In Confidence

Office of the Minister for Social Development and Employment

Expenditure and Regulatory Review Committee

MSD services for the future programme report back

Proposal

1 This paper fulfils the commitment in the Te Pae Tawhiti / Detailed Business Case [EXP-24-MIN-0079] to report annually on the MSD services for the future programme. It provides Ministers with an update on programme progress and is providing assurance to Cabinet that this programme is aligned with approved scope, funding, benefits and Government priorities. No new funding or policy decisions are sought through this paper.

Relation to government priorities

2 The programme supports the Government's priority of fewer people on Jobseeker Support by improving employment services, strengthening partner commissioning, and improving the accuracy and timeliness of payments. It also supports broader public sector priorities by reducing duplication, improving productivity, and delivering long-term departmental savings through modernised service delivery and technology. The three main areas are:

2.1 Work – delivering services that are responsive to the New Zealand labour market, so employers get timely help and clients get the right level of support to get work-ready, get into work and stay in work.

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

2.3 Payments – making sure people get the right financial help and reducing overpayments.

3 The programme also supports public sector productivity and value-for-money objectives through increased use of digital tools, automation, and reusable technology patterns. Any use of AI-enabled tools will be subject to MSD's AI strategy, policy, and assurance settings.

Executive Summary

4 MSD services for the future programme is now in delivery and remains focused on modernising MSD's service delivery, technology, and business processes so the welfare system remains secure, sustainable, and effective over time.

5 Since approval of the Detailed Business Case, MSD has made tangible progress. A central contracting system has gone live, consolidating more than 6,000 social sector contracts into MSD's core financial platform. MSD has also launched the first release

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of the Digital Employment Service, supported by foundational investments in cloud, identity, integration, security, and data.

6 The programme remains aligned with the approved scope, funding, and benefits framework. The Detailed Business Case identified expected long-term benefits including $550.89 million in departmental savings and $1.301 billion in reduced benefit expenditure. A structured benefits framework supports delivery and accountability, with the programme expected to be partially self-funding with benefits starting to be realised from 2028/29 and fully self-funded from 2032/33.

7 The next phase of delivery will be more complex. It will focus on transforming frontline service delivery, strengthening case management, improving self-service, modernising contact centre capability, and progressively decommissioning heritage systems. Ministers and Cabinet will continue to have decisions on policy choices, sequencing, and the pace of implementation where required.

8 Governance, risk management, and assurance arrangements are in place and are being strengthened as the programme moves deeper into delivery. A recent Gate 0 Strategic Assessment Gateway Review assessed the programme's strategic alignment, organisational readiness, and delivery arrangements. The programme received an Amber rating, indicating successful delivery appears feasible provided recommendations are addressed. MSD has accepted all six recommendations and is actively responding through programme governance.

9 The programme supports the whole of government goal of greater reuse of shared technology and common delivery patterns with the potential to improve consistency and reduce duplication across government services.

Background

10 The programme is service-led and technology-enabled. It is intended to improve services for New Zealanders, address legacy system risks, and support more efficient and consistent delivery.

11 The Detailed Business Case committed MSD to providing an annual programme update to the Expenditure and Regulatory Review Committee [EXP-24-MIN-0079].

MSD services for the future programme is transforming the way MSD operates.

12 The programme is delivering a staged transformation of MSD's service model, technology platform, and business processes. It will move MSD from fragmented and legacy systems toward a modern service experience platform, stronger self-service, more consistent case management, and progressive decommissioning of heritage systems.

13 As outlined in the Detailed Business Case [EXP-24-MIN-0079] an integrated benefits model links investment objectives, delivery stages and benefit KPIs and provides a quantified view of costs and benefits over time.

14 The Detailed Business Case committed to delivering $550.89m in departmental savings for MSD and $1,301.31m BORE (Benefits or Related Expenses appropriation) savings. s 9(2)(k)

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s 9(2)(k) [redacted]

15 The programme is closely aligned with the Government Digital Delivery Agency's (GDDA) direction for a modern, fully digital public service. In line with that direction, MSD is designing for reuse by establishing common capabilities, standard delivery patterns, and platform components that can be used and extended over time as a system asset rather than creating a bespoke point solution. This will help reduce duplication, lower long-term cost and risk, and improve consistency across service delivery. The GDDA is also developing an all-of-government AI assurance model, which will introduce AI assurance.

