months to provide subject matter expertise to key areas of the Programme. The insights and experience they have brought will help us to ensure successful delivery of the Programme.

We are actively connecting with other New Zealand ministries and agencies on social sector commissioning implementation to help shape *Kotahitanga*.

To gain further insights and lessons learned, we are also meeting with agencies in New Zealand who vendors have referenced as examples of successful transformation programmes.

We are applying insights from other jurisdictions

MSD has engaged with Employment and Social Development Canada and their Benefits Delivery Modernisation programme leadership to inform the approach of the Programme

The Employment and Social Development Canada (ESDC) Benefits Delivery Modernisation (BDM) transformation is of particular interest to MSD as ESDC are several years ahead of MSD in their transformation. We share common aspirations for our transformation programmes, including integrated service delivery, replacement of core heritage technology systems, and the development of people and business processes that enable policy agility, consistency, and coherence, and service excellence. Like MSD, ESDC uses agile delivery approaches to support it to deliver early, sustain value, and reduce risk.

We have well-established working relationships with Programme leadership at ESDC and we continue to have regular exchanges of information and programme design artifacts. In September 2022, the Chief Executives of both agencies met to discuss learnings.

72vh7ewzmz 2023-06-12 19:18:10

Services Australia began multiple transformation and modernisation projects in 2015/2016

Services Australia is part of the Department of Social Services. Their transformation projects aimed to improve customer experience by making services simple, secure, and accessible, and improving technology and systems.

In 2019, a small team of MSD leaders visited both Canberra and Brisbane to gain insights into the scope and progress of these projects to inform the planning for the Programme. This visit was followed by video meetings at Chief Executive and General Manager/Deputy Chief Executive level. The Chief Executives of both agencies met in Australia in September 2022 to further discuss what MSD can learn from Services Australia.

We have actively sought learnings from our strategic partners and from the work they have undertaken with major transformations around the globe

We have regular planning discussions with our Strategic Partners where we seek their input and advice. Strategic Partner staff are also embedded in Programme workstreams so that their learnings and insights on specific areas of the programme can directly inform our work.

We continue to document and apply lessons learned

We have captured recommendations from quality assurance review processes for future reference by other MSD programmes, related agencies, and other projects. Examples of our key lessons learned at this stage of the Programme and how we are applying them are listed below.

Leadership learnings

- *Have clear senior management and Ministerial ownership and leadership, including an engaged senior executive as SRO.* The Programme SRO is a Deputy Chief Executive with dedicated accountability for transformation and member of MSD LT.
- *Have a clear vision to guide change.* Our vision is set out in *Te Pae Tawhiti – Our Future*, MSD's strategic direction. This continues to guide the Programme.
- *Achieve leadership and staff buy-in*. We are investing in our change capability and bringing in expertise in transformational change to help us to engage with our leadership and staff in the most effective way possible.

Governance learnings

- *Have clear and active governance*. The Programme has clear governance arrangements and active governance oversight with independent representation and subject matter experts. This ensures ongoing alignment with business objectives.
- *Focus on the big decisions first*. We have implemented a key design decision framework and supporting decision-making processes that include all our key stakeholders.

72vh7ewzmz 2023-06-12 19:18:10

- *Strongly govern benefits*. We have defined the governance and decision-making responsibility for benefits identification, ownership, monitoring, and realisation as we develop the benefits model and Benefits Realisation Management plan.

Programme capability and capacity learnings

- *Establish a team with the necessary skills and expertise from the start*. We have identified the skills and expertise required and are working to build capacity in the Programme ready for implementation.
- *Draw on expertise from others*. We are drawing on expertise from Strategic Partners, other New Zealand agencies, and overseas agencies to support the Programme as required.

Change learnings

- *Have a comprehensive change management approach and the capability needed to make the change*. We have developed a comprehensive change management strategy and approach that recognises the complexity of future change across clients, staff, partners, and other stakeholders. We are building our change capability and capacity in the Programme, supported by the Change Implementation Team within MSD, our Strategic Partners, and subject matter experts from IR.

Procurement learnings

- *Strong probity*. We continue to use fit-for-purpose probity arrangements that we will use for all procurements across the Programme. We will maintain our alignment with the Government Rules of Sourcing.
- *Engage with the market early.* All large programmes depend on capable and willing vendors. Early and often market engagement helps identify these vendors. MSD has already undertaken early market engagement for *Service Experience* and *Employment Service*.

Design learnings

- *Bring the customer closer to the design*. Through our Future Service Model work, we are engaging across the country with our clients and staff, to ensure we understand their needs, and incorporate our learning into all aspects of our design. We are incorporating strong service design expertise and have worked with Auckland Design Lab and other experts internationally to ensure that we have a process that will work.

We understand and are actively managing our key risks, constraints, dependencies, and assumptions regarding transformation

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

We have improved our understanding of risks in light of engagement with other agencies and advice from our partners. These lessons learned will help ensure Te Pae Tawhiti proceeds with as low a risk profile as is possible. The table below describes the refined key risks, their assessed level, and the proposed mitigations. Note that while these risks are Programme level, they all relate to Horizon One. (The risk rating include an overall rating (e.g. HIGH), and the impact and probability (e.g. Major/Possible).

Table 44 Key risks identified, risk assessment, and their proposed mitigation

Risk Description and Residual Risk Rating	Mitigations
Change Management	
If we do not understand the full impact of the changes we are making and we do not put in place effective change management activities, then stakeholders, partners, staff, and clients will be negatively impacted, leading to reduced ongoing support for the programme and loss of trust and confidence. [HIGH – Major/Possible]	Refresh the Programme Change Strategy and align with Communications and Engagement Strategies and Plans. Embed strong communications and change management practices. Go-live readiness plans and assessments.
If the Programme does not effectively manage and fund co-existence planning, then MSD could sustain multiple operating models, processes, and systems over several years. [HIGH – Major/Possible]	Develop aggregated co-existence plan for Horizon One. Refresh existing co-existence approach and plans.
If insufficient capacity and capability is established to support the Ministry both during and post Programme delivery, then changes to enable the future services delivery model will not be embedded, the programme benefits and objectives will not be achieved, and with knowledge not being built up within MSD and/or retained. [HIGH – Major/Possible]	Develop a comprehensive operational workforce strategy, including detailed workforce modelling and learning and capability strategy.
Engagement	
If the programme does not demonstrate our commitment to our Te Tiriti obligations or fails to engage appropriately with Tiriti partners, then it will impact our ability to retain commitment and support and to achieve programme benefits and objectives. [HIGH – Major/Possible]	Māori Engagement Plan developed and under final review process. Develop how-to guides for Rerekiuta (Te Tiriti) and Rerekitai (Ngā Matanga Māori Values Framework). Continued engagement with reference groups and Tiriti partners. Establishment of Equity Team.
If the programme fails to sufficiently engage with key stakeholders, then it will impact our ability to retain stakeholder commitment and to achieve programme benefit and objectives. [HIGH – Major/Possible]	Embed strong communications and change management practices. Cross government, union and kaimahi engagement plans in development. Engagement plans for ethnic communities and disabled to be progressed.

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Risk Description and Residual Risk Rating	Mitigations
	Establish a wider sense of partnership with the regions.
Delivery	
s (9)(2)(g)(i)	Ongoing engagement with Treasury and Ministers.
If the Programme does not have the capacity and capability (both internal and external) needed to support the delivery of Horizon One, then the delivery of the investment objectives may be compromised. [HIGH – Major/Possible]	Enactment of the implementation resourcing strategy. Develop a comprehensive operational workforce strategy, including detailed workforce modelling and learning & capability strategy. Engagement and onboarding.
If the Programme is not clear on its scope and plans, then there may be unrealistic or conflicting demands placed on the programme, resulting in a loss of trust and confidence in MSD, as well as costs and delays. [HIGH – Major/Possible]	Detailed Horizon One planning.
If the Ministry is unable to reprioritise the internal funding and/or resources to enable delivery of the Programme, then the Programme may not be able to deliver the Horizon One scope outlined in the detailed business case. [MEDIUM – Major/Unlikely]	Ring-fence the funding and resources.
If the Ministry is unable to deliver the Horizon One scope within the two-year replan funding available, then the delivery of investment objectives may not be achieved, the Programme's reputation will be impacted and the confidence in our delivery capability reduces. [HIGH – Major/Possible]	Ongoing external assurance activities and internal delivery confidence assessments with identified review recommendations being addressed.
Design	
If there is a lack of engagement in the design of the future service model the Programme may fail to reflect the concerns and priorities of stakeholders and not be aligned to Te Pae Tawhiti, Te Pae Tata and Pacific Prosperity resulting in a compromised service model and failure to achieve programme benefits and objectives. [HIGH – Major/Possible]	Engagement plans being finalised. Establishment of Equity Team. Establishment of Service Design Guidebook.
Procurement	
If our expectations/assumptions on the market's ability to respond to MSD's procurement documentation is too high, then vendors may fail to respond in the way we want them too. [HIGH – Major/Possible]	Build off prior successful market engagement and Employment Service incubator. Establish clear, open, and frequent communications with the market about our intended outcomes and expectations. Use specialised commercial resource and subject matter experts. Ensure alignment with best practice procurement approaches and Government procurement requirements.

Risk Description and Residual Risk Rating	Mitigations
	Engage with legal support and conducting reference checks. Work closely with the Services Change teams to ensure effective requirements are drafted for the RFP for integration. Effective testing of the solution during the Product challenge. Perform due diligence activities.
If we do not select the right vendor and/or platform, then MSD will not be able to deliver on its intended outcomes. [HIGH – Major/Possible]	Refer Mitigations for risk above.
Policy and Legal	
If we are unable to identify and make any necessary changes to legislative conditions to enable the Programme, then we will not be able to deliver the investment objectives and benefits. [HIGH – Major/Possible]	Identifying scope, size, and complexity of policy changes/issues in Horizons Zero and One. Prioritising identified policy changes/issues in Horizons Zero and One.
Benefits	
If there are any funding pauses over the life of the Programme, then this may impact our ability to deliver intended long term transformation benefits, maximise the value from new technology investment and may lead to MSD being potentially committed to a commercial model that does not align to budgeted funding. [HIGH – Major/Possible]	Service Experience to establish a new service platform and business capabilities to enable a transformed Future Service Model in Horizon One (and beyond). Employment Service scoped to deliver its substantial value in Horizon One.

We face significant constraints that could affect our ability to deliver the outcomes we seek

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

Table 45 Key constraints identified

Constraint	Description
Complexity of co-existence	Co-existence is where existing IT systems and business processes need to be maintained concurrently with newly installed IT systems and business processes. This means that staff and clients will experience both old and new experiences and ways of working, making access to services more complex for both staff and clients. MSD's current IT systems and business processes are complex. Continuing demands from our environment and government means that changes often need to be made in new systems and heritage systems with impacts on our clients and staff as they have to navigate a more complex environment. High ongoing change in the environment will therefore slow what we can achieve through the Programme. The costs, complexities and risks associated with co-existence will be considered alongside other delivery dimensions (eg effort, change management) as part of the final determination of iterations and frequency for production deployments.

72vh7ewzmz 2023-06-12 19:18:10

Constraint	Description
Funding the Programme from baseline – additional funding is required	Although MSD will be able to contribute some funding from baseline to the Programme, the Programme cannot be funded with current funding due to the Programme's estimated cost.
Availability of funding from Horizon Two onwards	Transformation will rely on continued funding from Horizon Two onwards. If funding is not forthcoming this will extend co-existence costs and current platform risk as well as pausing transformation. A pause will also result in loss of trust from stakeholders and inevitable loss of expertise in the Programme.
Social sector commissioning	The Programme will need to deliver on the government's Social Sector Commissioning Action Plan and its timeline of change.
Legislation	Some legislative change may be required to support the programme, including additional confirmation that increased automation can be used for client support and benefit payment.

