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BUDGET 2013: FOUR-YEAR PLAN

Department of Internal Affairs



Executive Summary

This plan outlines the Department of Internal Affairs' strategic direction over the next four years, including its contribution to government goals and how it intends to manage its finances in an operating context of fiscal constraint.

Success for the Department will be defined by progress in the following areas:

- transforming the way government agencies deliver their services
- stronger and more resilient communities, and individuals contributing to and benefiting from the success of their communities
- increasing trust in how government manages New Zealand's civic information
- Internal Affairs being a robust, sustainable and fit for purpose government agency

A key feature of the plan is the Department's contribution to Better Public Services, particularly through its leadership role in all-of-government ICT and responsibility for Result 10. These contribute to a significant change in the Department's strategic focus. While continuing to look 'outward' to provide essential civic services, Internal Affairs also has an increasing role looking 'across' the system of government to support it to operate more efficiently and effectively.

To deliver its strategic intent the Department needs to increase resource flows towards its priorities in Result 10, cross-government ICT, igovt, and the Better Local Government programme. This involves a number of trade-offs, particularly given significant cost pressures existing within the Department's core business.

This plan identifies a combination of reprioritising savings from its core business, third-party funding and funding from fellow departments to deliver priorities; and potentially a level of new Crown funding for Result 10 and igovt. However, the Department is actively working to minimise or eliminate any bids for new Crown funding and can provide clarity on the outcome of these efforts by February 2013.

If the Department is successful in securing new funding, the financial summary in Section 3 shows that its baselines are sustainable through 2014/15. From 2015/16, cost pressures start to accumulate, although these settings are based on a number of assumptions. The Department is confident that it can manage these out-year cost pressures, but is keeping options open for addressing them until further experience is gained around how cost pressures and efficiency initiatives are tracking. Section 3 also discusses the available suite of options to manage out-year cost pressures if they eventuate.

The workforce strategy to support this plan focuses on four key themes that will position the Department to successfully address change and strengthen its culture:

- developing leaders to meet the challenge of change
- building a strong organisational culture
- developing workforce capability to meet changing business needs
- optimising workforce capacity to deliver results.

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Section 1: Strategic Direction

This section sets out the Department's high level strategic direction over the next four years, including the operating context for delivering its strategic intent and trade-offs required to deliver priorities.

Purpose

Internal Affairs serves and connects people, communities and government to build a safe, prosperous and respected nation.

Internal Affairs has a strong tradition of delivering core services valued by New Zealanders. It has a unique role in nurturing the country's nationhood, identity and culture. The Department maintains the collective memory of the nation and has an important leadership role in shaping the way people interact with government in the future.

The Department provides services directly to people and communities to strengthen the capability, resilience and prosperity of New Zealand society.

It also provides services to government and other public sector organisations, supporting their ability to deliver outcomes and building trust and confidence in the performance of New Zealand's system of government.

Over the next four years a key priority for the Department is leading a transformation in all-of-government technology to lift the performance of public sector services.

Outcomes and objectives

The long-term outcomes and objectives Internal Affairs is seeking to achieve for New Zealanders are:

- New Zealand's diverse people and communities/hapū/iwi are resilient and prosperous
- New Zealand is recognised for creating, sharing and using knowledge for social, cultural and economic well-being
- The people of New Zealand have a strong and valued national identity, culture and heritage
- To enhance trust in government and confidence in the performance of public sector organisations

The Department is seeking to directly impact the social, economic and cultural well-being of New Zealand society by:

- Helping people and communities understand and manage hazards and risks
- Seeking to ensure participants in regulated activities behave responsibly and with integrity
- Enhancing the capability of people to participate in and across communities
- Enabling people to access and use information important to their lives
- Protecting New Zealand's documentary record and making it available for current and future generations
- Ensuring New Zealand's personal identity information has integrity
- Supporting the system of government to operate efficiently and effectively
- Enhancing the productivity and accountability of public sector organisations

Contribution to Better Public Services

The Department's key contribution to the Government's priorities over the medium term will be its contribution to the Better Public Services programme.

Internal Affairs will play a leadership role across the public sector in shaping the way future government services are provided to New Zealanders, particularly through more effective use of ICT to drive efficiencies and accelerate the uptake of digital services across the system.

As the Government Chief Information Officer (GCIO) the Department's Chief Executive has functional leadership of all-of-government ICT. The GCIO is mandated to set the strategic direction, policy and standards for the use of and investment in ICT across the public sector. The coordinated and effective use of ICT is central to the success of Government's priorities for more responsive services to New Zealanders.

The Department, with the Minister of Internal Affairs, is responsible for Better Public Services Result 10. Internal Affairs will lead a programme of work across government to better design and implement services to improve New Zealanders' interaction with government in a digital environment. This is a long-term initiative, requiring innovation and collaboration across agencies to succeed.

Result 10 is linked with Result 9, led by the Ministry of Business, Innovation and Employment. The Department will work with the Ministry to ensure strategy and delivery are aligned. It will provide technology services, such as igovt, to improve the ease with which business and government interact.

Beyond this, Internal Affairs' role in implementing the Better Local Government programme will contribute to Government's public service and economic goals by lifting the performance and responsiveness of local authorities. In leading Kia Tūtahi, the relationship accord between government and New Zealand's communities, the Department will encourage more effective engagement between government agencies and communities to achieve outcomes.

The Department will also contribute to Better Public Services by applying the same principles it is applying in its leadership role across government to transform its own business. For example, it is making services such as passports, grant funding and collections of information and data more easily accessible online and in user-centric ways. It is progressing shared corporate infrastructure and services, including facilitating the Optimise Human Resources initiative, a new whole of government initiative which is currently being transitioned from the Treasury to the Department.

Over the next four years the Department will further contribute to Better Public Services, and the Government's wider goals, through the priorities of Ministers in seven portfolios*:

- Making it easier for citizens to prove their identity, particularly in a digital environment
- Improving the regulatory framework for gambling
- Learning from the Canterbury earthquakes to improve the civil defence emergency management framework
- Maximising the potential of society and the economy to benefit from ethnic diversity
- Improving the efficiency of the system of local government
- Empowering communities and people to participate in society and the economy
- Improving the efficiency of services to the Executive

** For the full list of Ministerial portfolios and priorities see the Department's Statement of Intent*

Operating environment

Government and public expectations, and ongoing fiscal pressure, have changed the operating environment across government. Like all public sector agencies, the Department is expected to deliver better results for New Zealanders within tighter financial constraints. Economic uncertainty also has implications for the people, businesses and communities that agencies serve.

Achieving outcomes increasingly requires greater innovation and collaboration across sectors, and a commitment to using resources as cost-effectively as possible. This will be central to how the Department works in the future.

As well as delivering new all-of-government responsibilities, the diversity of the Department's functions means it faces a range of challenges and changes in its operating environment over the four year horizon, including:

- expectations that the system of local government will improve its responsiveness to ratepayers and its collective contribution to New Zealand's economy
- responding to a new operating environment following the Canterbury earthquakes, including changes to service delivery models and to New Zealand's civil defence framework
- increased complexity in the regulatory environment, including an increasing scope of regulatory responsibilities and technology advances in regulated areas
- increasing trend for information and government records to be 'born digital', requiring new approaches to protection, preservation and access services, and balancing this with the provision of traditional services
- changes in demand for identity products, including an anticipated doubling in demand for passport application numbers by 2016 from those experienced in 2010
- increased focus on making government data more available to the public and other organisations, and the implications for managing information securely
- potential legislative changes altering the Department's responsibilities in areas including local government, gambling, anti-money laundering, and management of the Official Information Act
- responding to any future Commissions of Inquiry and supporting changes in the Executive following the 2014 General Election.

Long-term external factors influencing the Department's operating environment include:

- ongoing **global economic uncertainty** and public sector fiscal constraint, reducing resources available to customers and the Department
- **Government expectations** for agencies to provide better public services for less
- increasing and changing **public expectations** for more tailored, accessible and coordinated services
- **advances in ICT** and the implications for accessibility, privacy and integrity of information
- **changing demographic structure** of New Zealand society
- risks of further **large-scale environmental hazards** and the capability required to respond.

Strategic direction

The Department's context

The Government's priority of lifting the performance of the State sector has a significant influence on the strategic direction for Internal Affairs. Its scope and size has expanded, and leadership responsibilities increased, as Government looks to the Department to influence and support a transformation in the delivery of public services to New Zealanders.

The Department has a critical mass of resources and expertise in areas that allows it to undertake this role. This includes technology, the delivery of citizen-focused services and the trusted management of government and identity information. Internal Affairs has strong relationships with communities through its local government, regulatory, information management, civil defence and community advisory roles. The Department's range of functions connects it to all parts of the public sector.

The location of these responsibilities and leadership roles within a single agency means Internal Affairs must play a central role in the public sector. Although not a central agency, many of its characteristics and accountabilities align with the role of a central agency. This includes strategic, policy-setting and monitoring roles at a system level.

The Department's strategic focus, while continuing to look 'outward' to provide essential civic services to citizens and communities, is also increasingly looking 'across' the system – to support government to operate more efficiently and effectively.

The challenge for the Department over the medium term is to realise the benefits of its combined strengths and leadership mandate to increase the value of its contribution to New Zealand society and government goals.

Strategic direction

Over the four year horizon the Department's priorities and intentions focus on delivering expectations for new all-of-government leadership roles, showing stronger strategic leadership in some core areas such as local government, identity and information management, and leveraging common capability to improve the efficiency and quality of citizen services.

Success will be demonstrated by:

Transforming the way government agencies deliver their services

The Department will play a crucial role in the transformation in the way government services are delivered to people. It will lead an approach to service design that is user-centric and built to meet the needs of people, not agencies, so that New Zealanders can interact with government more easily in a digital environment.