16 MSD will adhere to this assurance model. This is being achieved through MSD's AI strategy, and AI policy which describes MSD's ambition to safely and responsibly use AI. Both the strategy and policy were developed in consultation with the GDDA.

17 New legislation recently passed provides a framework for the use of automated decision-making (ADM) in the welfare system and introduces more regular reviews of social assistance, with the intention of improving the accuracy and timeliness of payments while reducing the effort required from recipients. The changes alongside the MSD – services for the future programme will modernise MSD systems to support more efficient and timely administration of welfare.

18 MSD intends to use AI and related technologies, where appropriate, to support staff by automating selected administrative tasks and providing additional analytical insights.

Significant progress has been made and continues

19 MSD has developed a Transformation Roadmap that sets out the planned sequence of work and key decision points through to 2032. The Roadmap shows the expected shifts across service design, work design, and technology design, and identifies dependencies and points where current processes, systems, or ways of working will need to change.

20 MSD has established a Future State Delivery Operating Model that describes the intended direction of travel and the key shifts required to achieve the programme's target state. The model provides a blueprint for how services will be delivered in practice, including client channels, case management, work design, and the functions and capabilities required to support consistent service delivery.

21 The delivery operating model will see changes to MSD services such as:

21.1 More clients will be able to access services digitally where this is appropriate for their needs and circumstances, including applying, providing information, checking status, and managing changes online,

21.2 Products or entitlements that are rules-based will be straight through processed, with human judgement applied when required,

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21.3 Increased efficiency is expected to create capacity to provide clients who need it earlier and more effective support,

21.4 People receive support and referrals to providers, that are matched to their circumstances and assessed needs,

21.5 Allocation to case management is intended to target clients where evidence indicates it may improve outcomes,

21.6 More structured and consistent case management practice, with embedded digital support and evidence-based practice.

22 Ministers and Cabinet, where appropriate, will have the decision on how far and how fast the model is implemented as there are choices on policy changes to products and services in the welfare system which align to the intent of the model. MSD will advise on these changes as they arise over the life of the programme.

23 In November 2025, MSD went live with a central contracting system using its existing core financial platform. More than 6,000 contracts, worth around $3 billion, were migrated successfully. The system standardises contract administration and provides partners with a digital channel to lodge and monitor contracts.

24 Foundations are in place and technical build activities for the Service Experience Platform, are substantially progressed, with completion levels varying across components. These foundations include a modern enterprise platform integrated into the heritage systems and data platforms, secure identity and access controls, scalable integration and data architecture while using reusable delivery patterns that reduce future cost and risk.

25 In June 2026, MSD went live with the first release of the Digital Employment Service. This provides a digital experience for jobseekers, enables information to support job matching, and introduces automated matching between clients and vacancies. MSD staff are also beginning to operate from the new service experience platform.

26 MSD clients looking for work have Jobseeker profiles, which now contain more information about qualifications, experience, skills and strengths. Job matching technology compares candidates and jobs across the system to connect job seekers with more potential roles across New Zealand.

27 As of 10 August, more than 94,000 work-obligated clients on benefit have updated their profiles and can view jobs matched to their profile. Jobseekers can apply for more than 7,700 positions available through the 2,600 active vacancies. (One vacancy can represent multiple positions)

28 Further enhancements to the first phase will be released on a regular cadence. A significant release for the Digital Employment Service will occur when MSD launches an employer portal where employers can create, edit and publish their own vacancies, see strong match applications for their jobs, and view and manage all their applicants.

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29 MSD has delivered significant technology foundations (including cloud, integration, identity, and security) alongside major steps toward moving contact centre services to cloud-based services. This modern cloud-based platform will enable the 2500 staff who use the contact centre platform to utilise transcript features that support a consistent experience and save time for staff.

30 MSD is staging the rollout by first focusing on internal teams, enabling testing and learning before customer-facing services are introduced in 2027.

31 Looking ahead, MSD has defined the next phase of change which focuses on transforming client interactions and frontline service delivery. This next phase includes a focus on:

31.1 Strengthening case management to improve employment outcomes. Establishing a structured and guided case management approach to support clients into sustainable employment. This includes pathways for understanding client needs, planning interventions, making referrals and supporting clients to remain on track. These capabilities build on the Digital Employment Service.

31.2 Enhancing self-service through a simplified digital front door. Improving the digital entry point for MSD services, enabling clients to register, verify their identity, apply for assistance, and manage their information online. The focus is delivering simple, accessible, and user-centred digital experiences that reduce reliance on manual interactions.