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

Table 46 Key dependencies identified

Dependency	Description
Stakeholder support	The Programme is dependent upon ongoing support by Ministers, Central Agencies, the MSD Leadership Team, MSD staff, clients, partners, iwi, hapū, and communities.
Programme resources	The Programme is dependent on finding a significant amount of resource from the New Zealand and wider marketplace. This will constrain how fast the Programme can onboard people and deliver value.

Our analysis is subject to major, but realistic assumptions

The table below describes the key Programme assumptions.

Table 47 Key assumptions identified

Assumption	Description
Ambition	The Programme will be one of the largest transformation programmes in New Zealand's history. It will impact on all elements of our service model and require significant external investment of time and resources.
Timeframe	The Programme will take nine years, although value will be delivered iteratively. The benefits profile will be set across a 12-year horizon.
Prioritisation	MSD will be constrained in its capacity to take on additional work while the Programme is being delivered. There will be reduced ability to meet Government expectations for change. Operational measures may be impacted.

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Assumption	Description
	The Government may need to accept a greater risk appetite as our workforce delivers business-as-usual and copes with a high level of change.
	We will need to carefully prioritise work to ensure we have sufficient capacity and capability to deliver across the whole of MSD – both inside the Programme and the other change work that MSD will need to continue to deliver.
Co-existence	Co-existence costs will be incurred during the Programme as we concurrently develop new and support old IT systems and business processes.
Delivery	An increase in Programme staff resources (internal and external) of approximately ▢ will be required.
Workforce	There will be no reduction in the frontline (non-COVID-19 funded) workforce. However, there will be changes in roles to enable the Future Service Model to be realised.

We have clear risk management processes and accountabilities

Risk management is an ongoing process over the life of the Programme. The Programme's Risk and Issue Management Strategy provides tools to identify and manage risks and issues early, to minimise impacts to the successful delivery of the Programme. The following table identifies the key risk management accountabilities within the Programme.

Table 48 Risk management accountabilities

Level	Purpose	Accountability
Te Pae Tawhiti Programme workstreams	Risks are identified, assessed, evaluated, recorded, and reviewed in real time. Workstream level risks are escalated to the Transformation Office as required, typically during the twice-weekly Workstream Leads' stand-ups or directly to the Programme Director if urgent. Risks will also be reviewed during monthly check-ins with the Transformation Office.	Workstream Leads
Te Pae Tawhiti Programme	The Programme Director continually monitors risk. Risks are identified, assessed, evaluated, recorded, and reviewed in real time. Risks will also be reviewed monthly with the Principal Advisors, Te Pae Tawhiti Programme.	Programme Director
Portfolio	Risks are identified, assessed, evaluated, recorded, and reviewed in real time at the delivery and Portfolio level. Delivery level risks are managed by Product Managers, and Portfolio level risks are managed by Portfolio Managers. Portfolio risks may be escalated to the Transformation Office as required.	Portfolio Managers/Product Managers
Integrated Work Programme (IWP)	Risks to the IWP are identified, assessed, evaluated, recorded and reviewed in real time. IWP Risks are reviewed monthly with the Director, Transformation Office.	Director, Transformation Office

Level	Purpose	Accountability
Programme Advisory Group (PAG)	PAG is informed of Programme level risks for oversight. A Programme status report is provided monthly which includes: • risks with a residual consequence of severe or major • new or closed risks and those that have changed substantially • risks near to eventuating • status of risks that governance has identified as requiring regular updates • issues with a residual consequence of severe or major.	Transformation Office (Reporting)/SRO
Portfolio Executive Committee (PEC)	While developing the work programme for each Programme Increment, PEC considers the impacts/risks of what is needed to be prioritised. Any risks or trade-offs are reported to TIC.	PEC Chair
Transformation and Investment Committee (TIC)	TIC is responsible for providing advice on Programme and Portfolio level risks. A Programme status report is provided monthly which includes: • risks with a residual consequence of severe or major • new or closed risks and those that have changed substantially • risks near to eventuating • status of risks that governance has identified as requiring regular updates • issues with a residual consequence of severe or major.	Transformation Office (Reporting)/TIC Chair
Leadership Team (LT)	LT discuss Ministry-wide risks quarterly	SRO/Transformation Office

Established processes manage issues at Programme, workstream, and Portfolio level

Our issue management process below provides a robust way of identifying and documenting issues and problems that occur.

Programme level issues – these are owned and proactively managed at the Programme level by the Programme Director, and includes those that are raised by Portfolios in relation to the Programme or escalated by Workstream Leads. Issues are reported monthly to PEC and TIC.

Workstream-level issues – these are owned and proactively managed at the workstream level by Workstream Leads with support from the Transformation Office. Workstream issues are escalated to the Programme level if they require active Programme-level management or will affect overall delivery.

Portfolio issues – these are owned and proactively managed by the Portfolio Manager and reported to PEC and TIC on a quarterly basis via the Quarterly Report. If an issue is identified in a Portfolio that might have an impact on the Programme, the Transformation Office is alerted in case shared management is required.

72vh7ewzmz 2023-06-12 19:18:10

We have strong assurance arrangements in place to help ensure the Programme is well-managed and successfully delivers its objectives

Te Pae Tawhiti Programme has been assessed, through Treasury's Risk Profile Assessment process, as having a high risk. Because of the large scale of the programme and its risk rating, Central Agency guidance includes a range of assurance activities, which have been budgeted for.

Our formal assurance and evaluation plan sets out the governance and assurance approaches and practices to support the Programme

Our assurance approach for the Programme is consistent with the MSD's five lines model (pictured below – this diagram also shows the interaction between the five lines). The multi-layered approach to assurance, which builds on the Digital Public Service's recommended three lines of defence approach, will help ensure the Programme stays on track to achieve its objectives.
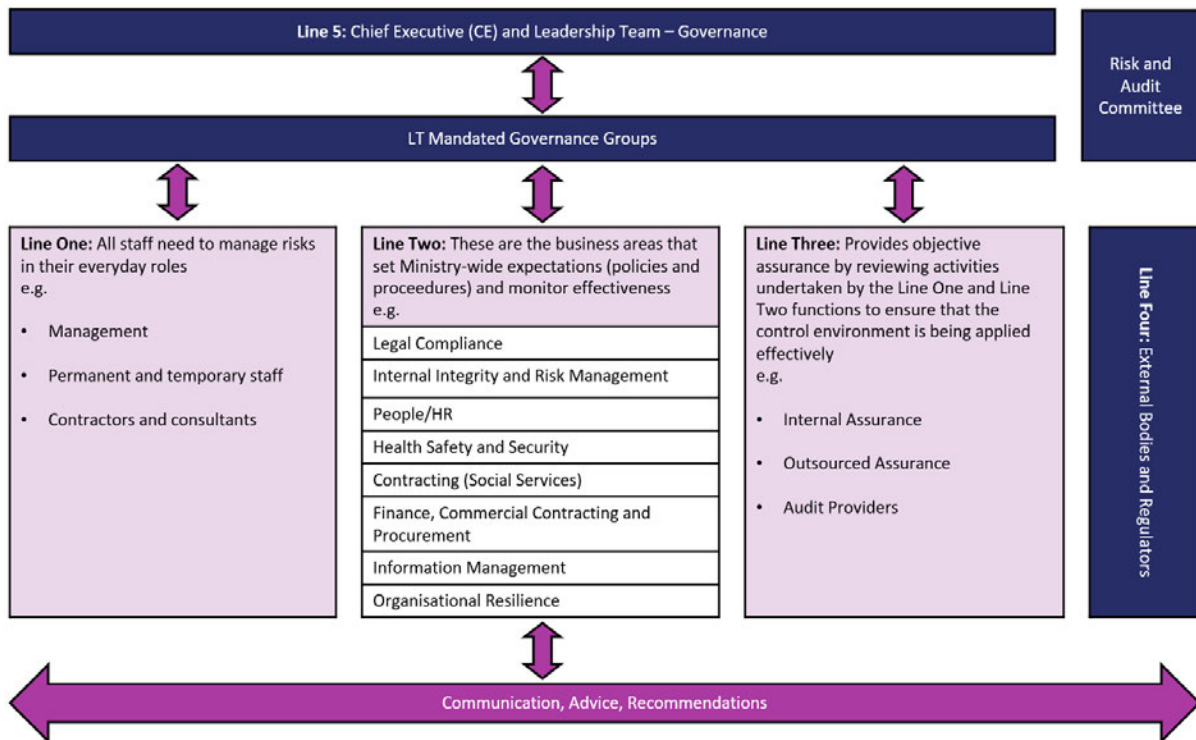
Figure 23 MSD five-lines model assurance summary

Our Assurance Plan details the quality assurance and quality control processes implemented to ensure the Programme outputs are fit for purpose, the governance and management aspects of the Programme are working appropriately, and the Programme stays on track to achieve its objectives.

Our Plan has been further developed since its first iteration (as presented in the Programme Business Case). The plan aligns with the Digital Public Service's principles of good assurance, expectations, and guidance for agile delivery, with assurance embedded

72vh7ewzmz 2023-06-12 19:18:10

throughout the Programme at multiple layers. Our assurance approach incorporates Agile practices for adaptability, independent quality assurance, and is risk- and outcomes-based. It informs key decisions for the Programme, and there are clear accountabilities for governance bodies.

The Assurance and Evaluation Plan is a living document that will be updated and tailored to the assurance activities Te Pae Tawhiti requires throughout its lifecycle.

Assurance over the Programme is intended to give confidence to the Senior Responsible Owner, senior leadership, governance bodies (particularly Te Pae Tawhiti Transformation and Investment Committee), central agencies, and other stakeholders that the programme is well-managed and that the programme will:

- Have effective identification and management of risk.
- Inform decision makers accurately, comprehensively and in a timely manner.
- Deliver solutions of quality that meet the expectations of all stakeholders.
- Deliver the outcomes within the expected and budgeted whole of life costs.
- Meet the desired timelines as far as possible.
- Include an agile assurance approach that is fit for purpose.

This supports a no surprise approach with quality and informed decisions that provides delivery confidence and realisation of benefits.

The Programme's governance and risk management arrangements support assurance

Regular governance and oversight activities occur across the Programme, including governance meetings, Programme status reports, and Risk and Audit Committee oversight. This will ensure the LT and its supporting governance committees have the information to make timely and well-informed decisions.

The assurance roles of the key bodies in the governance structure are summarised in the following table.

Table 49 Assurance roles of governance groups

Group	Assurance role	Line of defence
Risk and Audit Committee (RAC)	Provides independent advice to the Chief Executive. Interacts with the 2nd and 3rd lines with regular reporting going to Risk and Audit Committee from Finance and Workplace Integrity and Audit NZ. Others attend from time to time. Meets for closed sessions with the Chief Executive as required. The Programme reports quarterly to the Risk and Audit Committee.	5th
Senior Responsible Officer Deputy Chief Executive Transformation (SRO)	Approves the Programme Assurance and Evaluation Plan and any changes. Communicates and actions assurance findings and recommendations. Owns programme response and implementation of recommendations in assurance reports.	2nd

72vh7ewzmz 2023-06-12 19:18:10

Group	Assurance role	Line of defence
Te Pae Tawhiti Transformation & Investment Committee (Te Pae Tawhiti TIC)	Endorses and owns the Programme Assurance and Evaluation plan and approve any changes. Includes four external advisor positions that provide professional experience of large programme assurance and an independent lens on Programme activities, delivery and risk. Approve the Terms of Reference for Delivery Confidence Framework deep dives and scope for assurance activities. Monitors and assesses the Programme activity across key milestones. The Programme and external providers report to Te Pae Tawhiti Transformation & Investment Committee on results and actions.	5th
Programme Advisory Group (PAG)	Endorses the Programme Assurance and Evaluation plan and any changes to it.	1st
Te Pae Tawhiti Programme	Transformation Office creates and maintains the Programme Assurance and Evaluation Plan. Transformation Office manages execution of the Programme Assurance and Evaluation Plan and its schedule and actions. Independent 2nd line advice from Legal, Workplace Integrity and Finance provides support to Programme leaders, LT, and Risk and Audit Committee. 4th line delivered by external bodies (including GCDO) and other regulators. Includes assurance at the Portfolio, Value Stream and Delivery Team level. Assurance activities reported to Te Pae Tawhiti Transformation and Investment Committee via the Senior Responsible Officer.	1st, 2nd, 3rd, 4th

Our enhanced assurance approach includes external oversight from Treasury and Digital Public Service and external independent oversight from specialists

The assurance approach for the Programme is a collaborative assurance approach with real time, independent, feedback so the Ministry can adjust as the Programme is being delivered.