Innovative new services will be available to people through more coordinated and aligned ICT investment across government, with an increased focus on investing at agency, sector and system levels. Overall costs to government will reduce while services will be more effective.

Internal Affairs will support the capability of communities to interact with government in a digital environment. It will support digital literacy and access to digital resources in communities, and align core services, such as identity products, to user-centric digital models.

The Department will support improved services by demonstrating and promoting principles of effective community engagement, as outlined in the Kia Tūtahi Relationship Accord.

Stronger and more resilient communities; and individuals contributing to and benefiting from the success of their communities

The Department's work in communities will provide them with better access to resources and information enabling people to participate with confidence in society and the economy, particularly in a digital environment.

Local government will be more efficient, effective and responsive to communities and ratepayers.

The lessons from the response to the Christchurch earthquakes will be used to strengthen the framework for civil defence emergency response and recovery.

People will be more confident about interacting in digital environments safely and securely, through reducing the impact of spam, identity theft and exploitation.

Internal Affairs will support communities to invest in themselves, by maximising the return and minimising the harm from regulated activities such as gambling, and making the process for distributing Crown and Lotteries funding back to communities more efficient and convenient.

Increased trust in how government manages New Zealand's civic information

Individuals will be able to use their identity information more conveniently and securely across a range of services. Business will be able to verify identity more easily, supporting increased digital interaction with government, and reducing compliance costs for businesses and their customers.

The collective identity of the nation will be strengthened through better access to government data and information. The preservation of collections and records of national importance will be improved, particularly through the use of digitisation.

Knowledge networks will exist to enable businesses, communities and individuals to better use information for knowledge creation and to drive innovation in the economy.

Internal Affairs is a robust, sustainable and fit for purpose government agency

The Department will consolidate a more integrated and coordinated operating model to maximise its resources and skills. Capability and supporting infrastructure will be enhanced to allow it to deliver on expectations.

Government will be confident that the Department is a secure and sustainable organisation, delivering essential services efficiently and effectively, and managing within baselines.

Ministers will be supported by innovative, forward-looking policy advice and executive services, and will trust the Department to take on and deliver Government's priorities.

There will be increased trust in the institutions and processes of government. Internal Affairs will be supporting innovative approaches across government and demonstrating leadership across the system.

Section 2 discusses the Department's medium term intentions for its key priorities and core business, to allow it to move towards its desired future state in these strategic areas.



Delivering the strategy

Operating model

The Department's operating model is based on a functional and shared services approach to delivering outputs and services. This allows the Department to maximise internal collaboration, leverage common capability and expertise across its business groups, and increase its collective impact on outcomes.

Over the past year the Department has consolidated its structure to best align its functions. The focus over the medium term is on establishing the organisational environment - the systems, processes and culture - required to support more effective and efficient delivery of services.

This includes bedding in more integrated, customer- and future-focused ways of working, based on a better understanding of customers' needs, across the organisation. Examples include a new approach to regulatory functions and a strategic partnership programme between the National Library and Archives New Zealand. An area of focus with the potential for significant change is the way identity products, services and service delivery are organised, to ensure these are sustainable and flexible to meet people's needs into the future.

In line with its all-of-government ICT role, the Department is moving to increase the digital delivery of a number of services. This includes increasing the availability of passports online, enhancing online grant funding capability and development of a strategy to make online channels the predominant way of accessing archival and library services.

To support the delivery of services the Department has established a shared services model for corporate functions. Over the medium term the Department is reducing duplication and improving the efficiency of back-office systems to reduce the impact of cost pressures elsewhere in the business. This includes implementing the corporate infrastructure strategy, an asset management framework, and strategies to reducing the overall property and occupancy footprint. It is also implementing new arrangements to share capabilities with other agencies.

Performance Improvement Framework review

The Department has recently undergone a Performance Improvement Framework review. The review provides a number of recommendations for improving the way the Department works to lift its performance and achieve its increased expectations. Responding to these recommendations is an immediate priority for the Department.

The results of the review are consistent with the Department's self assessment and existing work programme. Internal Affairs is well placed in a number of core business areas, and rates strongly in the experiences of the public. However, there are a number of areas that are recognised as requiring further development to secure the Department's ability to deliver its strategic direction.

These are included in the key challenges outlined below.



Challenges to delivering the strategy

Building capability to deliver all-of-government ICT functions

Expectations are high in regard to delivering improved efficiency and service quality across government. The Department needs to move quickly to develop the model, capability and partnerships to deliver on its ICT leadership expectations, including delivering Result 10.

A priority is the rapid resolution of funding, charging and governance mechanisms for the programme of work to deliver these responsibilities. Work on funding mechanisms is being progressed in close collaboration with central agencies. Clarifying these issues will enable the Department to provide a clear plan to government and build confidence in its ability to deliver.

The principle behind the transformation in government services and ICT is that it will be centrally led and collaboratively delivered. Internal Affairs will be supporting and driving cross-government ICT investment projects. It needs to continue developing the leadership and strategic capability to creditably influence and direct other agencies to align planning and accelerate the uptake of the shared capabilities that will underpin more citizen-centric services.

Although the GCIO has a mandate to direct priorities and the uptake of common capabilities to support this work, the ability to influence agencies and generate buy-in and commitment will encourage faster and more sustainable change across the system.

Optimising internal systems and infrastructure

The Department aims to be an exemplar in the internal use of ICT. However, current fragmentation and duplication of systems, caused by inheriting a number of legacy systems that do not easily work with each other and previous deferred investment, is impacting on productivity and creates barriers to more integrated ways of working.

The Department needs to improve its ICT infrastructure capability to both support the effective delivery of services and align with its wider responsibilities for government ICT and information management. Over the medium term the Department is implementing an ICT foundations programme and strategy to upgrade its core ICT and information management systems.

Through this work the Department will transition away from an ownership model to a service based model for ICT infrastructure. This is expected to achieve efficiency improvements for the Department, while demonstrating the benefit of this model to other agencies.

Developing strategic partnerships across government

Within the current operating environment, achieving government goals will require a commitment from agencies to work together more closely and in more innovative ways. To discharge its leadership responsibilities the Department needs to be proactive in developing cross-agency partnerships.

Strong relationships with local government, the private sector, community organisations and the public are also critical to achieving overall priorities and understanding how to improve services. This will be particularly relevant to the delivery of Better Public Services responsibilities. The Department is working with seven government agencies – to be expanded to 20 – to develop and progress the Result 10 work programme:

- Ministry of Social Development (MSD)
- Inland Revenue
- New Zealand Police

- New Zealand Transport Agency
- Ministry of Business, Innovation and Employment (MBIE)
- New Zealand Customs Service
- Department of Conservation.

The Department is also working closely with the Result 9 Programme, led by MBIE, to ensure Result Area strategy, approach and delivery are aligned, particularly where there may be potential overlap.

Further strategic partnerships that will enhance the Department's contribution to government goals over the medium term include:

- working with the Department of Corrections on its strategy to improve prison library services, contributing to Results 6 (more skilled workforce) and 8 (reducing reoffending)
- partnering with New Zealand Post to expand igovt services into the private sector
- collaborating with agencies such as the Ministry of Justice and the Organised and Financial Crime Agency as part of the all-of-government response to organised crime, and contributing to the ODESC¹ sub-committee for organised crime
- working with the Ministry for the Environment to coordinate progress on resource management and local government reforms.

The Department is increasingly looking towards shared services arrangements with other agencies for delivering support services where this will improve collective efficiency. This includes implementing a shared financial management system arrangement with Inland Revenue and working more closely with the Parliamentary Service to support Ministers. It is also looking at options to co-locate some frontline services with other agencies, building on the success of this approach in Christchurch following the February 2011 earthquakes.

The Department has recently assumed responsibility for facilitating the Optimise Human Resources initiative. This is a collaboration to develop shared human resources services between MSD, MBIE, Ministry of Education, Careers New Zealand and the Energy Efficiency and Conversation Authority. Further detail is provided in Section 3 and Appendix II and III.

Developing organisational culture and capability

A further challenge for the Department is putting in place the capability and organisational culture required to deliver on increased expectations.

Leadership capability across the Department is currently inconsistent. The Department requires increased specialist and strategic capability to deliver new functions and respond to environmental changes. Internal Affairs is developing its capability to think more strategically and demonstrate more sector- and system-wide leadership in areas including local government, identity, information management, the community sector and regulated sectors. This will enable more strategic, forward-looking advice to Ministers in key areas of the Department's responsibility.

Internal Affairs is a diverse organisation. To lift its performance to the level necessary to deliver strategic priorities and government expectations it needs to add up to greater than the sum of its parts. Strengthening the shared aspects of the Department's culture and better connecting staff with a common purpose is a high priority. This will provide a platform for lifting staff engagement and productivity. The Department is developing this area through a programme of engagement initiatives, as well as an extensive programme of management and leadership training.

¹ Officials Committee for Domestic and External Security Co-ordination

Delivering the strategy: trade-offs and dependencies

To deliver its strategy within the current fiscal environment, the Department faces trade-offs around how it best prioritises resources to achieve maximum strategic benefit and deliver on government expectations.