31.3 Enabling frontline delivery and improving contact centre efficiency. Strengthening frontline capability by providing staff with improved tools, processes, and operational support. These enhancements enable faster, more accurate, and more consistent service delivery across all client interactions, including through contact centres.

32 MSD is testing AI-enabled tools to support design, testing, analysis, and administrative activity where appropriate. Use of these tools will be subject to MSD's AI strategy, policy, and assurance settings.

Aligning with Government Digital Direction

33 This transformation programme intends to deliver more joined-up, efficient, and user-focused digital services for New Zealanders, while reducing duplication and lowering costs across government. MSD is actively aligning the programme with the Government's Digital Target State. The programme is modernising MSD's technology landscape by consolidating services onto a smaller number of enterprise platforms and using reusable patterns where appropriate.

34 MSD continues to engage with agencies to look for opportunities for reuse and to leverage government services, common capabilities and patterns from MSD's service experience platform. Through ongoing engagement, MSD can identify opportunities to build on existing solutions and share approaches where appropriate. This will help ensure MSD makes the most of existing investments and avoids unnecessary duplication of enterprise platforms.

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35 MSD is participating in cross-agency digital cluster initiatives with the health sector, ACC, and Health New Zealand, including work on medical certificates. This work is at an early stage and will be considered alongside MSD's service platform design and integration choices.

36 A draft architecture strategic blueprint has been developed and is being worked through with the cluster. MSD will continue this work and have a plan for next steps in 2027.

37 MSD is preparing to support the Government's digital identity ecosystem. MSD currently uses DIA's Identity Check service and as part of the programme MSD has established a workstream to assess how digital credentials could be recognised and accepted, including the digital Kiwi Access Card and digital driver licences, across service channels. Longer-term opportunities include assessing whether MSD could issue digital credentials, such as the SuperGold Card, through the Digital Identity Services Trust Framework.

Change Supporting Transformation

38 While not being delivered through MSD's services for the future programme, recent legislation changes are expected to have an impact for the programme.

39 The Government has recently passed legislation enabling the safe use of automated decision-making (ADM) in the welfare system and introducing mandatory reviews for a broad range of social assistance. In addition, Income Charging Phase 2, which will be implemented in mid-2028, will allow MSD PAYE salary and wages information from Inland Revenue to calculate how much income-tested financial assistance people can receive from MSD. This and associated changes will enable MSD to calculate the right payment more quickly, with less effort from the benefit recipient. These changes ensure that MSD can administer the welfare system accurately and in a timely way, supported by modern technologies that drive efficiency.

Delivering Measurable Value and Outcomes

40 The programme is underpinned by a structured benefits framework. A single Integrated Benefits Model (IBM) links investment objectives, delivery of stages of the programme and benefit KPIs and provides a quantified view of costs and benefits over time, including sensitivity to delivery scope and timing. This is to be supported by a Benefits Realisation Management Plan, a Benefits Accountability Framework, and a Benefits Reporting Framework.

41 The programme's approved benefits framework identifies eight expected benefit areas:

- 41.1 Monetised departmental savings ($550m to start to be realised from FY28/29)
  - 41.1.1 Capacity release
  - 41.1.2 IST support and corporate cost reduction
- 41.2 Monetised non-departmental (BORE) savings ($1,301m to start to be realised from FY28/29)

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41.2.1 Improving employment and social outcomes

41.3 Non-monetised qualitative improvements.

41.3.1 Contribution to all-of-government initiatives.

41.3.2 Reducing employer and provider compliance costs.

41.3.3 Improving client experience.

41.3.4 Reducing technology asset risk.

41.3.5 Improving policy implementation agility.

42 MSD continues to review opportunities to accelerate benefit realisation where this can be achieved within approve scope and funding. However, the realisation of these benefits as outlined in the DBC will see the programme start to be partially self-funding from 2028/29 and fully self-funded from 2032/33.

Managing Programme Risks and Mitigations

43 The programme is managing the risks expected in a multi-year transformation of this scale, including delivery sequencing, business readiness, workforce capacity, technology integration, change load, benefits realisation, dependency management, the progressive decommissioning of heritage systems, and maintaining delivery momentum while responding to emerging requirements and priorities outside the programme.