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

This approach helps monitoring agencies gain a view behind the scenes as to how the Programme has developed and how it is progressing. Gateway has, and will continue to be, a key part of our external oversight processes.

KPMG will continue to provide independent quality assurance for the Programme. KPMG will continue its assurance with an initial programme review and risk assessment after the Detailed Business Case has been completed. This will provide MSD with a baseline of assurance for the Programme.

Key assurance, evaluation and feedback activities are set out below.

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Table 50 Key assurance, evaluation and feedback activities

Activity	Purpose	Reporting to	Provider	Indicative Timing
Gateway	An independent and confidential peer review process that examines projects and programmes at key points in their lifecycles to assess their progress and to rate the likelihood of successful delivery of their outcomes. A Gateway review takes one week.	SRO	The Treasury. Review teams is comprised of highly independent reviewers selected and managed by Treasury	At each of the major stage gates listed in the Assurance Plan At key milestones e.g. ahead of investment decisions, go live
Delivery Confidence Framework (DCF)	Identifying and assessing the critical readiness activities needed to provide confidence the Programme is on track to deliver.	Te Pae Tawhiti TIC via the DCF panel that has external advisors on it	MSD	Throughout the life of the Programme to support key decisions and ensure that we continue to have the plans, processes, and resources in place to ensure success Full reviews at key milestones
Delivery Confidence Framework Deep Dives	Independent assessment of areas where the Programme is most keen to understand our delivery readiness	Te Pae Tawhiti TIC	KPMG	Quarterly
Probity advice/audits	Real time probity assurance		McHale Group	Mid-April 2023-April/May 2024
Legal reviews	Independent legal review and advice with respect to procurement and contractual documentation	Programme Director	TBC	Procurement and contracting stages
Independent Quality Assurance	To provide assurance to the SRO and Te Pae Tawhiti TIC that the Programme is being well-managed and to highlight any risks to success.	SRO Te Pae Tawhiti TIC	KPMG	At key milestones, e.g. ahead of investment decisions, go-live
Technical Peer Reviews	Independent technical peer reviews in respect to design.	Programme Director	Independent external technical specialists	Design and build stages
Internal Peer Reviews	At a minimum, all key Programme deliverables produced during procurement exercises will be subject to at least one level of peer review to ensure that deliverables are of an acceptable quality and	Programme Director	MSD Procurement Team – additional specialists as required	Procurement exercises, and as required

72vh7ewzmz 2023-06-12 19:18:10

Activity	Purpose	Reporting to	Provider	Indicative Timing
	comply with the relevant standards.			
The Risk and Audit Committee (RAC)	RAC provide independent advice to the Chief Executive as part of the 5th line of defence. RAC interacts with the 2nd and 3rd lines with regular reporting going to RAC from Finance and Workplace Integrity and Audit NZ. Others attend from time to time. RAC meet for closed sessions with the Chief Executive as well.	MSD's Chief Executive	RAC	Quarterly
Horizon Post Implementation Review	To understand whether the objectives have been achieved for Horizon One and what lessons need to be applied for Horizon Two. It will focus on milestones and deliverables achieved in each Horizon; planned activities not achieved; and an annual review against the Business Case.	SRO Programme Director	Facilitated Post Implementation Review workshop Provider TBC	Timing TBC
Retrospectives	Inform in real time about what is working well and what needs to be quickly adjusted during business case development. It will focus on discussing what happened during the product development and release process, with the goal of improving things in the future based on those learnings and conversations	Programme delivery teams		At end of sprints/Programme Increments
Inspects and adapt at end of each Programme Increment	To identify what went well and what could be done better. It will focus on demonstration of the solution and evaluation of solution by the train	Programme delivery teams		At the end of every Programme Increment
Significant go-live delivery evaluation	To ensure the go-live delivered the planned outcomes and operational goals. It will focus on the evaluation of expected operational goals against business case and Horizon planning and	SRO Programme Director Operational support teams		Refer Gateway, Delivery Confidence Framework, and Independent Quality Assurance above

72vh7ewzmz 2023-06-12 19:18:10

Activity	Purpose	Reporting to	Provider	Indicative Timing
	improvement opportunities.			

There are a number of external assurance providers working across the Te Pae Tawhiti Programme landscape. The Programme will require all the external providers to share information on the trends and any key issues that may be identified from their individual assurance activities. A combined assurance provider forum will be facilitated by the Ministry to enable this information sharing to occur.

72vh7ewzmz 2023-06-12 19:18:10

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Our Programme is investment-ready now

Our Delivery Confidence Framework identifies the critical readiness activities required, providing confidence that the Programme will be successfully delivered

Our Delivery Confidence Framework focuses on whether MSD has all of the components in place to deliver the range of identified initiatives within the agreed scope/scale and to manage the dependencies with appropriate resources, methods, and tools. The DCF comprises 20 core dimensions critical to delivery, with conditions developed for each of the 20 dimensions identified. The DCF is summarised in the diagram in APPENDIX D.

The DCF provides key stakeholders with confidence to commit to go-live decisions as planned, or to allow for remediation prior to go-live. It will be used throughout the life of the Programme to support key decisions and ensure that we continue to have the plans, processes, and resources in place to ensure success.

KPMG has reviewed the DCF and assessed it as "robust and thorough".[82] The Gateway Review Panel in November 2022 identified the DCF as an example of good practice as it is an "Outcomes-focused governance and planning tool to support 360º understanding of work required and its status."

We have applied the Delivery Confidence Framework to the Programme and are on track to start Horizon One in 2023

Self-assessment submissions were received from dimension owners (who consulted with condition stakeholders as appropriate), with dimension ratings, key themes and focus areas confirmed by a Delivery Confidence Framework Panel chaired by the SRO.

The readiness as of 8 November 2022 is summarised in the diagram below.

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[82] See KPMG, *Delivery Confidence Framework: Independent Review* (KPMG, 30 Sept 2022), 1. Report provided to MSD.

72vh7ewzmz 2023-06-12 19:18:10

Figure 24 Programme readiness as of 8 November 2022

The Programme is well placed overall within the context of the current phase, with 75% of the framework dimensions assessed as either 'On Track' or 'On Track w/ Risk', noting that for some dimensions (eg Tech and Data Readiness, Business Readiness) most of the conditions and evidence items were not relevant given the current phase of the Programme.

We will continue to monitor all dimensions to ensure they remain on track. Dimensions assessed as 'Proceed w/ Caution' will be targeting a rating of at least 'On Track w/Risk' ahead of the next assessment, which is planned for May and June 2023.

Gateway confirmed in November 2022 that the Programme is investment ready subject to completing key recommendations – we have now implemented these recommendations

The Programme has been subject to three Gateway Reviews. A Gateway 0/2 Review in November 2022 rated the Programme as Amber/Green – "Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery." The recommendations and MSD's response are

set out below. The November 2022 Panel confirmed that MSD had addressed the previous six recommendations made in March 2022.

Table 51 How MSD has implemented the key Gateway recommendations

Recommendation	Priority	MSD Response
The DBC should be sharpened through: • A more compelling story about the value delivered and change impact on each set of stakeholders in each Horizon • A clearer picture of delivery sequence choices across Horizons and why the preferred option is selected • An expanded analysis of Horizon 1 delivery approach options to include risks, costs and opportunities.	**Essential** Do before submission of DBC to Cabinet	**Complete** The Programme has clarified the value delivered and change impact on stakeholders in Horizon One. Further changes to the DBC have been made in context of Budget 2023 decisions and Treasury guidance on investment readiness. Rationale for the preferred option has been strengthened. In early 2023, replanning for Horizon One delivery commenced in light of Budget 23 decisions. This work allowed greater understanding of where cost and ambition is shifting in delivery to Year 3 or Horizon to accommodate reduced funding.
The DBC and related Cabinet paper should clearly articulate the criticality of commitment to the full transformation.	**Essential** Do before submission of DBC to Cabinet	**Complete** A recommendation has been added to the draft Cabinet Paper for Ministerial consultation on the long-term commitment and a formal recommendation to start the Programme. This DBC has been updated to be in line with Cabinet paper.
An integrated work plan for current activity should be prepared for the commencement of Horizon 1.	**Critical** Do now	**Complete** Detailed plans and schedules have been developed that set out the work for delivery of service changes and supporting work in Horizon One, including the scope, sequencing, and prioritisation of work
The Prioritisation Framework be applied across all MSD planning and governance groups.	**Essential** Do by start of Horizon One	**Complete** Delivery Approach work is a priority for the Programme. The Prioritisation Framework has been developed, discussed and tested throughout March using the Ministry's current Integrated Work Programme.

Ongoing Gateway Reviews will be conducted throughout the Programme in accordance with Treasury guidance.

Our evaluation approach describes how MSD will monitor and evaluate the Programme, as well as how MSD intends to use evaluation results for programme improvement and decision making

It clarifies how MSD will describe the "What," the "How," and the "Why It Matters" for the Te Pae Tawhiti programme.

The "What" reflects the description of the programme and how its activities are linked with the intended effects. It sets out the programme's purpose and anticipated outcomes.

72vh7ewzmz 2023-06-12 19:18:10

The "How" addresses the process for implementing a programme and provides information about whether the programme is operating with fidelity to the programme's design. Additionally, the "How" (or process evaluation), along with output and/or short-term outcome information, helps clarify if changes should be made during implementation.

The "Why It Matters" provides the rationale for the programme and the impact it has on the Ministry's clients. Being able to demonstrate that the programme has made a difference is critical to programme sustainability.

The evaluation plan clarifies the steps needed to assess the processes and outcomes of the programme. It will be updated regularly to set out the activities that constitute the evaluation approach and plan.

APPENDIX A: Future state Blueprint

The Blueprint presents an integrated view of our future state

The Blueprint describes a complete, integrated picture of the future state of the components of MSD as transformed by the Programme to the level of detail available at a particular point in time. It therefore respects the knowledge we have at any one time, while recognising the uncertainties we face.

The Blueprint describes the future state from different points of view as to what we are trying to transform and provides traceability on what design decisions have been agreed to. It draws on documentation developed from across the Programme.

The Blueprint supports this Detailed Business Case and will be used to maintain the integrity of the Programme as it continues across the Horizons.