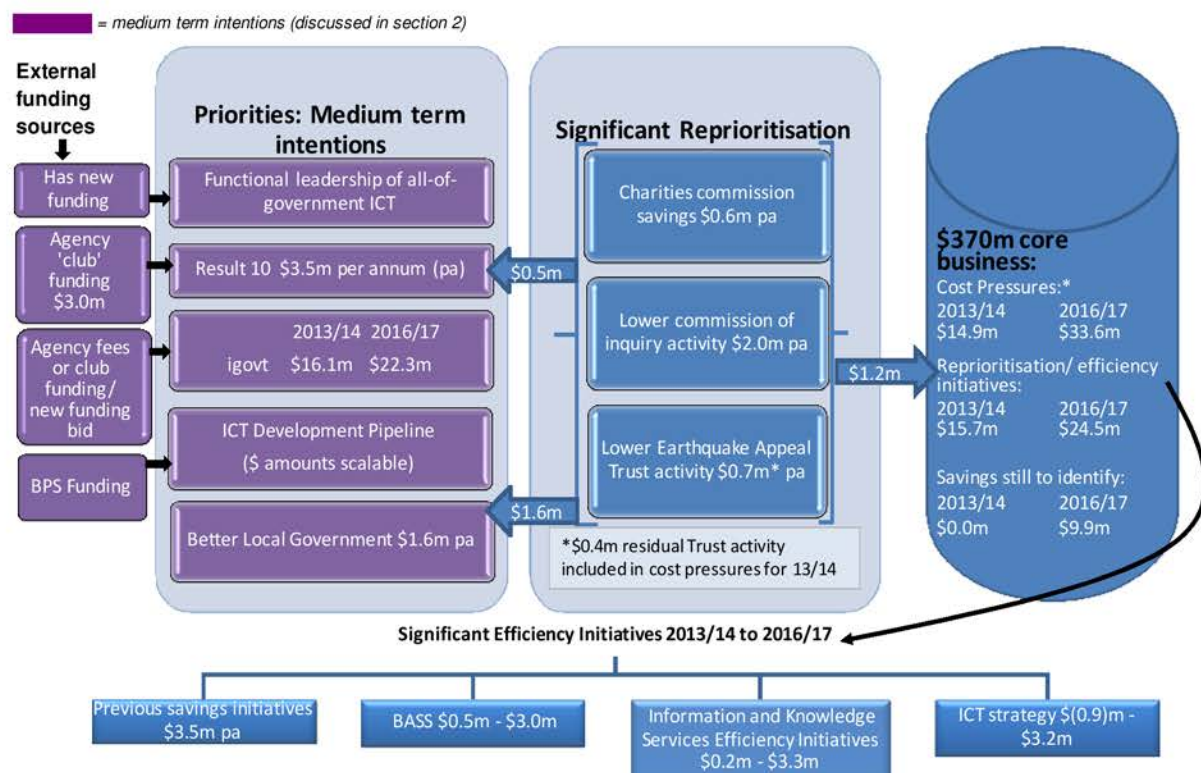
Over the medium term the significant changes to the Department's business will be in relation to its contribution to Better Public Services, including functional leadership of all-of-government ICT, Result 10, an ICT development pipeline, igovt, and leading the Better Local Government programme. These changes are outlined in Section 2 (medium term intentions), and detailed in Appendix I.

The Department anticipates that, to deliver these priorities, \$21 - 27 million over the next four years will be required. It must also sustainably manage a range of operational cost pressures within its core business. Within this context the Department needs to take decisions around:

- scaling the amount of money being spent on priorities
- redirecting baseline savings towards priorities versus using these savings to manage core business cost pressures
- the level of contribution sought from other agencies and third parties
- seeking new funding from the centre.

Figure 1 outlines how the Department is proposing to take these decisions in combination, to fund its priorities and manage its core business over the medium term.

Figure 1: Approach to funding medium term intentions and core business



The Department has identified efficiency savings allowing resources to be directed to highest priorities and offset cost pressures. In addition, reduced activity in areas such as Royal Commissions releases previous baseline savings for further reprioritisation. Efficiency initiatives and reprioritisations are



outlined in Section 4 and with further detail in Appendix III. Some of these efficiency savings involve up-front investment in order to realise gains, resulting in a 'cost spike' in 2013/14.

This plan anticipates that, based on the retention of identified savings, \$2.1 million can be applied to delivering new priorities (\$0.5 million for Result 10 and \$1.6 million for Better Local Government), while maintaining a sustainable financial position over the next two years and without substantially reducing services and outputs. From 2015/16, cost pressures begin to accumulate and further prioritisation decisions are likely to be necessary. Section 3 discusses options for how these cost pressures could be managed.

The key dependency to achieving its strategic intent is the extent to which the Department can secure external funding to contribute to the delivery of priorities for all-of-government leadership responsibilities.

The Department is actively working to minimise or eliminate the need for any bids for new Crown funding over the medium term. Central agency support will be crucial to identifying funding options and models to ensure Internal Affairs' all-of-government priorities are adequately resourced.

The Department intends to secure \$19.1 million to \$25.3 million per annum across the four year plan from external funding sources, with the objective that this funding is ultimately derived from third parties and other agencies. The options being pursued by the Department include

- club funding from the agencies the Department is working with to deliver Result 10 (\$3.0 million)
- a combination of funding from other agencies, third parties and transitional new Crown funding for igovt (\$16.1 million to \$22.3 million). The current view is that full agency/third party funding can be achieved within four to six years. Options around igovt will be addressed in a Cabinet paper in February 2013
- a robust funding model for ICT business case development. This is dependent on work being undertaken by Treasury in collaboration with the Department.

The Department is working with Treasury to progress these options. The outcome of these efforts will be clarified by February 2013.

Should efforts to secure external funding for priorities be unsuccessful, the Department will face choices around the extent to which it can fund priorities from within baselines; ceasing or curtailing the services offered; or submitting a budget bid.

To bridge any funding gaps from within baselines would require the Department to identify additional savings. Over the past year the Department has achieved Government's Budget 2012 efficiency savings target and, in total, absorbed cost pressures of around 10 per cent of its Crown-funded baseline. The pressure of delivering recent savings and managing cost pressures internally means the Department has little room to achieve further savings to fund new priorities solely from finding efficiencies.

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Section 2: Medium term intentions

This section discusses the Department's medium term intentions for its key priorities over the next four years. It also provides an overview of the Department's key intentions for its core business.

Medium term intentions – key priority areas

Significant changes to services over the medium term are required to deliver the Department's all-of-government leadership responsibilities, including lifting the performance of local government. The key priorities over the medium term and the intentions in these areas are outlined below.

Appendix I provides further detail on these priorities, including financial impacts.

Functional leadership of all-of-government ICT (new)

This priority refers to the establishment of a work programme to deliver functional leadership of all-of-government ICT.

The Department's chief executive, as the GCIO, will set the strategic direction for greater standardisation and integration of ICT investment across government. ICT enablement is essential to delivering the Government's priorities for better public services. Through this work the Department is seeking to reduce government's \$2 billion ICT spend by \$100 million within five years.

These changes will be centrally led and collaboratively delivered. Successfully discharging this role will require the ability to influence and prioritise ICT investment across agencies and sectors, and the leveraging of all-of-government purchasing power.

The Department will develop and implement a five-year action plan for government ICT. This will set the work programme for integrating information, service delivery, technology and business processes to deliver better services for less.

Cabinet has agreed a funding profile for the core capability required for this intention (\$4 million from 2013/14). As cross-government ICT investments evolve, funding models and governance arrangements will need to be developed.

Delivering Better Public Services Result 10 - New Zealanders can complete their transactions with government easily in a digital environment (new)

In March 2012, the Department, with the Minister of Internal Affairs, became responsible for the Government's Better Public Services Result 10. This is seeking to achieve 70 per cent of people's most common transactions with government being completed in a digital environment by 2017. Currently 24 per cent are completed online.

Result 10 will be a collaborative effort led by the Department. Internal Affairs will house a core Result 10 team focused on developing strategies and acting as secretariat to support cross-agency efforts. The team will work with twenty government agencies to develop and implement the Result 10 action plan.

Successful delivery of this result will see coordinated and innovative service delivery solutions across government. Design from the user's perspective is central to this work. This will simplify people's interactions with government and reduce service delivery costs through increased use of digital channels. Although not an ICT project, Result 10 will be interdependent and interconnected with the intentions for functional leadership of all-of-government ICT.



Result 10 is unfunded from 2013/14. The Department is seeking to arrange club funding from the agencies it is working with to deliver the result. If this approach is unsuccessful the Department will seek to secure new funding as part of Budget 2013.

ICT Development Pipeline (change)

This priority refers to the increased need to identify and develop business cases to support the delivery of better public services through the intentions for functional leadership of all-of-government ICT and Result 10. An example is the Government Cloud Computing Strategy, currently being progressed.

An efficient means of developing, approving and funding business cases for cross-agency ICT initiatives is a critical enabler to achieving Better Public Service results. The Department is working with the Treasury to develop funding models.

Successful delivery of this intention would see the development of between six and nine business cases each year over the next five years with three to four business cases being led into implementation by various agencies each year.

Igovt (change)

This priority refers to changes in the Department's igovt services.

The igovt logon and igovt identity verification services help citizens verify their identity to government service providers securely via the Internet. This enables government to offer more personalised online services involving more valuable transactions. Igovt is a critical enabler to Result 9 and Result 10.

The Department has a partnering agreement with NZ Post to extend igovt logon services to the private sector. A new joint service (RealMe) is planned for launch on 1 July 2013. From this point public and private sector users will connect with RealMe and the igovt logon service brand will cease.

A benefits realisation model is currently being developed that will measure the benefits from igovt/RealMe.

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The Department will take a share of the private sector revenue generated through the use of RealMe. Other options for funding include accelerating the transition to full funding from agencies using the service; and further partnering opportunities. A Cabinet paper will be submitted in February 2013 to provide funding options for future igovt services.

Better Local Government (new)

The Department is leading the implementation of Government reforms to improve the performance of local government within tighter financial constraints.

