



Cabinet Expenditure and Regulatory Review Committee

Minute of Decision

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Ministry of Social Development Business Transformation Programme: Detailed Business Case for the Remainder of the Programme

Portfolio **Social Development and Employment**

On 10 December 2024, the Cabinet Expenditure and Regulatory Review Committee:

Background

- 1 **noted** that due to decades of incremental and ad-hoc changes, the Ministry of Social Development's (MSD) current operating model and technology systems are disjointed, siloed and inefficient, which has negative impacts for New Zealanders and government;
- 2 **noted** that between November 2021 and July 2023, Cabinet approved a nine-year programme to transform MSD's operating model and technology systems (the transformation programme), and approved \$183 million for the first two years of the programme, ending in the 2025 financial year [CAB-21-MIN-0472, CAB-22-MIN-0168 and GOV-23-MIN-0016];

Detailed business case for the future of MSD's business transformation programme

- 3 **noted** that the Minister for Social Development and Employment (the Minister) directed MSD to reassess the future of the transformation programme in light of the Government's priorities and focus on fiscal sustainability;
- 4 **noted** that MSD has prepared a detailed business case (DBC), which considers three options for the future of the transformation programme:
 - 4.1 Option A – stopping the programme and maintaining the status quo;
 - 4.2 Option B – focusing on technology change only;
 - 4.3 Option C – a re-sequenced transformation;
- 5 **noted** that the DBC concludes that Option C will deliver the best outcome for New Zealand, as it best enables MSD to meet future challenges and is the only option that delivers savings that exceed its costs over the next decade;
- 6 **approved** the *MSD Business Transformation Te Pae Tawhiti Programme Horizons Two and Three Detailed Business Case*, attached as Appendix 2 to the paper under EXP-24-SUB-0079;

- 7 **directed** MSD to implement Option C, as set out in the DBC, subject to future funding decisions;

Financial implications

- 8 **noted** that the total cost of Option C is estimated to be \$1.8-\$2.1 billion, which is less than the lower end of the original estimate made in 2023, and that this will be funded through

s 9(2)(f)(iv)

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

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

9.2

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

Implementation

- 11 **noted** that the procurement plans developed at the outset of the transformation programme in 2023 have been reassessed and are considered fit-for-purpose;
- 12 **noted** that the transformation programme's key deliverables remain on-budget and on-track, subject to future funding decisions;

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

Investment assurance

- 14 **noted** that MSD has strong governance and assurance measures in place, including Gateway Reviews, Independent Quality Assurance, and external expert advisors in governance roles;
- 15 **noted** that in November 2024, a Gateway review awarded the programme a Delivery Confidence Assessment of Amber/Green;

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

Legislative implications

- 17 **noted** that no legislative changes are required as a result of approving the DBC, but that future policy and legislative changes will be necessary to enable the transformation programme.

Janine Harvey
Committee Secretary

Present:

Hon David Seymour (Chair)
Hon Chris Bishop
Hon Shane Jones
Hon Simeon Brown
Hon Erica Stanford
Hon Louise Upston
Hon Mark Mitchell
Hon Judith Collins KC
Hon Simon Watts
Hon Casey Costello
Hon Chris Penk
Hon Andrew Bayly
Hon Andrew Hoggard
Hon Karen Chhour
Hon Mark Patterson

Officials present from:

Office of the Prime Minister
Officials Committee for EXP
Ministry of Social Development