The following diagram summarises how the Blueprint provides an integrated picture across MSD. It shows how we are designing the transformation across our MSD business architecture layers.
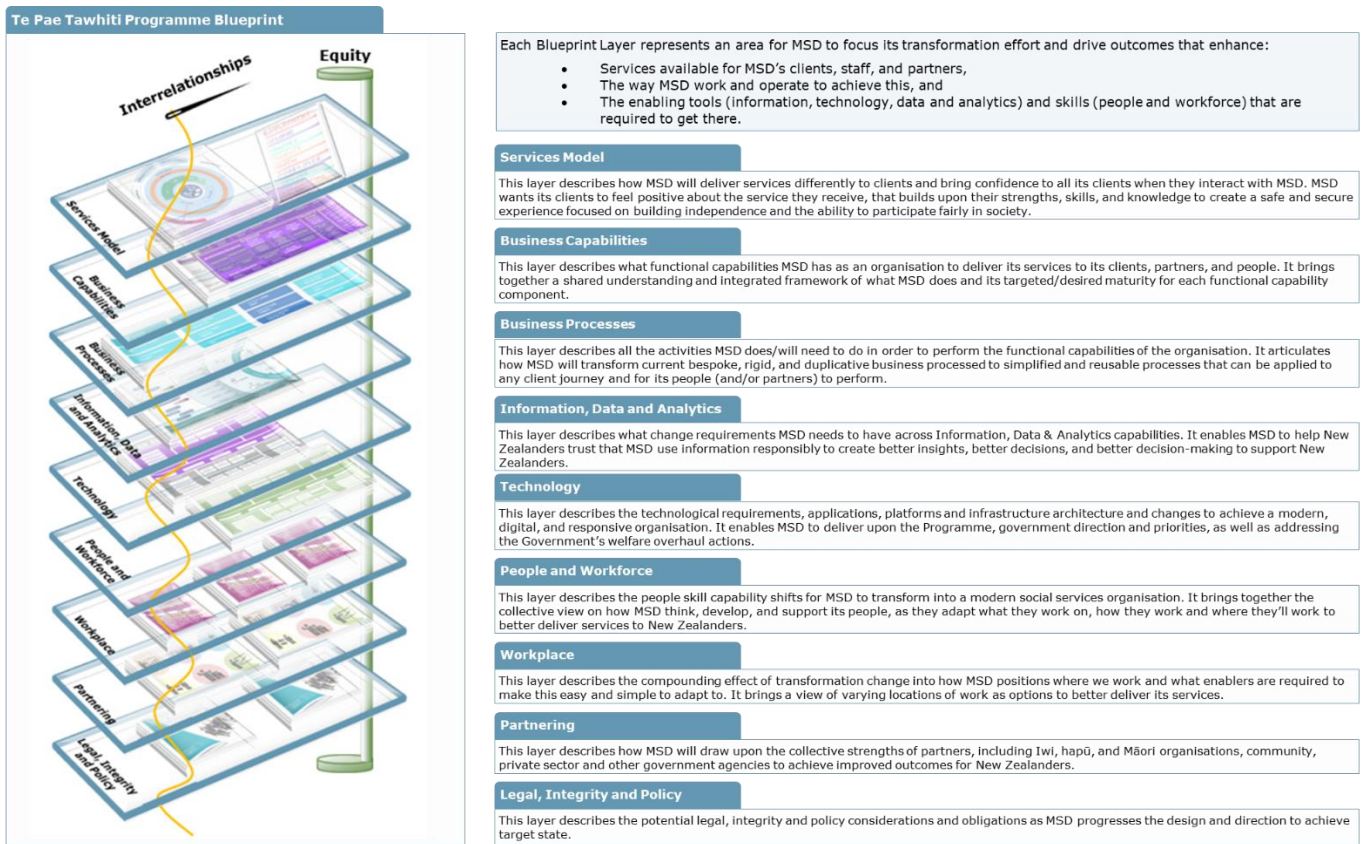
Figure 25 Te Pae Tawhiti Programme Blueprint structure

72vh7ewzmz 2023-06-12 19:18:10

Te Tiriti o Waitangi and te ao Māori strongly inform the development of the Blueprint

The Programme will support the Crown in its Te Tiriti o Waitangi commitments. Every system, process, and practice we design as part of our Blueprint must reflect this.

One of our foundations for client experience is engagement through a te ao Māori view. An example of the implications of this is that all processes must consider a te ao Māori perspective from the outset.

One of our technical foundations is that of embedding a te ao Māori view. Our systems and processes must reflect Māori values, as well as cultural practices and commitments to Māori.

The Blueprint provides direction for the future organisation at the end of the Programme

The Blueprint integrates strategies across MSD, guides accountability discussions, and informs decisions about priorities and funding. The Blueprint helps us to focus on the outcomes we are trying to achieve while maintaining flexibility about how we get there. This enables us to consider delivery constraints, evolving client needs, a changing external environment, and advancements in technology and information management.

The Blueprint describes how the Programme's transformative efforts will achieve the outcomes sought

To sustain the vision of *Te Pae Tawhiti – Our Future*, the Blueprint will progressively describe the new capabilities we are developing and how they will mature over each Horizon. It will provide a critical Programme yard stick to measure, maintain, and innovate the design. It will also inform critical business and change impact assessments to ensure the pace of the transformation is sustainable for us and our stakeholders. It will also help transparency regarding what the Programme is delivering as opposed to what it set out to deliver.

The top layer of our Blueprint is MSD's Future Service Model – this provides a frame of reference for how MSD delivers services and support for New Zealanders

The Service Model layer of the Blueprint describes how services will be delivered differently to support better outcomes. Our core services and support include employment, income, housing services and support, and broader social supports, including through partners, and enabling individuals and whānau to be more resilient and live in inclusive and supportive communities, participate positively in society and reach their potential.

As part of the Blueprint, *He Remu Manaaki*, our Workforce Strategy, describes the desired future state and high-level workforce shifts needed

Our Workforce Strategy articulates the workforce and organisational shifts required to give effect to the four key threads of *He Korowai Manaaki* (our People Strategy) – whānau-centred, capability building, leading for performance, and providing a positive

experience. *He Remu Manaaki* considers a range of initial capabilities and skills that our staff will need to develop, so they are able to deliver a positive experience and better outcomes for our clients, whānau, and communities.

We need to adapt to changing technological and socio-economic forces influencing the future of work. While our clients will see positive change in how we (and our partners) support them, the Programme will also positively impact the way our people see, feel, and experience working at MSD. This change will be supported by the capability development of our people.

The key shifts we are seeking for our workforce are:

- Moving away from a workforce that has been operating with constraining systems and processes towards one that is digitally and culturally enabled to focus on the needs of clients.
- Improving how we work with partners to achieve community and whānau aspirations.
- Changing our ways of working, including an increase in the use of agile methodology and process automation.

These shifts will increase our capability and enable our people to deliver on the three strategic shifts of *Te Pae Tawhiti – Our Future*.

The seven principles below indicate how our people may come to experience change as a result of the Programme.

Be flexible to adapt to the changing needs of the organisation – We know that our Future Service Model will require new ways of working. We need to enable our people's development in a way that builds a flexible and responsive workforce that continues to respond to evolving needs. This will allow us to be adaptive and respond to client needs in future as they emerge.

Enable a growth mindset and manage their own learning and development that makes it accessible, timely and relevant – We know that the way people learn is changing, and there is an opportunity to enable additional self-directed, bite-sized learning opportunities.

Be able to see their career path within the organisation – We will build and publicise internal mobility pathways for staff to ensure they understand what opportunities are available to our people, and the capabilities needed to progress. This will help develop an internal capability and progression pipeline, where appropriate and pragmatic.

Embed a te ao Māori view in everything we do – To support the Crown's commitment as a Te Tiriti o Waitangi partner, we understand that te ao Māori must be reflected in our approach and culture. We will develop our workforce to understand and give effect this.

Understand how their work links to creating better outcomes for communities and all New Zealanders – Our employees will understand the outcomes and value of their contribution. We will ensure our staff understand how the support they deliver changes the lives of everyday New Zealanders.

Be enabled by strong leadership to manage their work and development – Strong leadership will be critical to delivering our workforce shifts. We will enable a leader-led

culture that ensures leaders have the time to focus on development activities, building their teams, and supporting growth and continuous improvement.

Include our partners and community organisations also working to create better outcomes for New Zealanders – In time, our workforce will grow to include those working in partnership with us. We will ensure that we build an environment that enables and supports our partners to deliver positive outcomes for New Zealanders.

Cultural expertise is required to support improved equity across our diverse population, including ethnic cultures living in New Zealand. We will focus on improving equity for Māori and Pacific, but we will also look to establish broader cultural expertise/capability across the Programme.

We have a developing workplan that shows how we will understand and make the changes we need.

APPENDIX B: Mapping of new service changes to those presented in Programme Business Case

The diagram below shows how the 23 service changes identified in the Programme Business Case map to the service changes presented in this detailed business case.

Figure 26 Mapping of new service changes to those identified in the Programme Business Case

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

APPENDIX C: Intervention logic for the four service changes in Horizon One

The following diagrams summarise the intervention logic for the four service changes.

MINISTRY OF SOCIAL
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TE MANATŪ WHAKAHIATO ORA

Problems

❶ Our clients and their whānau face difficult, repetitive, and time-consuming processes to get the support they need

- Clients can have difficulty understanding their entitlements, eligibility, and obligations. Some clients may not receive full and correct entitlement and lack confidence in entitlement and payment accuracy.
- Clients cannot consistently perform end-to-end services online – access to an MSD staff member is generally required to complete a transaction. Clients face inconsistent, fragmented processes and digital services which are time-consuming and challenging to navigate.
- When clients switch channels (because a channel does not provide all the services required) they are required to re-explain their circumstances and needs. This occurs across digital, telephone, and face to face.
- Clients cannot gain consistent access to necessary information online.

❷ Our staff and partners do not have the systems to adequately support client needs

- Staff spend significant amounts of time navigating our processes and accessing multiple systems. This leads to substantial delays and rework, limiting their ability to recognise our clients and understand them and their needs.
- Staff cannot easily find all the information they need about a client, their circumstances, and history to help them and their whānau in the most effective manner. Clients must repeat their story and our staff often only address immediate needs, not taking an holistic view.
- Our staff are not able to spend as much time supporting clients as their time is taken up processing applications for income support.
- Errors made result in inevitable rework.
- Lack of core case management and workflow systems is limiting MSD's ability to deliver a case management service to improve outcomes for clients with more complex circumstances and needs.

❸ MSD systems do not support rapid implementation of new policy or policy changes

- Current systems do not support making rapid changes at acceptable risk. This limits the speed at which new policy or changes to policy can be implemented.
- Recent policy changes have required disproportionately large amounts of resource and time to implement (e.g. 2012-13 welfare reform initiative was delivered over three phases taking 24 months and costing $50.9 million with approximately 615 to 715 FTEs involved; the 2018-19 family incomes package initiative took 26 months to deliver and costing $8.2 million with approximately 221-231 FTEs involved.)

❹ There is increasing likelihood of service failure because of aging systems

- The MSD technology environment consists of over 75 core applications providing over 380 technology services – some are over 30 years old.
- There is a growing technology failure risk due to MSD's ageing and end-of-life systems. These systems are difficult and expensive to maintain, and to protect from emerging threats to system and data security.
- A survey of MSD's core IT assets was completed in April 2019. Of the 33 core applications surveyed, only 5 (15%) were identified as being healthy.

Investment objectives

❶ Enable *easier and more consistent access* to services and information for clients, whānau, partners, and staff

- Enable MSD to prioritise early improvements in the client service experience for Te Pae Tawhiti.
- Provide true self-service for our clients to enable them to conduct end-to-end service inside a channel without needing to exit to face-to-face or telephone at inconvenient stages.
- Provide clients with simple transitions to telephone, video, or face to face staff access without the need to repeat their stories or re-enter information. There will be consistency of experience across all channels.
- Support continuous improvement of client experience through improved understanding of our clients and their whānau.
- Support implementation of the Future Service Model.

❷ Enable *increased staff effectiveness* in supporting clients as opposed to merely processing transactions

- Enable easy staff access to the knowledge required for them to support clients.
- Enable the automation of our business processes to allow staff more time to work closely with clients who need it as opposed to processing transactions.
- Provide tools to support relationship management and case management.