Internal Affairs will need to deliver new responsibilities under proposed legislation likely to be enacted in 2013. The main changes are:

- Implementing an assistance and intervention framework, including assessing council regulatory, financial and service delivery performance; increased analysis and reporting; and related advice to Ministers around council performance and risk.
- Providing support for newly established external review bodies such as the Local Government Efficiency Taskforce and Infrastructure Expert Advisory Group
- Increased Local Government Commission activity, due to anticipated significant increases in volume of local council reorganisation proposals over the four year horizon.

Success in this intention will see Ministers better advised on council performance. Streamlined reorganisation processes will support communities to drive more responsive and effective local government. To measure success, the Department will develop a framework for assessing proposals and measuring benefits according to the legislation.

Summary of financial implications

Table 1 summarises the operating cost of Department's medium term intentions in key priority areas, and the new funding being sought from the centre.

Table 1: Summary of financial implications from medium-term intentions in key priority areas

Financial implications arising from changes to outputs, services or deliveries	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating impact – departmental: increase in appropriations	0.000	21.208	22.706	24.506	27.306
Operating impact – departmental: funding sought from centre	0.000	16.180	11.800	6.457	0.000

The new funding sought in Table 1 comprises igovt funding only. The forecast assumes igovt will be fully funded by Revenue Crown in 2013/14 and will transition to being fully funded by other agencies and third parties using the service by 2016/17. This assumption is a 'placeholder' pending further work being undertaken for a Cabinet report on igovt funding in February 2012.

Result 10 new funding is identified as third party/external funding in Table 2 (Section 3). This is because the Department intends to seek contributions from other agencies to assist the funding of this Government priority.

Core business and continuous improvement

The priority areas and change intentions outlined above comprise only part of the Department's overall core business activities within its approximately \$370 million baseline.

The table below outlines the Department's key intentions for its core business over the next four years, and how these intentions contribute to its strategic direction.

Core business	Medium term intentions	Link to strategic direction (Section 1)
Information and knowledge services		
Through Archives New Zealand and the National Library the Department is responsible for building, preserving and providing access to New Zealand's documentary heritage and public record. This includes responsibility for managing the Public Records Act. It also supports literacy and learning in communities and schools.	<ul style="list-style-type: none"> Completing the redevelopment of the building housing the National Library, including the Constitution Room relocation Implementing the Government Digital Archive, and reviewing and developing digital preservation services Archives/Library strategic partnership 	<p><i>Increased trust in how government manages civic information</i></p> <ul style="list-style-type: none"> collective identity strengthened through better access to information and preservation of collections of national importance building knowledge networks to support knowledge creation and innovation <p><i>Stronger, more resilient communities</i></p> <ul style="list-style-type: none"> communities have better access to resources and information to participate in society and the economy <p><i>Transforming the way government delivers services</i></p> <ul style="list-style-type: none"> supporting capability of communities to interact with government in a digital environment <p><i>A robust, sustainable and fit for purpose agency</i></p> <ul style="list-style-type: none"> consolidating a more integrated and coordinated operating model to maximise resources and skills
Technology services		
The Department delivers a number of all-of-government technology services, focusing on developing common capabilities to reduce costs to government. This includes managing contracts such as Infrastructure as a Service and the one.govt data network. The Department also provides web and data strategies and standards for government's online presence.	<ul style="list-style-type: none"> Developing all-of-government office productivity services and Desktop as a Service (subject to business case) Aligning cross-government digital services provided by the Department with priorities for Result 10 and functional ICT leadership, for example newzealand.govt.nz 	<p><i>Transforming the way government delivers services</i></p> <ul style="list-style-type: none"> more coordinated and aligned ICT investment across government - overall costs to government will reduce while services will be more effective supporting capability of communities to interact with government in a digital environment

Core business	Medium term intentions	Link to strategic direction (Section 1)
Identity services		
The Department records, manages and provides access to New Zealanders' identity information, delivering services including passports, registration of births, deaths and marriages, and citizenship services.	<ul style="list-style-type: none"> Completing the Passport Redevelopment Programme to respond to increasing passport volumes Review of services and products to ensure they meet future needs 	<p><i>Transforming the way government delivers services</i></p> <ul style="list-style-type: none"> supporting capability of people to interact with government in a digital environment <p><i>Increased trust in how government manages civic information</i></p> <ul style="list-style-type: none"> individuals will be able to use their identity information more conveniently and securely across a range of services business will be able to verify identity more easily, supporting increased digital interaction with government and reducing compliance costs <p><i>A robust, sustainable and fit for purpose agency</i></p> <ul style="list-style-type: none"> consolidating a more integrated and coordinated operating model to maximise resources and skills
Community services		
The Department facilitates over \$100 million of grant funding to communities annually and provides advisory services to strengthen capability and encourage participation in communities and the voluntary sector. The Department provides targeted information and advice to ethnic communities and works with charities and the charitable sector.	<ul style="list-style-type: none"> Investing in a grant and client management system to streamline processes and improve access to funding information and services Evaluating the Community-led Development pilot Exploring the establishment of a Language Hub including both telephone interpreting services and translation services 	<p><i>Stronger, more resilient communities</i></p> <ul style="list-style-type: none"> communities have better access to resources and information to participate in society and the economy communities supported to invest in themselves demonstrating and promoting principles of effective government/community engagement <p><i>Transforming the way government delivers services</i></p> <ul style="list-style-type: none"> supporting capability of people to interact with government in a digital environment
Policy services		
Internal Affairs provides policy advice to Ministers on local government, ethnic affairs, the community and voluntary sector, civil defence emergency management, and in fire, identity, information management, gambling and racing policy.	<ul style="list-style-type: none"> Review of the Regulatory Framework for Class 4 Gambling including advice on the Gambling (Gambling Harm Reduction) Amendment Bill Review of Fire Service function and funding Review of Civil Defence and Emergency Management (CDEM) Act 	<p><i>Stronger, more resilient communities</i></p> <ul style="list-style-type: none"> communities supported to invest in themselves strengthened framework for civil defence emergency response and recovery <p><i>A robust, sustainable and fit for purpose agency</i></p> <ul style="list-style-type: none"> Ministers will be supported by innovative, forward-looking policy advice



Core business	Medium term intentions	Link to strategic direction (Section 1)
Regulatory services		
The Department regulates, encourages compliance and enforces the law for gambling, censorship, government recordkeeping, spam, anti-money laundering, and private security.	<ul style="list-style-type: none"> Implementing a smarter approach to regulation, to increase and sustain levels of legal compliance while reducing compliance burden Completing the Integrated Gambling Platform to provide online capability to improve compliance and transparency in the Class 4 gambling sector Developing a technology solution to deliver supervisory responsibilities under anti money laundering and countering the financing of terrorism legislation 	<p><i>Stronger, more resilient communities</i></p> <ul style="list-style-type: none"> communities have better access to resources and information to participate in society and the economy communities supported to invest in themselves People will be more confident about interacting in digital environments safely and securely <p><i>Transforming the way government delivers services</i></p> <ul style="list-style-type: none"> supporting capability of people to interact with government in a digital environment
Civil defence emergency management		
The Ministry of Civil Defence and Emergency Management is responsible for reducing risk and managing national civil defence emergency readiness, response and recovery. The Ministry manages central government's response and recovery functions for national emergencies.	<ul style="list-style-type: none"> Implementing recommendations from the review into the response to the Christchurch earthquakes and improving the framework for responding to major civil defence emergencies Implementing results of monitoring and evaluation of the performance of Civil Defence Emergency Management Groups 	<p><i>Stronger, more resilient communities</i></p> <ul style="list-style-type: none"> strengthened framework for civil defence emergency response and recovery
Support services to the Executive and advisory bodies		
The Department provides a range of services to the executive arm of government and delivers support and advisory functions for bodies such as the Gambling Commission, the Local Government Commission, Commissions of Inquiry and other ad hoc bodies.	<ul style="list-style-type: none"> Supporting any changes to the Executive following the 2014 General Election 	<p><i>A robust, sustainable and fit for purpose agency</i></p> <ul style="list-style-type: none"> increased trust in the institutions and processes of government Ministers will be supported by innovative, forward-looking policy executive services



Core business	Medium term intentions	Link to strategic direction (Section 1)
Crown Entity Monitoring		
The Department monitors the performance of the New Zealand Fire Service Commission and the Office of Film and Literature Classification.	<ul style="list-style-type: none"> Monitoring the implementation of strategies to return the Office of Film and Literature Classification to breakeven performance Ensuring Fire Review Panel recommendations are reflected in Fire Service Commission accountability documents 	<p><i>A robust, sustainable and fit for purpose agency</i></p> <ul style="list-style-type: none"> increased trust in the institutions and processes of government

Section 3: Managing the Department's baselines

This section sets out the financial plan over the medium term to manage the Department's business and cost pressures within baselines.

Financial summary

Table 2 below summarises the Department's overall departmental operating baselines for the next four years along with:

- cost pressures arising from medium term intentions
- broader cost pressures (including employment, capital related and other operating cost pressures)
- reprioritisation and efficiency initiatives to offset cost pressures (some of which involve up front investment in order to realise gains, resulting in a "cost spike" in 2013/14)
- anticipated new funding sources.

If the Department successfully secures new funding (discussed in Section 1), its operating baselines are sustainable through 2014/15. From 2015/16, cost pressures start to accumulate, although these settings are based on a number of assumptions. Based on these forecasts the Department will need to find further savings to manage within baselines over the four year horizon.