44 Risks and issues are identified through the programme's Risk Management Framework and are regularly reported through programme governance, which includes external independent advisors (monthly) and enterprise risk processes (quarterly). Controls and mitigations are in place, with residual risks actively monitored and reviewed as delivery progresses.

Programme Risk Management and Assurance is active and robust

45 The recent Gate 0 Strategic Assessment Gateway Review considered strategic alignment, organisational readiness, and delivery arrangements. The programme received an Amber rating, indicating successful delivery appears feasible provided recommendations are addressed. MSD accepted all six recommendations and is actively responding through programme governance.

46 The six recommendations covered business readiness, change implementation, planning, organisational capability, and technology management:

46.1 Strengthen the Business Readiness Change and Implementation Framework.

46.2 Accelerate the change implementation layer of the design process focused on change impacts and forward planning to increase organisation readiness, system preparedness and workforce transition and capability pathways.

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46.3 Ramp up capabilities to establish robust processes and controls to cater for the exponential growth and complexity in transformational and BAU activities that will occur.

46.4 Develop a contribution matrix to illustrate how the future state model, target operating model, delivery operating model and transition state models underpin the achievement of future services and emphasise the potential for each transition state to pause, pivot or off-ramp the transformation pathway.

46.5 Accelerate the development of the integrated plan.

46.6 Maintain currency of technological developments in all elements of iterative planning to ensure planning is based on the latest capability and technology.

47 Implementation of the Gateway review recommendations is underway with three already complete, and MSD is on track to complete the remainder by the end of 2026 in alignment with the Gateway timeframes.

Financial Implications

48 In Budget 2025, $67m was committed to financial year 2025/26 and the remaining funding was held in contingency. Approval to drawdown funding was sought and gained from the Minister of Finance and Minister for Social Development and Employment. Approval of $843m (gross) funding for the programme maintains momentum and continues to support key commercial arrangements to ensure MSD realises benefits of the programme. To date, funding has supported delivery of the central contracting system, implementing the foundations of the new service experience platform and the initial release of Digital Employment Services.

49 As part of the drawdown there are appropriated benefits of $71m (gross) across the forecast period through to 2029/30 and outyears.

50 As the programme moves into subsequent phases, the remaining investment will continue to be directed toward delivery of the future service model outlined in the Detailed Business Case, including further digital services, technology and platform development, integration activities, business process changes, and the workforce required to design, build, test and implement these changes. Investment will also support business readiness, change management, transition and deployment activities necessary to embed new capabilities across the organisation.

51 MSD services for future programme costs and spend remains aligned with the approved Detailed Business Case. Spend for the programme has been outlined in our Vote Social Development publication (Appendix one).

Legislative Implications

52 There are no legislative implications associated with this report back. There may be future legislative change required to enable the full benefits of the programme to be realised. The programme will continue to review and assess legislative implications of the change and report to Ministers as required.

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Impact Analysis

53 A Regulatory Analysis Summary is not required for this report back.

Human Rights

54 No human rights issues have been identified in relation to this report back. The report is not considered inconsistent with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Consultation

55 The following agencies were provided the opportunity to consult on this Cabinet paper:

55.1 Ministry for Regulation

55.2 Department of the Prime Minister and Cabinet

55.3 Treasury

55.4 Public Service Commission (including the Government Digital Delivery Agency)

55.5 Inland Revenue

56 Government Digital Delivery Agency requested for the following statement to be included on their behalf:

56.1 MSD keeps GDDA informed about the programme and how the investment is aligned with the Digital Government Target State on a regular basis.

57 Feedback received through agency consultation has been included in the report above and discussed with each agency directly.

58 MSD completed Ministerial consultation and feedback from the Minister of Finance's office was incorporated into the report above.

Proactive Release

59 The Minister for Social Development and Employment intends to proactively release this paper, subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

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

1 Note that this paper meets the commitment made to report back on progress of the MSD services for the future programme to this committee once per year.

2 Note that the MSD services for the future programme is now in delivery and remains aligned to the objectives and timeframes as set out in the DBC.

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3 Note that MSD has strong governance, risk management and assurance arrangements in place to support successful delivery of the programme.

4 Note the programme is closely aligned with the Government Digital Delivery Agency's (GDDA) direction for a modern, fully digital public service. MSD is committed to identifying opportunities as they present to reuse and leverage common capabilities and patterns.

Authorised for Lodgement

Hon Louise Upston

Minister for Social Development and Employment

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