❸ Enable the incremental *modernisation of MSD's core technology* platforms to reduce operating risk, increase agility, and improve the quality of information available

- Address our legacy system risk in a managed, incremental manner.
- Deliver modern MSD-wide systems, data, and information to our staff, clients, and stakeholders.
- Enable the use of data and analytics to support good decision-making and enable better client outcomes.
- Support MSD to become an insight-driven organisation that uses timely insights to inform service improvements and policy reform.
- Enable agility of response to government requirements and environmental change or shocks.
- Reduce risk of service failure presented by aging systems.
- Provide a flexible, future technology environment that can continue to grow and change.

❹ In Horizon One, *prove the value of the platform* through the implementation of end-to-end services for students

- Prove the value of the Experience Platform in Horizon One by implementing for students.
- Prove the value of the Experience Platform by delivering tools to MSD staff to enable them to better support clients and their whānau.

Benefits

Improved equity [Benefit 1]

- Improved employment and social outcomes [Benefit 5] and improved experience of clients, whānau, and communities [Benefit 6] improves equity for all, especially Māori and Pacific people

Improved time to access support for clients and their whānau [Benefit 2 and Benefit 5]

- Improved user interface will increase effectiveness of self-service and reduce time to get help (Benefit 2, L3 Operational Driver: Automation / Self-service)
- Improved efficiency through automation will support additional FTEs to support case management for those clients that need it the most (Benefit 5, L3 Operational Driver: Increased capacity spent on work focused case management)

Improved accuracy of entitlement assessment and more timely payment [Benefit 3]

- Clients will be able to complete more tasks online and so notify MSD earlier of their needs or changes in their needs (L3 Operational Driver: Support to progress applications)

Reduced client problem debt [Benefit 4]

- Easier ability for clients to notify MSD of changes in circumstances and for MSD staff to make the changes necessary to change payments and so reduce chance of debt (L3 Operational Driver: Improved data sharing between agencies)

Improved employment and social outcomes [Benefit 5]

- Improved understanding of client circumstances, needs, and capability enables improved support (L3 Operational Driver: Effectiveness of assessment of client complexity)
- Better matching of client needs to products, services, and provider and partner capabilities (L3 Operational Driver: Improved access to job matching)
- Improved exits into sustainable employment – through improved advice, referrals, and support that takes account wider environment and circumstances (L3 Operational Driver: Proportion of people exiting into employment)

Improved experience of clients, whānau, and communities [Benefit 6]

- Better user experience through easier to use channels, ability to stay in channel, and cross channels with no retelling of story (L3 Operational Driver: Quick & Easy)
- Clients with more complex needs get better support through technology enabled case management (L3 Operational Driver: Proactive & Full Support)

Improved employee experience with systems and system support [Benefit 7]

- Improved user experience and functionality (L3 Operational Driver: Functionality of the systems support efficient processes for employees)

Improved partner experience [Benefit 8]

- Better user interface for partners (L3 Operational Driver: Contracting and reporting are streamlined)

Improved policy agility [Benefit 9]

- Core systems re-platformed with improved ability to configure and change (L3 Operational Driver: Processes are redesigned to be repeatable and changes can be made faster and at less cost)

Reduced IT system risk [Benefit 10]

- Modern technology will improve system availability and ability to implement policy. (L3 Operational Driver: Availability / Resilience)

Figure 27 *Service Experience* – problems, investment objectives, benefits

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MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Scope

❶ Procurement onboarding of partner/partners

- Issue RFP, evaluate responses and technology, platform capability trials, choose technology / vendors / partners
- Complete discovery

❷ Implement core foundation capability

- Build data connection and conversion capability
- Establish other common capability required to use the system in the MSD environment (integration platforms, client Identity Access Management, digital analytics, data, master data management, consent management, etc)

❸ Implementing enabling technology to support Client Engagement Practice

- Work with the Future Service Model (FSM) team to define experience platform requirements for the case management test pilots
- Implement MVP experience platform capabilities to be tested and validated during case management prototype – examples include a client plan, integrated client view, workflow.
- Implement integrated knowledge management capability
- Develop decommissioning plan for the current knowledge applications – decommission 1 -2 applications

❹ Implement key components of Service Experience for students

- Design, build and pilot a new self-service interface for students
- Develop implementation plan including co-existence strategy for MyMSD (probably view only)
- Define student journeys and determine how to streamline student experience and the staff interface for student eligibility and entitlement
- Identify system requirements for design, build and implementation of staff interface
- Develop plan to decommission legacy systems (e.g. SAL, MyStudyLink)
- Develop implementation plan and work programme

❺ Plan Horizon 2 and develop next DBC content

- Develop Horizon Two prioritised activity and value plan
- Develop core content for next Detailed Business Case

Benefit drivers

Establish core foundations for future technology [ENABLING]

- In H1 we are establishing the core foundations for MSD's future technology that will enable the benefits from digital renewal

Enabling

Implement immediate functionality of value to MSD staff [DIRECT]

- Enable an improved MSD staff case management experience so that they can better serve our clients and their whānau

Implement immediate functionality of value to MSD clients [DIRECT]

- Enable an improved MSD client experience for a specified cohort

Use the established eco-system to build foundations for Horizon Two [ENABLING]

- Once the eco-system is established and we have implemented pilots, we will lay foundations for H2 when we will implement renewed services for students and older people

Benefits

Improved equity [Benefit 1]

- Improved employment and social outcomes [Benefit 5] and improved experience of clients, whānau, and communities [Benefit 6] improves equity for all, especially Māori and Pacific people

Improved time to access support for clients and their whānau [Benefit 2]

- Improved user interface will increase effectiveness of self-service and reduce time to get help
- Improved efficiency through automation will support additional FTEs to support future service model

Improved accuracy of entitlement assessment and more timely payment [Benefit 3]

- Clients will be able to complete more tasks online and so notify MSD earlier of their needs or changes in their needs

Reduced client problem debt [Benefit 4]

- Easier ability for clients to notify MSD of changes in circumstances and for MSD staff to make the changes necessary to change payments and so reduce chance of debt

Improved employment and social outcomes [Benefit 5]

- Improved understanding of client circumstances, needs, and capability enables improved support
- Better matching of client needs to products, services, and provider and partner capabilities
- Improved exits into sustainable employment – through improved advice, referrals, and support that takes account wider environment and circumstances

Improved experience of clients, whānau, and communities [Benefit 6]

- Better user experience through easier to use channels, ability to stay in channel, and cross channels with no retelling of story
- Clients with more complex needs get better support through technology enabled case management

Improved employee experience with systems and system support [Benefit 7]

- Improved MSD staff user experience and functionality

Improved partner experience [Benefit 8]

- Better user interface for partners

Improved policy agility [Benefit 9]

- Core systems re-platformed with improved ability to configure and change

Reduced IT system risk [Benefit 10]

- Modern technology will improve system availability and ability to implement policy

Figure 28 Service Experience – how the delivery of the scope contributes to the benefits

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MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Problems

❶ Clients have inconsistent and limited awareness of and access to MSD's employment services digitally

- The overall process is frustrating and disempowering for job-seekers
- Service can only be delivered face-to-face – only clients who are in case management receive specific help to find jobs (~20% of job-seekers)
- 50% of job-seekers view vacancies online outside office hours but cannot follow-through online
- Limited pro-active post-placement support is provided to support sustainable placements via phone or face to face
- Clients need to switch channels and re-explain circumstances to access service – this adds more friction to processes and reduces client follow-through on opportunities
- MSD staff cannot see what the clients see in their online access
- MSD staff often do not have the information needed to connect clients to the right service

❷ Employers cannot easily manage vacancies or access funding options or job seeker talent

- Managing vacancies requires an employer to phone MSD during working hours – they cannot do this after hours online
- Employment funding like wage subsidies can only be accessed with face-to-face contact
- Only 38% of employers list a vacancy with MSD more than once a year
- Employers have limited awareness of and access to MSD employment products and job seeker talent

❸ Providers do not always receive the information they need in a timely manner to best manage the services provided to MSD clients

- MSD does not have one single way to get good information on capacity for providers to deliver MSD programmes for clients and how busy they are
- Forecasts for services to providers are often inaccurate
- Contracted training opportunities often cannot be filled in a timely manner through the current referral pathway

❹ Matching of jobs, training, and services is a time-consuming process meaning that job seekers do not always get the right job or the appropriate help to get it

- Opportunity matching involves:
  - Job seeker to jobs
  - Job seeker to training or upskilling
  - Job seeker to MSD provided service or product
- Opportunity matching is a manual and from multiple bespoke sources– it takes staff time and does not always deliver the best talent search result

❺ Poor availability of labour market information limits the effectiveness of advice that MSD can provide to job-seekers, employers, and partners

- MSD does not have consistent access to good labour market information
- Labour market information is not available in a form that can be used by MSD's online systems and/or staff to advise clients, employers, and partners (e.g. on types of jobs available, training needed, skills gaps)
- Labour market information is not presented in ways that people can make informed decisions with it – growth industries/sectors

Investment objectives

❶ Deliver full, 24X7, easy access for clients, employers, and providers to enable them to directly receive the service and information they need for 95% of their transactions

- Enable most services to be completed fully online, 24X7 to reduce friction to a minimum for job-seekers, employers, and providers
- Enable staff assist ("I see that... can I help you?") during office hours to further reduce friction and identify opportunities for further support

❷ Deliver a transparent interface to tiered case management and work brokerage that suits the needs, abilities, and circumstances of our clients

- The change to face-to-face channels should be seamless with minimum friction for clients (e.g. they should not have to re-explain their circumstances)
- Clients should not all be treated the same – this demoralises many
- Staff must be focused on true value-add to clients rather than tasks that are "failure demand" or unnecessary with modern systems
- Staff should have all information on client activity. We want to be able to see a clear picture of a client's employment aspirations, journey and interactions in other channels

❸ Provide rapid and accurate matching of jobs, training / upskilling, and MSD services to quickly and effectively get job-seekers into sustainable work and enable staff to focus on case management

- Matching currently is a manual process
- Smart matching or Personalised recommendations will improve accuracy as well as reducing staff effort
- Matching will be able to occur outside of office hours

❹ Access and deliver improved labour market information to clients, employers, providers, and MSD case managers in a timely and usable manner to better support sustainable employment

- Labour market information will be able to be filtered to provide what is relevant to the audience – e.g. in matching background and qualifications to potential job types and locations, and the training needed

Benefits

Improved equity [Benefit 1]

- Improved employment and social outcomes [Benefit 5] improves equity for all, especially Māori and Pacific job-seekers
- Improved experience of clients, whānau, and communities [Benefit 6] improves equity for all, especially Māori and Pacific job-seekers

Improved employment and social outcomes [Benefit 5a & 5b]

More New Zealanders being supported to return to work quicker (L1 Benefit - Improved Wellbeing of People in need)
- Clients receive the service and help they need early to increase the probability of finding a job early (L3 Operational Driver: Increased capacity spent on work focused case management)
- **Through**: rapid, low-friction digital access to relevant job, opportunities, services, and products (L3 Operational Driver: Improved access to job matching)
- **Through**: transparent access to phone or face-to-face help with no requirement to re-explain circumstances(L3 Operational Driver: Increased capacity spent on work focused case management)

More sustainable employment after finding a job (L1 Benefit - Improved Wellbeing of People in need)
- Clients have a high-quality match of job and have the necessary skills they need to sustain their employment (L3 Operational Driver: Improved access to job matching, Improved access to skill development)
- **Through**: better job matching and better upskilling
- **Through**: better advice to job-seekers and employers about labour market(L3 Operational Driver: Increased capacity spent on work focused case management)

Improved experience of clients, whānau, and communities [Benefit 6]

Improved job-seeker trust and confidence (L1 Benefit - New Zealanders have improved trust and confidence in us)
- Job seekers are confident that MSD can help them find sustainable employment with no false starts, as well as assisting with upskilling them where required (L3 Operational Driver: Proactive & Full Support)
- **Through**: rapid, low-friction digital access to relevant job, opportunities, services, and products, and transparent access to phone or face-to-face help with no requirement to re-explain circumstances (L3 Operational Driver: Quick & Easy)
- **Through**: better advice about market conditions and opportunities for employment (L3 Operational Driver: Clear & Transparent)