Table 2: Summary of total financial impact

	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
<i>Current operating expenditure baseline</i>	370.302	370.278	370.235	370.235
Financial Implication of Planned Changes and Cost Pressures				
Financial implication arising from changes to outputs, services or deliveries	21.208	22.706	24.506	27.306
Direct employment cost pressures	3.742	7.199	10.415	13.807
Operational cost pressures arising from capital	1.393	2.935	2.365	3.885
Other operational operating cost pressures	9.757	10.161	12.263	15.913
<i>Total of all changes and pressures on operating expenses</i>	36.100	43.001	49.549	60.911
Funding for Changes and Cost Pressures Available From				
Operational efficiencies/reprioritisation	15.725	21.106	20.998	24.501
Transfers to/from other Votes	1.195	1.195	1.195	1.195
<i>Total funds available</i>	16.920	22.301	22.193	25.696
Savings required but not yet identified	19.180	20.700	27.356	35.215
Savings required as % of baselines	5.2%	5.6%	7.4%	9.5%
'At Risk' Funding				
Changes to third-party/external revenue	3.000	8.900	15.913	25.300
Total new funding sought (igovt placeholder)	16.180	11.800	6.457	0.000
<i>Savings required if new funding received</i>	0.000	0.000	4.986	9.915

Major cost pressures and how the Department will manage them

The Department's proposal to reprioritise \$2.1 million in baseline savings towards its medium term intentions (discussed in Section 1) involves a judgement around the manageability of cost pressures within the Department's core business.

The two most significant pressures faced by the Department are direct employment cost pressures and consumer price index (CPI) pressures.

Direct employment cost pressures

The Department seeks to strike a balance between a competitive remuneration strategy to attract and retain the right staff, and managing cost pressures.

Direct employment cost pressures over the medium term have been forecast using the percentage change arising from salary review settings agreed in 2012, as a proxy for overall employment cost growth.

However, this is only one component influencing overall direct employment cost pressures. Other influences include:

- the number and mix of personnel (managing establishment and the remuneration level at which staff are hired)
- timing of filling vacancies (vacancy lag-time) and the extent to which leave is covered
- the level of salary on appointment (not higher than the employee being replaced)
- salary increases outside the annual review.

Employment cost pressures could therefore track higher or lower than forecast. The Department has modelled three scenarios. [10]

- *CPI (High)*: based on Treasury CPI forecasts, as a proxy for increasing market pressure on attracting and retaining staff.
- *Internal Affairs' HR forecast (Central)*: forecast salary cost pressures based on the actual staff and performance rating mix in 2012. This includes the continuation of the 2012 performance matrix with a one per cent movement in ranges. [10]
- *Lower track (Low)*: this scenario is based on more active management of the personnel cost influences noted above from 2015/16. [10]

As the Department reviews the progress of its reprioritisation initiatives against its cost pressures, the interventions underpinning the lower track scenario are an option to manage within baselines if savings are necessary or cost pressures increase.

[10]

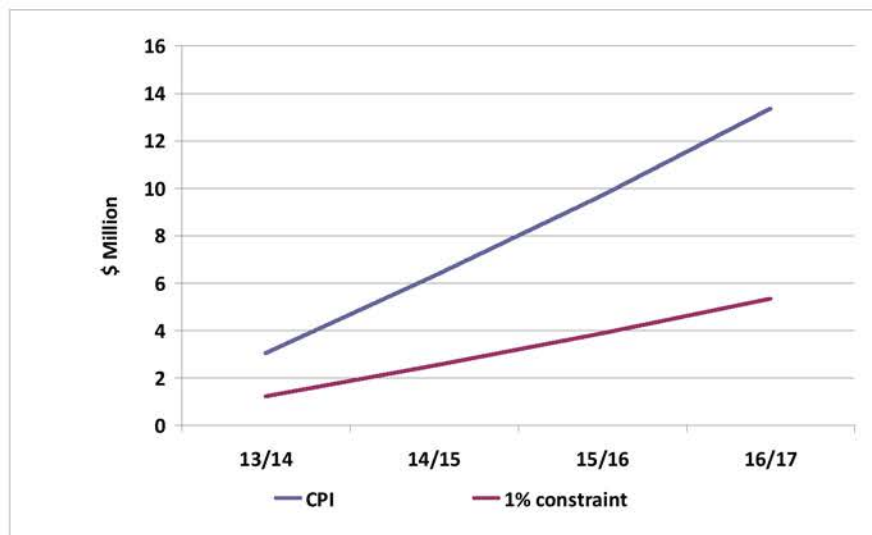
Consumer Price Index pressures

The Department's financial planning is undertaken using a general assumption of CPI pressures of 2.5 per cent on operating costs across the organisation.

The general expectation is that the Department will manage inflationary impacts on other operating cost pressures to zero growth. However, there are constraints on individual business groups' ability to achieve this. For example, indexation in ICT contracts, the impact of electricity price increases on storage areas for collections of national importance and increasing insurance costs.

This four year plan overlays a "top down" savings assumption across business groups and outputs that brings inflationary cost pressures to one per cent. Business groups are expected to achieve other savings to offset this remaining pressure.

Figure 3: CPI cost pressures and 1% constraint





Capital cost pressures

The Department anticipates that it will face depreciation cost pressures rising from \$1.4 million in 2013/14 to \$3.9 million in 2016/17, even taking into account a capital to operating swap (discussed below). This is partly due a significant 2012/13 capital programme, which incorporates a number of new (rather than replacement) capital items. The implementation of a property strategy and asset management framework (discussed below) will assist the Department in managing these pressures in the future.

These capital cost pressures have been modelled using a number of assumptions. As the Department develops its asset management practices, a more detailed longer term forecast of capital pressures will be developed, along with strategies for addressing them.

Other cost pressures

The Department's business groups face a number of cost pressures arising from the current operating environment. Section 6 identifies operational cost pressures arising from business as usual activities that could increase costs above baselines. Cost pressures with potential funding implications are discussed below.

The plan includes a cost pressure of \$1 million in the 2014/15 financial year for the costs of supporting any change in Executive following the 2014 General Election. In line with previous practice, the Department expects to absorb costs associated with these changes up to \$1 million, and to submit a new funding bid for any costs beyond \$1 million. The cost of supporting a full change in Executive would be approximately \$3.5 million.

Confidential Listening and Assistance Services funding of \$1.195 million expires in 2012/13. The continuance of these services is being discussed with participating agencies. A report back to Cabinet in March 2013 will confirm the medium term position for this activity. This plan assumes that further services will be provided, but that funding will be provided by transfers from other Votes of participating agencies.

Optimise Human Resources initiative

The Department has recently assumed a facilitation role for the Optimise Human Resources initiative, a collaborative project to develop shared human resources services originally developed by the Treasury. A business case identifying the potential for a cloud-based service is currently being considered by participating agency² Chief Executives with approval expected in December 2012. Further detailed work is now underway to complete the design to enable a proposal for the new service delivery model to be agreed by participating agencies and Government.

At this point, while the costs relating to the Department's direct participation in the project have been factored into the plan, funding costs and recoveries related to the Department's facilitation role have not been factored into the plan pending further discussion with participating agencies. It is anticipated that funding for the Department's facilitation role will be fully recovered from participating agencies.

Further detail on this initiative is provided in Appendix II and III.

² The Participating agencies are MSD, MBIE, Ministry of Education, Careers New Zealand and the Energy Efficiency and Conversation Authority

Reprioritisation and efficiency initiatives

During the current planning round the Department has identified reprioritisation and efficiency initiatives that contribute to offsetting cost pressures and funding medium term intentions.

Reprioritisations and efficiency initiatives are detailed in Section 6.

The larger reprioritisation initiatives relate to savings arising from the integration of the Charities Commission into the Department, along with reductions in Commission of Inquiry and Earthquake Appeal Trust Activity, which have been funded from within baselines.

During 2012/13 the Department has identified savings of \$3.5 million to invest in efficiency initiatives and address cost pressures in out-years. In addition, the Department has three headline initiatives to achieve further efficiency gains - the Benchmarking Administrative and Support Services Programme, an ICT strategy and information and knowledge services efficiency initiatives.

Benchmarking Administrative Support Services (BASS)

The Department has identified indicative efficiency savings through the BASS Programme. Over the next four years the Department is targeting moving towards the 75th percentile, based on levels in the 2011 report. Work to date has included a reorganisation of the Finance and Human Resources groups.

To achieve further efficiencies the focus is now shifting to shared service models and related systems. The two specific initiatives being targeted over the next two years are the Optimise HR Initiative (in conjunction with five other agencies), and a shared service finance system with Inland Revenue. Both involve a level of up-front investment to unlock efficiency gains.

BASS: Implementation of the Property Strategy

The Department's property strategy covers both owned land and buildings, and nearly 50 leased properties. The strategy aims to generate efficiencies through:

- consolidating property space. The main opportunities occur in 2016/17 once Wellington accommodation leases expire
- reducing unnecessary regional presences
- co-locating with other agencies, following the example set in the aftermath of the Christchurch earthquakes
- [9]

ICT Strategy and ICT Foundations Programme

The Department is implementing an ICT Strategy and an ICT Foundations Programme to achieve efficiencies and improve productivity through reduced duplication and better aligned ICT systems.

The current focus of the Department's ICT strategy is on three areas:

- refreshing communications infrastructure³ (phones, data network, consolidation of internet connections)
- improving server infrastructure⁴
- the Modernise Desktop initiative, for which the business case is currently under development. This will update the operating system (transitioning from Windows XP to modern productivity software) and utilise the suite of all-of-government Cloud Office Productivity services.

³ Network transformation project

⁴ Infrastructure as a Service



Through these initiatives the Department is transitioning away from an ownership model to a service based model, which both reduces risk and is cheaper. These steps will enable the Department to consider software as a service options and model the benefits of this approach to other agencies, in line with its all-of-government ICT leadership role.

Information and Knowledge Services efficiency initiatives

From November 2012, the National Library, Archives New Zealand and Government Information Services are consolidated into one branch within the Department. This change will result in the joint delivery of planning, projects and programmes to optimise services, and improve efficiency and effectiveness.

Early opportunities include jointly undertaking planning in the following areas:

- Government Digital Archive Project
- Digitisation and Listing Project
- Constitution Room Relocation Project
- Implementation of Online Strategy
- Digital Preservation Review
- Digital Preservation as a Service
- Digital storage
- Collections Management Systems Project reappraisal to reduce holdings
- Rationalising general collections and operations work.

Monitoring progress in managing down cost pressures and achieving efficiencies

This plan indicates that, based on current assumptions, further savings will need to be achieved of \$5.0 million in 2015/16 and \$9.9 million in 2016/17.

While the Department will monitor progress against its four year plan, it is confident that this gap can be eliminated as it gains further experience of how cost pressures and savings exercises are tracking.

Options to remove the savings gap available to the Department include:

- carrying out further reprioritisation rounds, to address 2015/16 constraints as the Department gathers more experience around cost pressures and current reprioritisation initiatives
- progressing its asset management approach (see asset management framework discussion) to ensure it manages its capital in a way that reduces (or eliminates) its \$3.8 million out-year depreciation cost pressure
- [6]
- adopting the direct employment cost pressure interventions within the 'lower track' scenario discussed above (out-year savings impact of around \$2 million).

Capital

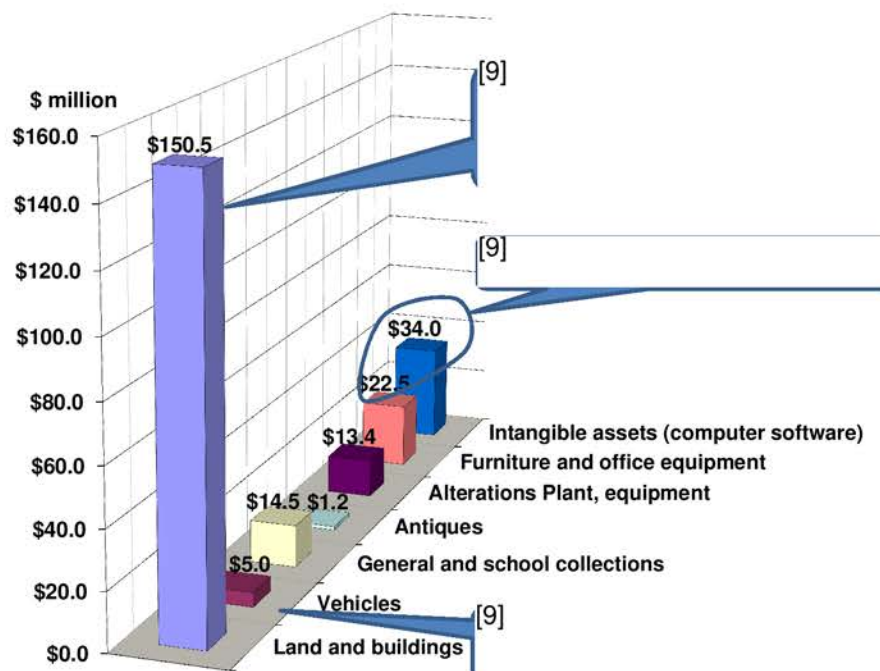
Within the current fiscal environment, a key priority is self-funding new and replacement capital investments through balance sheet management.

Over the medium term, the above efficiency initiatives will have an impact on both the shape of the Department's asset base and the way it is managed and funded.

As mentioned above the Department is transitioning from ownership to leasing options for internal ICT systems. To facilitate this, it will be seeking to exchange approximately \$15 million capital for operating funding to support leasing arrangements⁵. The exact amounts will be confirmed in upcoming baseline update rounds.

Figure 4 below shows a breakdown of the net book value of the Department's current asset base and highlights the areas where it expects to see efficiency savings over the medium term.

Figure 4: Impact of change initiatives on Department's balance sheet



The net book value of ICT contained within the intangible assets, and furniture and office equipment categories in Figure 4 is \$48 million. This net book value is heavily depreciated; the ICT cost value of \$150 million highlights the importance of strong asset management in this area.

Asset Management Framework

The Department is progressively enhancing its capital planning and investment framework, to ensure appropriate compliance and alignment with the Treasury-led Capital Asset Management framework.

The Department has assessed itself as being mid-range minimum (33/100) using Treasury's maturity assessment tool. The target is to achieve a 'low intermediate' (66/100) level of asset management maturity, which is likely to take two to three years.

⁵ The Department is in discussion with Treasury about the Capital-Operating Swap rules, and may change its intentions based on any revised guidance.

In order to realise the greatest benefits from its capital investments, these improvements will seek to ensure the alignment and integration of strategic, business and operational planning across the Department.

Table 3: Capital expenditure - departmental

Departmental Expenditure	Increase/(Decrease)				
	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Opening balance funding available	35.414	16.664	9.182	10.472	11.852
Depreciation funding	31.972	33.365	34.907	34.337	35.855
Sale of assets	0.256	0.000	0.400	2.210	2.210
Other	0.100	0.000	0.000	0.000	0.000
Total baseline funding available	67.742	50.029	44.489	47.019	49.917
Capital investments funded from baselines	60.098	32.847	27.017	35.167	36.127
Capital to Operating Swap		8.000	7.000		
New capital funding sought from the centre	0.000	0.000	0.000	0.000	0.000
Closing baseline funding available	7.644	9.182	10.472	11.852	13.790

The capital programme over the four year term is based on detailed capital projects in the early years and assumptions about the level of funding required in later years to address the Department's asset management requirements.

Depreciation forecast are based on assumptions on capitalisation dates and expected useful lives of future capital investments.

The Department has a \$2 million tagged contingency with Treasury for the Passport Redevelopment Project. The Department requires the tagged contingency to be extended through to 1 February 2014 to provide cover until the forecasted end date of the project, including closeout activities.

Table 4: Capital expenditure – non-departmental

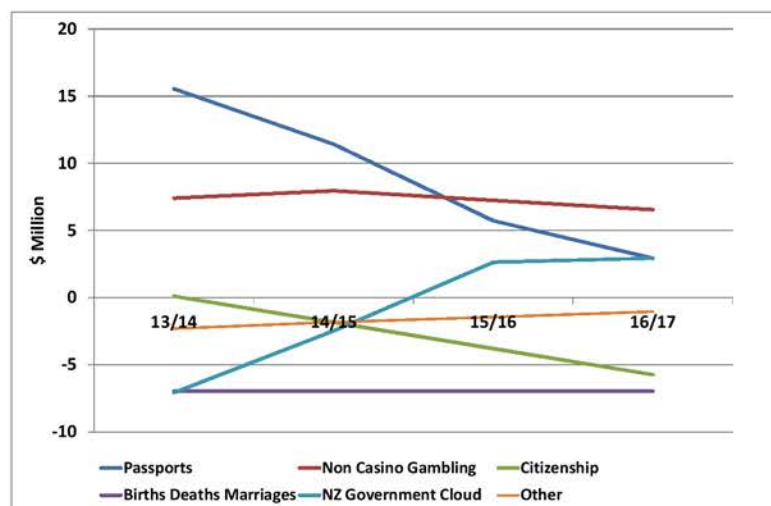
Non-departmental Expenditure	Increase/(Decrease)				
	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Baseline funding available for the purchase or development of Crown capital assets	2.825	1.883	1.976	1.976	1.976
New capital funding sought from the centre					
Capital investment in organisations other than departments*	2.825	1.883	1.976	1.976	1.976
Total	0.000	0.000	0.000	0.000	0.000

* Non departmental capital expenditure relates primarily to Alexander Turnbull Heritage collection purchases.

Memorandum accounts

The Department operates memorandum accounts to represent the cumulative surplus or deficit on services that are intended to be fully cost-recovered from third parties, for example passports. The balance of each memorandum account is expected to trend towards zero over time. Forecast account balances for the medium term are illustrated in Figure 4 below.

Figure 4: Major memorandum account balances



Current out-year forecasts indicate a potential requirement for fee adjustments from 2013/14 onwards in some areas:

- citizenship fees will be reviewed in 2013/14 following a programme of work to replace ageing technology including system process improvement and integrity
- marriage product fees are being reviewed during 2012/13 and will address the higher costs being incurred since fees were last reviewed
- non-casino gaming fees will be reviewed once a structural review of associated regulatory and compliance functions has been completed in 2013/14
- the reducing trend in the value of the passports memorandum account reflects passport fee reductions announced by the Minister of Internal Affairs in November 2012.

Options for funding priorities from the balance sheet

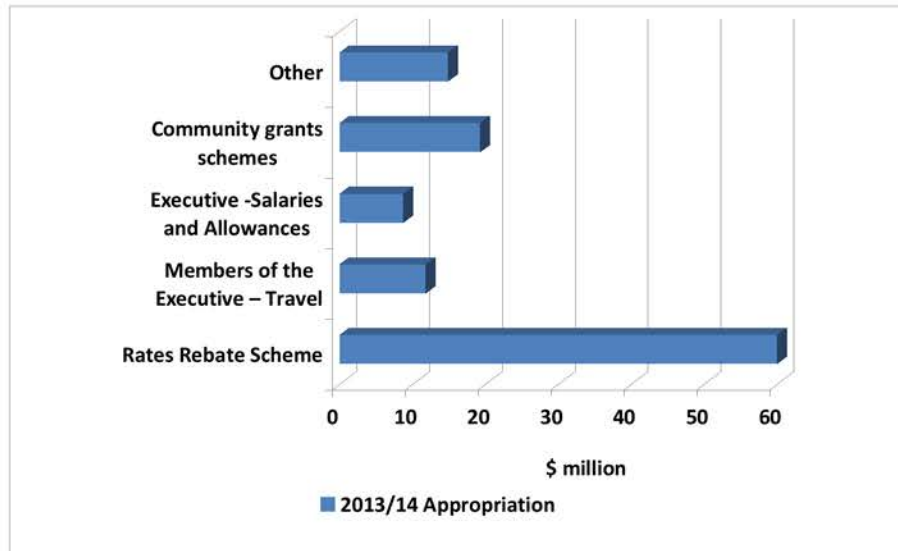
The Department has recently committed to funding around \$8.5 million of New Zealand Government Cloud computing memorandum account deficits from its balance sheet to be recouped over four years. An assessment was based on estimated temporary funding availability. The funding model assumes overall surplus in memorandum accounts for the next few years, and a continued lag between receipt of depreciation funding/capital injections and capital spend. This approach carries risk around these types of 'funding windows' remaining open for long enough, and achieving memorandum account deficit recovery timeframes. The latter point is the higher risk. Deficit recovery relies on project delivery running to timelines, and collaboration of other agencies in a green-fields space where an effective track record has yet to be established.