Improved partner experience [Benefit 8]

Improved employer trust and confidence (L1 Benefit - New Zealanders have improved trust and confidence in us)
- Employers are confident that MSD can find them suitable employees in a low effort, timely, reliable manner, and trust MSD with their recruitment (L3 Operational Driver: Relational approach including allowing locally led commissioning that is centrally supported)
- **Through**: rapid low-friction digital access to job-listing and relevant, products and services, and accurately matched candidates (L3 Operational Driver: Contracting and reporting are streamlined)
- **Through**: better advice from MSD about market conditions (L3 Operational Driver: Learning from insights, data, and lived experiences informs commissioning and innovation)

Improved provider trust and confidence
- Providers are confident that they are being used effectively to support job-seekers into work and that the capability and capacity of providers is well matched to referrals from MSD (L3 Operational Driver: Relational approach including allowing locally led commissioning that is centrally supported)
- **Through**: improved demand and forecasting information on the services required and their effectiveness in returning job-seekers to sustainable employment (L3 Operational Driver: Contracting and reporting are streamlined)
- **Through**: client self referral to suitable programmes by providers (L3 Operational Driver: Ability to safely share client-sensitive data)

Improved access to employment services [Benefit 5c]

Improved access to employment services
- **Through**: rapid low-friction digital access to job-listing and relevant, products and services, and accurately matched candidates (L3 Operational Driver: Contracting and reporting are streamlined)

Figure 29 *Employment Service* – problems, investment objectives, benefits

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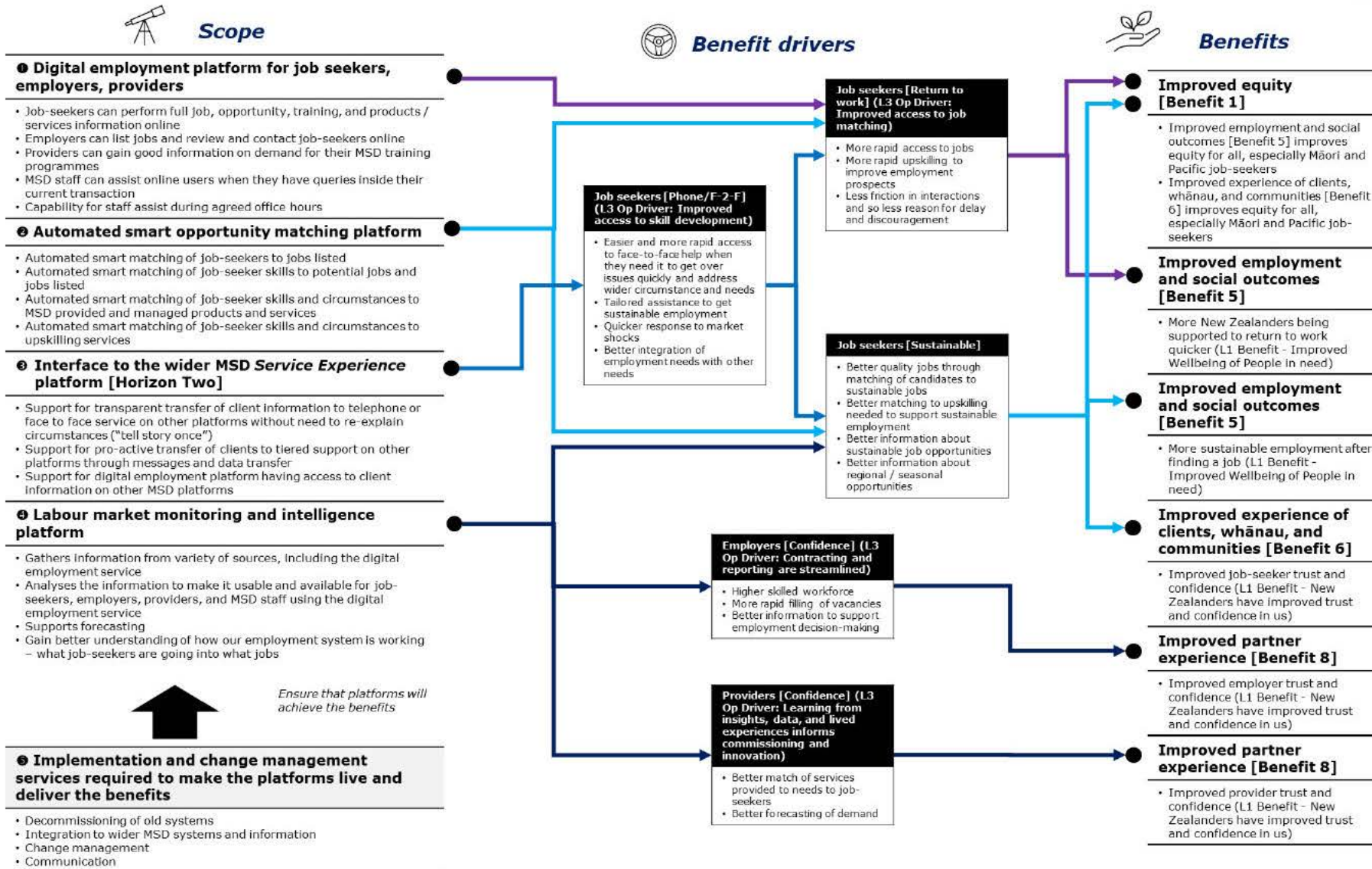
Figure 30 *Employment Service* – how the delivery of the scope contributes to the benefits

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MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Problems

❶ MSD has more clients whose needs cannot be met by transactional provision of services – holistic views are required

- MSD is seeing more clients with multiple needs across MSD services as well as other issues that need support – e.g. employment + income + housing + disability + addiction issues. The level of those traditionally referred to as "self-starters" is reducing.
- Under the current organisation, systems, and processes, MSD staff can typically only focus on a single need (e.g. income) at a time – this means they often cannot easily address multiple needs.
- MSD is not able to develop rapport with its clients and be proactive based on wider perspectives on their circumstances, needs, and needs and concerns of their wider whānau.
- Changing demographics are changing the nature of the services needed with increasing connections across areas of housing and disability.
- Changing labour markets are requiring a more skilled workforce – MSD needs to bring smarter intervention to help clients.

❷ The nature and benefits of case management are variably understood, with inconsistent approaches across MSD and poorly understood outcomes for clients and whānau

- The nature and benefits of case management are variably understood across MSD with various different definitions and approaches.
- While there are potentially pockets of good practice across MSD, it is not clear what good practice is or should be.

❸ Staff are not consistently equipped or organised for case management across multiple areas of need

- MSD staff do not consistently have the skills to work across multiple needs and deliver case management.
- Those staff who are undertaking case management are inconsistently trained and supported in the role.

Investment objectives

❶ Define and gain agreement on approach and scope of case management as part of MSD's services to its clients and their whānau so that the contribution of case management in the Future Services Model is clear and agreed ["Approach"]

- Agree the key drivers and desired outcomes for case management at MSD.
- Define how case management fits within the Future Services Model.
- Define the options MSD has for case management consistent with its mandate, vision, and legislation.
- Design and evaluate potential approaches with key stakeholders. Ensure alignment to and support of Te Tiriti principles. Ensure alignment with Te Pae Tata and Pacific Prosperity strategies.
- Analyse the options and choose the best model.
- Gain formal agreement with MSD and wider agencies on the preferred case management approach and its scope.

❷ Define the case management model in terms of the processes, practices, capability, and measurement that will be used to deliver case management within the Future Services Model ["Model"]

- Define the case management processes and practices that staff will follow.
- Define the partnership practices and engagement required.
- Define the cultural practices that must be followed. Ensure alignment with Te Tiriti principles, Te Pae Tata, and Pacific Prosperity.
- Define the staffing capability required for case management at MSD including people requirements and role descriptions.
- Identify the pre-requisites for supporting technology.
- Develop the ongoing requirements for training, supervision, communities of practice, measurement, and continuous improvement.
- Ensure design with key stakeholders. Ensure alignment with Future Services Model.
- Develop any key tools needed.

❸ Test the case management model with different client groups to test the effectiveness of the approach and model ["Prove the model"]

- Run proofs of concept with sufficient client groups to prove the approach and the benefits that will be produced.
- Test the processes, practices, and staffing capability required.
- Engage a wider variety of stakeholders in the proof of concept co-design, evaluation and measurement.

❹ Develop the implementation plan required to implement case management at MSD and identify the resourcing and funding needed to implement and operate case management ["Implementation clarity"]

- Assess the current state and what already exists and determine the key gaps.
- Develop the plan for change to address practices, processes, staffing capability, information. Identify the costs for change.
- Develop models for staffing scenarios to show impact on costs and benefits.

Benefits

The development of a tested client engagement model and implementation plan will enable …

Improved equity [Benefit 1]

- Improved employment and social outcomes [Benefit 5] improves equity for all, especially Māori and Pacific people
- Improved experience of clients, whānau, and communities [Benefit 6] improves equity for all, especially Māori and Pacific people

Full and correct entitlement (FACE) [Benefit 3]

Improved wellbeing of people in need [L1 benefit] through improved social outcomes [L2 benefit] through
- **Responding early** [L3 driver]
- **Understanding needs** [L3 driver]
- **Connecting to services** [L3 driver]
- **Support to progress applications** [L3 driver]

Improved employment and social outcomes [Benefit 5]

Improved wellbeing of people in need [L1 benefit] through improved social outcomes [L2 benefit]
- **Improved understanding** of client circumstances, needs, and capability enables improved support through:
  - Increased capacity spent on work focused case management [L3 driver]
  - Effectiveness of assessment of client complexity [L3 driver]
- **Better matching** of client needs to products, services, and provider and partner capabilities
  - Increased capacity spent on work focused case management [L3 driver]
  - Effectiveness of assessment of client complexity [L3 driver]
- **Improved exits into sustainable employment** – through improved advice, referrals, and support that takes account wider environment and circumstances
  - Increased capacity spent on work focused case management [L3 driver]
  - Effectiveness of assessment of client complexity [L3 driver]

Improved experience of clients, whānau, and communities [Benefit 6]

New Zealanders have improved trust and confidence in us [Level 1 benefit] through improved client experience [L2 benefit]
- **Improved client experience** – clients with more complex needs get better support through:
  - Empathetic and personalised support [L3 driver]
  - Proactive and full support [L3 driver]

Figure 31 *Client Engagement Practice* – problems, investment objectives, benefits

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MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Outputs

❶ Client engagement design

- Client engagement models research paper
- Case management options and preferred approach
- Alignment with Te Tiriti principles, Te Pae Tata, Pacific Prosperity
- Client / whānau engagement and approaches
- Client engagement practices and processes
- Partnership practices and referral management
- Staff capability requirements including cultural competencies and career progressions
- Role definitions and job descriptions
- Relationship with Future Service Model
- Technology pre-requisites for successful case management and tools that could support
- Measurement approaches
- Expected outcomes

❷ Baseline assessment of current state

- Assessment of current Client engagement processes and practices across MSD, including partnership referrals
- Assessment of current capability of staff undertaking case management and those who could potentially undertake case management
- Evaluation of the outcomes being achieved

❸ Implementation plan

- Assessment of the gaps between the current situation and the required situation
- Plan to implement the client engagement model
- Resource requirements for implementation and options for resourcing
- Budget requirements for implementation
- Codesign with key stakeholders. Explicit alignment with Te Tiriti principles, Te Pae Tata, and Pacific Prosperity.
- Core input into Horizon Two Detailed Business Case

❹ Client engagement operating framework

- HR model, supervision, training, communities of practice, measurement, continuous improvement
- Budget requirements for ongoing operation
- Approaches to scaling up and down, people and intensity to match costs and outcomes desired
- Workload management processes

❺ Evaluated pilots – including students (with *Service Experience*)

- Analysis of need for proofs of concept to test client engagement model
- Terms of reference for proofs of concept
- Facilitated pilots [three]
- Support of *Experience Platform* implementation of students
- Evaluation reports from proofs of concept

Benefit drivers

People
- Well understood roles and job descriptions and capability to ensure that case managers can achieve the outcomes
- Culturally aware staff

Practices and processes
- Robust client engagement practices
- Robust case management processes
- Effective support of process through technology

Change
- Well planned implementation based on strong evidential platform will enable case management to achieve its anticipated outcomes

operating framework
- Well constructed, sustainable operating framework that will deliver the outcomes required for case management in the medium to long term

Evidence
- Strong evidence base to support capability, practices, and processes
- Well trialled capability, practices, processes
- Well understood people, practice, process gaps enable effective planning and budgeting for the implementation and operation of case management

Benefits

The development of a tested case management model and implementation plan will enable ...