There may nevertheless be further balance sheet capacity to utilise this type of funding. For example, a further 'cloud-type' initiative of \$5 million to \$10 million is a possibility depending on forecast memorandum account accumulated surpluses. A judgement around further utilising this approach will be taken once Treasury work on ICT funding models is complete, and more experience is gained on the cloud example.

Non-departmental

Non-departmental activities comprise four main areas, with a range of smaller miscellaneous appropriations (see figure 5).

Figure 5: Significant non-departmental activities



[6]

Changes to the Department's non-departmental activities over the medium term include:

- considering the amalgamation of grant appropriations within the Community and Voluntary Sector to improve the ability to reprioritise resources and create administrative efficiencies
- Digital Literacy and Connection funding reducing from \$3.9 million to \$1.6 million in 2013/14 and then to \$0.5 million from 2014/15. The Department has not submitted a bid for new funding, activity in this area will therefore be reduced.
- the Chatham Islands Council has requested an increase in its funding assistance package from \$1.9 million to \$2.8 million. The Department does not intend to submit a bid for new funding in this area. It will explore with the Chatham Islands Council methods for how the Council can contain its costs to a lower profile until the Government's fiscal position is back in surplus.

Table 5: Summary of Total Financial Impact: Operating – Non-departmental

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
<i>Current operating expenditure baseline</i>	125.897	112.725	111.625	111.625	111.625
Total of all changes and pressures on operating expenses	0.000	0.000	0.000	0.000	0.000
New Funding Sought from the Centre					
Total new funding sought	0.000	0.000	0.000	0.000	0.000
Savings required if new funding received	0.000	0.000	0.000	0.000	0.000

Section 4: Cost pressures and reprioritisation

This section identifies cost pressures, or highly likely cost pressures, that the Department expects to have to manage within its baselines over the four year plan. It also identifies reprioritisation initiatives to be undertaken over the medium term to offset cost pressures.

Summary tables of cost pressures and reprioritisation initiatives are set out below. More detailed tables are contained in Appendix II and III.

Cost pressures	2013/14 (\$0.000m)	2016/17 (\$0.000m)
Direct Employment Cost pressures	3.742	13.807
Capital/ property related	1.393	3.885
Other operating	9.757	15.913
Total Cost Pressures	14.892	33.605
Offsetting Efficiency/ Reprioritisation initiatives	15.725	24.501

Other operating cost pressures	2013/14 (\$0.000m)	2016/17 (\$0.000m)
<i>CPI Cost pressures on other operating costs</i>	3.047	13.353
<i>Infrastructure as a Service</i>		
<ul style="list-style-type: none"> Project costs for transitioning from an ownership to outsource model for the Department's ICT 	1.500	
<i>Optimise HR project (Better Public Services initiative)</i>		
<ul style="list-style-type: none"> Initial investment. See also related savings in reprioritisation section. 	1.200	
<i>Increasing need for digital storage</i>		
<ul style="list-style-type: none"> The Government Digital Archive will take digital transfers of records from 2013/14, and Archives is also digitising high use collections. 	0.100	0.500
<i>Increased cost for supporting Electronic Digital Records Management System (EDRMS)</i>		
<ul style="list-style-type: none"> Relates to remedial work for existing multiple EDRMS and development of new system. 	0.500	
<i>Implementing a new EDRMS</i>		
<ul style="list-style-type: none"> Relates to implementing a replacement EDRMS 	0.500	0.500
<i>Asset management plans</i>		
<ul style="list-style-type: none"> Minimum cost for implementing the Department's asset management improvement plan. 	0.480	
<i>Earthquake Appeal Trust</i>		
<ul style="list-style-type: none"> Relates to six months further Trust activity to wind down Trust. 	0.400	
<i>Property strategy</i>		
<ul style="list-style-type: none"> Expert resourcing is required to validate strategy and develop plan moving forward. 	0.200	
<i>2014 General election (\$1.000m in 14/15)</i>		
<ul style="list-style-type: none"> Additional funding to support change in executive; likely range is \$1 million for minor change, to \$3.5 million for significant change. 		
<i>Residual cost pressures not significant enough to separately list.</i>	1.830	1.560
Total other operating	9.757	15.913



Reprioritisation/efficiency initiatives	2013/14 (\$0.000m)	2016/17 (\$0.000m)
<i>2012/13 savings round</i>		
<ul style="list-style-type: none"> Savings generated to fund 2012/13 efficiency initiatives that are available to offset cost pressures in 2013/14. 	3.558	3.558
<i>Capital to Operating Swap</i>		
<ul style="list-style-type: none"> Capital to operating swaps to provide funding for move from asset ownership model to 3rd party provider model for ICT requirements. This reduces capital charge and increases operating baseline over 10 years 	1.440	2.700
<i>March Baseline Update (MBU) Savings Exercise</i>		
<ul style="list-style-type: none"> A savings exercise seeking to identify in-year savings available to apply to cost pressures in 2013/14 and 2014/15. 	2.450	
<i>Reduced Commissions of Inquiry activity</i>		
<ul style="list-style-type: none"> Commissions of Inquiry activity reduces to a residual level from 2013/14 	2.000	2.000
<i>Reduced Earthquake Appeal Trust activity</i>		
<ul style="list-style-type: none"> Trust Activity expected to wind down in 2013/14 (see also related cost pressure) 	0.772	0.772
<i>Charities Commission Savings</i>		
<ul style="list-style-type: none"> Relates to savings identified as part of integration of Charities Commission into Department 	0.600	0.600
<i>Information and Knowledge Services efficiency initiatives</i>		
<ul style="list-style-type: none"> Joint delivery of planning, projects and programmes to optimise the management of and access to collections of national importance, and improve efficiency and effectiveness of services 	0.289	3.298
<i>ICT Strategy and Foundations programme</i>		
<ul style="list-style-type: none"> Savings relates mainly to shift from ownership models to service based models, the most significant saving being the 'modernise desktop' initiative. 	(0.900)	3.200
[9]		
<i>Benchmarking Administrative and Support Services (BASS) initiatives: Finance, Human Resources (HR) and Communications</i>		
<ul style="list-style-type: none"> A combination of cost reduction initiatives, the more significant ones being Optimise HR and shared finance system with Inland Revenue. 		1.158
<i>BASS: Property Strategy</i>		
<ul style="list-style-type: none"> Strategy involves consolidating property space, reducing regional presences/co-locating, considering sale of non specialised buildings and addressing Christchurch accommodation arrangements. 		1.800
<i>Auckland Policy Office</i>		
<ul style="list-style-type: none"> Reduction in services from the Auckland Policy Office. 	0.150	0.150
<i>Strategy and Governance Review</i>		
<ul style="list-style-type: none"> Strategy and Governance is undergoing a review of its operations; financial modelling of the costs associated with the new structure indicate that pressures can be managed across the four year plan. 	0.134	0.574
[9]		
Other	3.807	3.266
Total reprioritisation/efficiency initiatives	15.725	24.501

Section 5: Organisational capability and workforce

This section outlines how the Department is addressing organisational capability and capacity needs to deliver its strategic intent.

Organisational capability

Over the next four years the Department will need to work in new and innovative ways to deliver expectations. The Department's Workforce Strategy sets out a planned approach to building and sustaining the workforce required to deliver on the Department's strategic direction, core functions and leadership responsibilities. The strategy is supported by an Organisational Development Plan which focuses on specific action that will be implemented across the Department.

The strategy reflects the significant shift in organisational capability Internal Affairs is seeking to achieve to respond to challenges and opportunities. The strategy has four focus areas for building organisational capability and capacity, outlined below.

- *Developing leaders to meet the challenge of change*

Confident capable leaders will play a crucial role in delivering strategic priorities, particularly the Department's all-of-government leadership roles. Lifting leadership capability will ensure the Department can play its role in the transformational changes happening across government. It is also an important aspect in building a strong organisational culture.

- *Building a strong organisational culture*

Culture creates the context that drives organisational performance and people's experience of working at Internal Affairs. A 2012 engagement survey showed that more can be done to develop a strong shared culture. Establishing a culture based on a common purpose across the organisation is a priority for the Executive Leadership Team over the medium term.

- *Developing workforce capability to meet changing business needs*

The Department has a broad base of capability that is a core strength across its functions. However, it needs to build the capabilities needed to play a lead role in the future public sector and for a proactive organisational response to fast changing technologies and new customer expectations.

- *Optimising workforce capacity to deliver results*

The Department will optimise capacity by matching its workforce to the needs of its business, by managing within baselines and improving systems and processes to support productivity.

Change leadership

Some parts of the business will face transformational change over the medium term, as the Department moves from a service delivery agency to service delivery *plus* all-of-government leadership roles.