Improved equity [Benefit 1]

- Improved employment and social outcomes [Benefit 5] improves equity for all, especially Māori and Pacific people
- Improved experience of clients, whānau, and communities [Benefit 6] improves equity for all, especially Māori and Pacific people

Full and correct entitlement (FACE) [Benefit 3]

Improved wellbeing of people in need [L1 benefit] through improved social outcomes [L2 benefit] through
- **Responding early** [L3 driver]
- **Understanding needs** [L3 driver]
- **Connecting to services** [L3 driver]
- **Support to progress applications** [L3 driver]

Improved employment and social outcomes [Benefit 5]

Improved wellbeing of people in need [L1 benefit] through improved social outcomes [L2 benefit]
- **Improved understanding** of client circumstances, needs, and capability enables improved support through:
  - Increased capacity spent on work focused case management [L3 driver]
  - Effectiveness of assessment of client complexity [L3 driver]
- **Better matching** of client needs to products, services, and provider and partner capabilities
  - Increased capacity spent on work focused case management [L3 driver]
  - Effectiveness of assessment of client complexity [L3 driver]
- **Improved exits into sustainable employment** – through improved advice, referrals, and support that takes account wider environment and circumstances
  - Increased capacity spent on work focused case management [L3 driver]
  - Effectiveness of assessment of client complexity [L3 driver]

Improved experience of clients, whānau, and communities [Benefit 6]

New Zealanders have improved trust and confidence in us [Level 1 benefit] through improved client experience [L2 benefit]
- **Improved client experience** – clients with more complex needs get better support through:
  - Empathetic and personalised support [L3 driver]
  - Proactive and full support [L3 driver]

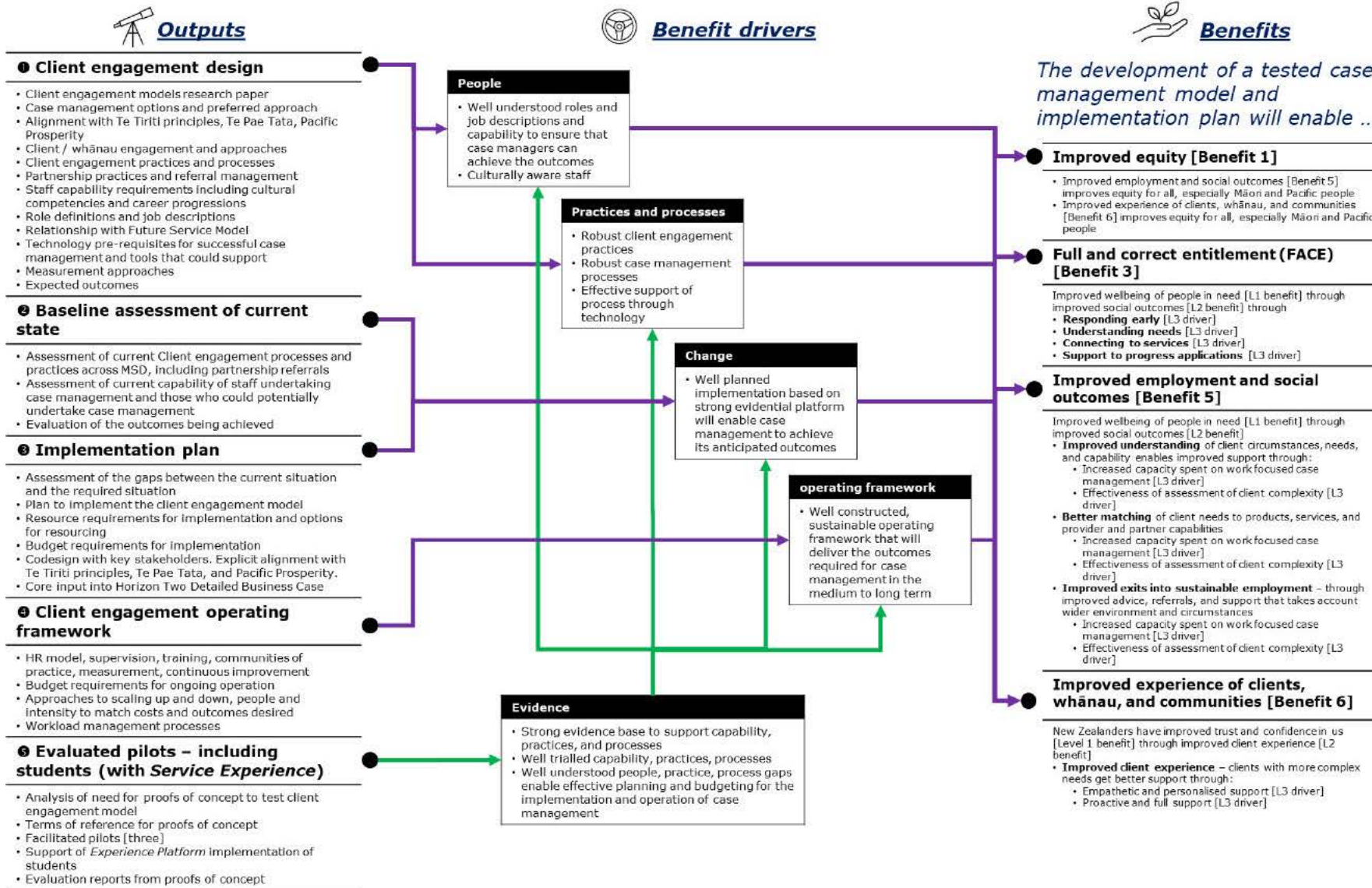**Figure 32 Client Engagement Practice – how the delivery of the scope contributes to the benefits**

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Problems

❶ We are not engaging effectively with Iwi and hapū to support social development and equitable social commissioning ["inconsistent support of Te Tiriti in social sector"]

- We have an inconsistent understanding of Te Tiriti obligations in social commissioning, and these obligations do not underpin our partnering.
- We have an inconsistent understanding of the needs or aspirations of Iwi or hapū in the social sector, limited social commissioning partnerships, and limited insight into the Iwi and hapū partnerships we have.
- We experience tensions over investment decisions and approaches with wider government requirements (e.g. procurement rules).

❷ Our investment approaches with partners are not consistent with the outcomes we desire ["poorly targeted funding"]

- Our funding and contracting approaches are not explicitly targeted to and aligned with the outcomes we wish to achieve.
- Our funding models lack flexibility to empower partners to meet needs.
- Our funding approach does not encourage a diverse market of partners/providers
- Our current practices do not reflect trust and confidence in high performing providers.
- Inconsistent engagement across local communities, regions, and National Office act as a barrier to ensure local spending is achieving the desired outcomes.
- Our cost models are not transparent, and often do not cover the full cost of service. We do not collaborate with our partners to agree delivery and cost of service. We do not help partners to increase their own capabilities to better achieve jointly desired outcomes.
- We do not effectively manage performance.

❸ Our partners find it difficult to work with us to achieve shared outcomes as we do not resource partners to engage and participate ["poor partner engagement"]

- Our approach is largely transactional and focused on process rather than outcomes and equity
- We do not tailor our approaches and operate a "one size fits all" approach.
- We do not support partners and providers with resources to engage and participate meaningfully
- We are led by National Office and do not enable regions and local community leadership to be involved in commissioning to achieve the desired local and community outcomes.
- We lack the relational commissioning capability and cultural competence needed to partner effectively.
- Our relationship management of partners is inconsistent and not joined-up across MSD or coordinated with other agencies.
- We do not resource for the effort needed for partner management.
- We do not have the footprint of partners we need to achieve outcomes and improve equity.

❹ Our systems constrain what we can do and are at risk of failure ["poor systems"]

- Our IT systems drive inefficient behaviour and prevent us from working effectively with other parts of MSD, our partners, and other agencies.
- We do not effectively invest in systems to support our partners
- Aging platforms, not fit-for-purpose, and with increasing risk of service failure.

❺ We cannot easily gather, store, analyse, use, and share partnering information ["poor information"]

- We do not develop insights to effectively manage and target funding at outcomes.
- We do not demonstrate the effectiveness of partnering and the funding we provide to partners.
- Information collection is often burdensome for partners.
- We cannot explicitly support Māori data sovereignty, requirements for privacy and research.
- We do not effectively share information with our partners.

Investment objectives

❶ Design and test social commissioning operating model with Te Tiriti o Waitangi as the Tūāpapa ["Te Tiriti in social commissioning"]

- Design and test a social sector commissioning operating model with partners, Māori, Iwi, hapū, communities, regions. This operating model will identify how we work at a local, regional and national level to commission effectively. This will contribute to Māori realising their aspirations, including the growth of by Māori for Māori services.
- Define internal and external capacity and capability required to deliver the operating model.
- Build foundational capability needed in our staff to support the operating model including internal and external facing functions by both leveraging existing workforce and identifying and responding to capacity gaps.
- Develop scale up plan to deliver the relational commissioning approach.

❷ Build Technology foundations for commissioning [Technology]

- Replace Conquest, FAC, Cognos and RDA with fit-for-purpose solutions that are integrated and support effective contracting, procurement and reporting.
- Define system requirements that support the social sector commissioning operating model for us and our partners.
- Contribute to the procurement for the experience platform for partnering and commissioning.
- Design and implement change management for technology foundations for commissioning.

❸ Redesign funding and information approaches [Funding and information]

- Design, test and implement funding approaches for social commissioning, acknowledging the need for sustainability, flexibility and transparency and to invest in a way that focuses on immediate improvements in wellbeing and longer-term pathways to support intergenerational change.
- Design and test an approach to support partners including Iwi and hapū that defines the capability and capacity to engage and participate meaningfully in commissioning.
- Design, test and implement approach to collect, store, use and share information for us and our partners. This will strengthen our understanding of investment and build a shared understanding of challenges and opportunities faced by communities.

Benefits

Improved equity [Benefit 1]

- Improved equity for all, especially Māori and Pacific people as we are able to improve the partner experience and gather improved insights as to the effectiveness of our social commissioning

Improved partner experience [Benefit 8]

- "New Zealanders have improved trust and confidence in us" [L1], influenced by: improved "Provider satisfaction in partnering with MSD" [L2] as a result of improved engagement with partners and improved use of information to improve outcomes.
- Driven by:
  - "Relational approach including allowing locally led commissioning that is centrally supported" [L3]
  - "Contracting and reporting are streamlined" [L3]
  - "Learnings from insights, data, and lived experiences informs commissioning and innovation" [L3]
  - "Ability to safely share client-sensitive data" [L3]

Reduced IT system risk [Benefit 10]

- "Improved system agility and resilience" [L1], influenced by "Reduce IT risk" [L2] through replacement of legacy contract management systems.
- Driven by:
  - Improved business fit [L3 driver category]
  - Technical fit [L3 driver category]

Figure 33 *Kotahitanga* – problems, investment objectives, benefits

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Scope

Design and test social commissioning operating model with Te Tiriti o Waitangi as the Tūāpapa

- Design and test a social sector commissioning operating model with partners, Māori, Iwi, hapū, communities, regions. This operating model will identify how we work at a local, regional and national level to commission effectively. This will contribute to Māori realising their aspirations, including the growth of by Māori for Māori services.
- Define internal and external capacity and capability required to deliver the operating model.
- Build foundational capability needed in our staff to support the operating model including internal and external facing functions by both leveraging existing workforce and identifying and responding to capacity gaps.
- Develop scale up plan to deliver the relational commissioning approach.

Build technology foundations for commissioning

- Replace Conquest, FAC, Cognos and RDA with fit-for-purpose solutions that are integrated and support effective contracting, procurement and reporting.
- Define system requirements that support the social sector commissioning operating model for us and our partners.
- Contribute to the procurement for the experience platform for partnering and commissioning.
- Design and implement change management for technology foundations for commissioning

Redesign funding and information approaches

- Design, test and implement funding approaches for social commissioning, acknowledging the need for sustainability, flexibility and transparency and to invest in a way that focuses on immediate improvements in wellbeing and longer term pathways to support intergenerational change.
- Design and test an approach to support partners including Iwi and hapū that defines the capability and capacity to engage and participate meaningfully in commissioning.
- Design, test and implement approach to collect, store, use and share information for us and our partners. This will strengthen our understanding of investment, and build a shared understanding of challenges and opportunities faced by communities.

Benefit drivers

Improved equity

- Improved partner experience
- Improved information to support targeting partnerships to increase equity

Improved partner experience

- "Relational approach including allowing locally led commission that is centrally supported" [L3]
- "Contracting and reporting are streamlined" [L3]
- "Learnings from insights, data, and lived experiences informs commissioning and innovation" [L3]
- "Ability to safely share client-sensitive data" [L3]

Reduced IT system risk

- Improved business fit [L3 driver category]
  - Business functionality
  - Future potential
  - Information quality, timeliness, privacy and UI
  - Cost fitness
  - Business risk
- Technical fit [L3 driver category]
  - Security
  - Capability
  - Availability / Resilience
  - Condition
  - Performance
  - Capacity
  - Functionality
  - Architecture

Benefits

Improved equity [Benefit 1]

- Improved equity for all, especially Māori and Pacific people as we are able to improve the partner experience and gather improved insights as to the effectiveness of our social commissioning

Improved partner experience [Benefit 8]

- "New Zealanders have improved trust and confidence in us" [L1], influenced by improved "Provider satisfaction in partnering with MSD" [L2] as a result of improved engagement with partners and improved use of information to improve outcomes.
- Driven by:
  - "Relational approach including allowing locally led commissioning that is centrally supported" [L3]
  - "Contracting and reporting are streamlined" [L3]
  - "Learnings from insights, data, and lived experiences informs commissioning and innovation" [L3]
  - "Ability to safely share client-sensitive data" [L3]

Reduced IT system risk [Benefit 10]

- "Improved system agility and resilience" [L1], influenced by "Reduce IT risk" [L2] through replacement of legacy contract management systems.
- Driven by:
  - Improved business fit [L3 driver category]
  - Technical fit [L3 driver category]

Figure 34 *Kotahitanga* – how the delivery of the scope contributes to the benefits

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MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

APPENDIX D: Delivery Confidence Framework

Our Delivery Confidence Framework identifies the critical readiness activities required, providing confidence that the Programme will be successfully delivered

Our Delivery Confidence Framework focuses on whether MSD has all of the components in place to deliver the range of identified initiatives within the agreed scope/scale and to manage the dependencies with appropriate resources, methods, and tools. The DCF comprises 20 core dimensions critical to delivery, with conditions developed for each of the 20 dimensions identified. The DCF is summarised in the diagram on the following page.

The DCF provides key stakeholders with confidence to commit to go-live decisions as planned, or to allow for remediation prior to go-live. It will be used throughout the life of the Programme to support key decisions and ensure that we continue to have the plans, processes, and resources in place to ensure success.

KPMG has reviewed the DCF and assessed it as "robust and thorough".[83]

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[83] See KPMG, *Delivery Confidence Framework: Independent Review* (KPMG, 30 Sept 2022), 1. Report provided to MSD.

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Equity is appropriately considered across all aspects of the Programme and accessibility-by-design is adopted.

There is an agreed, clearly defined and documented scope for the Programme, delivery Horizons, supporting workstreams and initiatives. Scope statements provide the boundaries within which work is progressed.

Appropriate technology and data readiness activities are undertaken before deploying any new solutions or technology change. (Refer to the *sub-dimensions* for further information).

The future state design is comprehensive across each operating model dimension. The Blueprint is clear about how the design transitions across each Horizon. There is clarity about the transition from current to future state processes.

The business is prepared for changes across each Horizon. Prior to implementing change, readiness activities have been executed and staff are ready for the change. This includes confirmation teams have updated policies, procedures, practices, training and are ready to support the future state design.

The Programme embeds Te Tiriti, and enables Te Pae Tata – strong, safe and prosperous whānau that are active in their community, living with a clear sense of identity and cultural integrity and with control over their destiny – te mana kaha o te whānau.

Plans provide the foundations upon which the Programme is delivered and a base to measure progress/manage dependencies. Delivery approaches (e.g. agile methods, training, play-books and delivery disciplines) are well-established and applied.

Governance focuses on outcomes and benefits, with indicators reported to TIC to show the Programme is on track. Effective sub-governance committees and groups exist that effectively drive progress.

The Programme's assurance is mapped over its lifecycle to provide fit-for-purpose assurance at the right times. Assurance activity is prioritised according to the Programme context, content and risk profile.

Stakeholders and partners are identified and managed on an ongoing basis and are appropriately involved in Programme delivery. Communications are fit-for-purpose and delivered to the right people at the right time to achieve outcomes.

The Programme is sufficiently integrated with the wider organisation, with oversight mechanisms to ensure delivery is balanced alongside existing BAU priorities, with trade-offs being identified early and management actions put in place.

Using the MSD Risk Management Framework to empower workstreams to identify, manage, and escalate the challenges and blockers that could prevent the achievement of objectives.

Legal and regulatory implications are identified and managed on an ongoing basis. Integrity by design is built into the Programme with controls in place to support Programme staff to demonstrate ethical behaviour, do the right thing and report issues.

The Programme requires partners working closely to deliver outcomes. Partner roles, accountabilities and relationships are clear. Programme procurement and sourcing activity is identified and well-managed.

There are agreed acceptance criteria for Programme deliverables/solutions, and a clear quality and document management approach is in place.

Effective change management is built into the Programme from the outset. There are clear strategies, plans and approaches to support people to prepare for, implement and embed change.

Costs and budgets are managed to ensure expected benefits are delivered within the specified financial constraints.

The Programme has access to people with the right skills and experience, at the right times. People have the necessary facilities, equipment, support and motivation to perform their roles.

Changes to scope, requirements, deliverables and benefits that impact the Programme baseline, timing or costs are subject to appropriate change control – that reflects the Programme's delivery approach.

Benefits are defined, agreed and are actively managed. Realisation is tracked on a regular basis.

Delivery Confidence Framework (central diagram)

- 1. Defined scope
- 2. Coherent design
- 3. Embedding Te Tiriti
- 4. Robust Governance Programme Mgmt, & Reporting
- 5. Engaged and well-informed stakeholders
- 6. Managed risk and opportunities
- 7. Effective sourcing and managed partners
- 8. Fit-for-purpose change management
- 9. High-performing teams
- 10. Focused benefits mgmt.
- 11. Effective change control
- 12. Strong financial management
- 13. Active quality and document management
- 14. Legal, Regulatory and Integrity focus
- 15. Integration with the wider organisation
- 16. Embedded assurance approach
- 17. Delivery enabling plans and approaches
- 18. Business Readiness
- 19. Tech and data readiness
- 20. Equity

Figure 35 Delivery Confidence Framework

MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

APPENDIX E: Chief Executive Letter

MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

30 May 2023

To whom it may concern

Te Pae Tawhiti Programme – Detailed Business Case

The Ministry of Social Development is undertaking a major change programme to support *Te Pae Tawhiti – Our Future* and better meet the needs of New Zealanders.

This Detailed Business Case is a significant deliverable for this initiative. It seeks formal approval for investment in foundational work to support the Ministry of Social Development transform how it delivers services.

I confirm that:

- I have been actively involved in the development of the attached investment proposal through its various stages
- I accept the strategic aims and investment objectives of the investment proposal, its functional content, size, and services
- the indicative cost and benefit estimates of the proposal are sound and based on best available information
- the financial costs of the proposal can be contained within the proposed budget.

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

Yours sincerely

Debbie Power
Chief Executive

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APPENDIX F: Supporting documents

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

Table 52 Supporting documents

Document	Description
Alignment with Digital Public Service's requirements	Shows how the Programme aligns with Digital Public Service's assurance requirements and the Strategy for a Digital Public Service
Benefit KPI Targets and Supporting Evidence	Current benefits model documentation set
Benefit Realisation Management Framework	Present the overall benefits that will be achieved and how they will be managed to ensure that they are achieved
Co-existence Approach	Describes how co-existence will be managed between legacy and new systems
Cost model [document set]	Current cost model documentation set
Delivery Approach	This document sets out MSD's delivery approach, focusing on the alignment of the Programme into the Integrated Work Programme, including prioritisation, sequencing and alignment to Portfolio roadmaps
Delivery Confidence Framework	Documentation of the Delivery Confidence Framework. Note also the KPMG review of this framework
Future Service Model [document set]	The document set describing current understanding of the Future Service Model
He Remu Manaaki: Workforce Strategy	Workforce Strategy
Horizon One Delivery Planning [document set]	Document set describing plan for Horizon One
Horizon One options and rationale [A3 PowerPoint]	Description of options analysis process for Horizon One and wider options for the Programme
Lessons learned	Report on lessons learned from other programmes and jurisdictions
Market engagement summary report	Report summarising what was learned in the market engagement process
MSD Statement of Intent 2022	Statement of Intent as published on www.msd.govt.nz Articulates *Te Pae Tawhiti – Our Future*
Pacific Prosperity	Pacific Prosperity strategy and action plan
Partnering strategy	Strategy that supports the approach taken to Kotahitanga service change.

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Document	Description
Procurement plans	Procurement plans for Horizon One: • Service Experience • Employment Service
Programme Construct	Framework for how the Programme operates and delivers
Quantitative Risk Assessment	Quantitative Risk Assessment report
Risk and Issue Management Strategy (RIMS)	Document describing the overall Risk and Issue Management strategy and processes
Service change intervention logic documents [A3 PowerPoint documents, one per service change]	*Service Experience* *Client Engagement Practice* *Employment Service* *Kotahitanga: Effective Partnering and Commissioning*
Te Hoe Ākau Te Pae Tawhiti Change Strategy	Strategy and approach for undertaking Change in the Programme, and the key strategic choices that the Programme will require to effectively manage and deliver Change across people, technology, process, data, and information
Te Pae Tata – Te Rautaki Māori me te Mahere Mahi	MSD's Māori Strategy and Action Plan
Te Pae Tawhiti Programme Assurance and Evaluation plan	Shows how assurance of the Programme will be managed to help ensure success and how the Programme will be evaluated
Te Pae Tawhiti Programme Blueprint	Current Blueprint documents
Te Pae Tawhiti Programme Engagement Strategy	Strategy for how Programme will engage with its key stakeholders
Te Pae Tawhiti Programme Resource Management Strategy & Approach	Strategy and approach to recruiting resource for the Programme
Te Pae Tawhiti Programme Risks – Horizon One	Current programme risk register
Terms of Reference for the Leadership Team and Governance Committees	Terms of Reference for the Leadership Team and Governance Committees

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