The Department will have to work differently to achieve goals. Achieving a step change in performance will place new demands on leaders and require new capabilities. Leaders will have to take forward new business models, display more sector leadership across functions and develop creative ways of sharing expertise to deliver better results. In a tight fiscal environment, resources will need to be prioritised to areas of highest impact and strategic benefit.

Internal Affairs has substantial recent experience in leading change, resulting from the integration of functions and new responsibilities into the organisation.

The Workforce Strategy details the Department's approach to change leadership. It will continue to rely on strong management capabilities to deliver services efficiently and effectively. However, the Department has signalled a significant shift in expectations of future leaders.

To meet challenges the focus is on developing internal change leadership capability. The strategy sets out actions to develop confident and effective business and change leaders, and to ensure leaders have access to development opportunities.

This includes a new Leadership and Management Development Framework. The framework covers expectations of the Department's leaders – what it means to be a leader in tomorrow's public service – and offers development opportunities and access to tools and resources. The impact of the framework will be assessed over the next two years.

A key focus is to support leaders to make the capability shifts needed, including:

- embracing the opportunities of change to create the future
- leading and inspiring people
- creating connections and working seamlessly across government
- following through on new ways of working and delivering services
- maximising gains in a resource constrained environment
- maintaining and developing the Department's expert knowledge.

Strengthening leadership connections across the Department is critical to building the shared approaches needed to make best use of people capability. The Department is encouraging and supporting teams to develop by providing more opportunities via leadership forums as well as through development programmes.

Culture

Strong leadership is essential to developing the organisational culture needed to deliver the Department's strategic direction.

Building and maintaining a culture where people feel valued, connected and engaged is an ongoing focus for the Department. To maximise the benefit of its combined strengths requires a culture of innovation, collaboration and creativity. Success will be based on an overarching commitment to working together towards a common purpose.

The Department's 2012 engagement survey highlighted a number of strengths. In particular, results showed that the Department has supportive teams and strong team cultures. These results provide a good base to leverage strengths as the Department builds its organisational culture.

Survey results also highlighted areas for improvement – strengthening the sense of common purpose, making staff feel their contribution is valued and increasing the visibility of leaders. The survey results showed that the Department has work to do to build the culture it needs.

Many of the people at the Department are passionate about their work and committed to providing excellent customer services to New Zealanders. However, the Department needs to strengthen the alignment and engagement of staff with the organisation as a whole. Developing this organisational culture will enhance its ability to adapt to complex changes and expectations to deliver improved performance and results.



A programme is currently underway, led by the Chief Executive and executive leadership team which involves all staff working together to consider how the future culture can be shaped. The initial phase has been well received by the Department's people. The findings from this work will inform future initiatives to build an inclusive and high-performing organisation.

Improving engagement will continue to be a priority. Progress will be measured through an annual engagement survey.

Infrastructure capability

Technology plays an important role in a number of the Department's core functions. Capability improvements will be needed in some areas over the medium term, including the systems to preserve and store digital information and archives, and to keep pace with technology advances in regulated activities to combat and deter spam, the online exploitation of children and money laundering.

Investment in supporting infrastructure is also needed to enable long-term efficiencies. The implementation of an ICT foundations programme is a priority to improve the functionality, integration and security of ICT systems. This will reduce duplication by integrating a number of legacy systems and processes inherited into the Department.

Improving the reliability of these systems is central to the efficient and effective delivery of services and to support synergies across functions. It is also important to the Department's credibility in providing oversight and leadership for whole of government ICT that internal systems are modern, coherent and aligned with user needs.

Workforce capability and capacity

Establishing the right capability and capacity is central to securing the Department as a robust and sustainable organisation that is fit for purpose and maintains the confidence of Ministers and the public.

The Department's current capability enables it to deliver its core functions well. Technical skills and leadership in specific areas of service delivery to the public and government are strong. The public consistently rates its experiences with the Department highly and it has strong management capability to deliver core services efficiently and effectively.

However, to achieve the step change in performance necessary to achieve its strategic direction and priorities, the Department needs to lift workforce and organisational capability further.

In particular it needs to enhance strategic and leadership capability in all-of-government ICT roles and across areas of responsibility such as local government, the community sector, and information and identity management. This will require bedding-in of changes to services models to better use the combination of resources within the Department, and an increased focus on new capabilities such as influencing and collaborative skills across the public and private sectors. This will enable the Department to provide Ministers with more innovative and strategic policy advice.

Further work will be undertaken to determine the specific mix of capability and capacity of the ICT workforce. It is expected that, as the Department's ICT functional leadership role and ICT strategy are developed, capability and capacity requirements will be determined and incorporated in the workforce planning process.

Approach to building workforce capability

Over the next four years Internal Affairs will continue to invest in developing people capability. It will continue to develop the specialist knowledge sets and skills required to deliver across its functions.

Until recently the Department has not had a coordinated organisation-wide approach to people development. This limited the ability to make the most of its capability and the potential synergies from a more connected approach. It also compromised the ability to target capability development to where it is most needed.

The Department is actively addressing this gap and developing a strategic and systematic approach to capability building through its Workforce Strategy, branch workforce plans and Organisational Development Plan. Collectively these focus on:

- providing opportunities for development of technical and professional knowledge and skills
- a greater emphasis on supporting people to further develop the adaptive capabilities needed for a rapidly changing environment and to work collaboratively across organisational boundaries
- establishing systems and processes that support capability development, and recruiting and retaining key knowledge and skills
- broadening the diversity of the workforce, a key development theme for the medium to longer-term.

Attracting and maintaining the right people will be central to building necessary capability. The Department has recently aligned remuneration systems across the organisation to aim for a balance between keeping ranges competitive and rewarding individuals for their performance.

The focus is now on career planning and talent development opportunities as part of the organisational development plan. The diversity of functions within Internal Affairs, and its role within the transformational changes happening across the system, offers unique development and movement opportunities for employees that other organisations don't have.

Table 6: Capability pressures

The table below lists specific capability pressures and gaps that may be difficult for the Department to resolve over the medium term.

Capability gap/pressure	Reason for capability gap/pressure
Technical and professional skills	Skills in short supply and demand growing
Technological innovation and leadership	Skills in short supply and demand growing
People skills – influencing , persuasion, relationship management and engagement	Changing environment requires adaptive capabilities
Working collaboratively and cross boundaries	All-of –government and functional leadership roles requires a different approach to working both in and outside the Department
Business/continuous improvement	Tight fiscal environment requires people to develop new ways of operating
Creativity, commercial and entrepreneurial capabilities	Transforming parts of the Department and in line with leadership roles will require different skill sets

Capacity

The Department's medium term outlook is of relatively stable workforce numbers. It will continue to tightly manage the number of employees within establishment and the State Services Commission cap, notwithstanding any ad hoc roles that require additional staff such as supporting Royal Commissions. As part of the ongoing management of cost pressures the Department will continue to review vacancies as they occur to determine whether positions need to be filled. A position management system will provide ongoing information about how capacity, employee numbers and vacancies are tracking.

The Department's turnover is 14.6 per cent which is higher than the public service average of 10.9%. Turnover varies considerably across the Department and some business groups experience very low turnover. Over the next four years the Department aims to reduce staff turnover and achieve the right balance of retaining and replenishing the workforce. Addressing the relatively high attrition rate among new employees is a priority.

The current labour market is favourable and there is little problem in attracting new people. Within an overall positive picture there are some specific skill sets that are more difficult to replace such as specialist ICT and senior policy roles.

Across the Department there are a number of initiatives being planned that will transform business models as teams move to a high level of digital interaction with customers. It is too early to assess exactly how these initiatives will impact on capacity but it is likely that there will be a shift in capacity requirements.

The Department will continue to develop cost management strategies. This includes exploring more flexible employment options to enable better matching of available capacity to changing business demand.

Workforce capability and capacity impacts

Appendix V provides an analysis of the specific impact on workforce capability and capacity of the Department's medium term intentions (highlighted in Section 2), and for the organisation as a whole over the medium term.

Workforce Costs

Table 7: Total workforce costs

	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total workforce costs	188.052	191.509	194.724	198.117

Table 8: FTE numbers

	2013/14	2014/15	2015/16	2016/17
Total FTE numbers	2223	2223	2223	2223

The forecast figures above show the Department's forecast total FTE including vacancies.

Until the capacity requirements for the Department's ICT functional leadership role are determined and the implications understood, the Department's intention is that actual FTE and vacancies will be equal



to its cap of 2223. The expectation is that if increased FTE capacity is required in a particular area, this will generally be offset by reductions in other areas of the Department.

As at October 2012 the Department had 1962 FTE (not including vacant positions). This figure will rise as more vacancies are filled. However, as stated above the intention is for the Department to remain within the State Services Commission cap.

The Department is at times required by Government to take on responsibility for ad hoc activities such as supporting Royal Commissions of Inquiry and administering the Christchurch Earthquake Appeal Trust. These responsibilities require temporary staff increases, and may take the Department outside its cap.

Section 6: Key operational risks

The main operational risks in executing its four year plan arise from the Department's ability to secure external funding to progress medium term intentions for the priority areas outlined in Section 2.

If efforts to secure club funding for Result 10 are unsuccessful, there are risks around both the Department's ability to finance Result 10 activities from within its own baselines and sub-optimal outcomes arising for the overall Result 10 programme; these risks are discussed below.

The Department would face service cuts if it was required to fully deliver Result 10 from within its own baselines.^[6]

The Department anticipates a combination of both a budget bid and further reprioritisation if Result 10 club funding is not achieved. The budget bid would include a set of scalable options, including an option funded only from departmental baselines.

Before submitting any budget bid, the Department would first need to diagnose any failure to achieve club funding – it may signal deeper risks beyond funding that need to be addressed in order to achieve optimal Result 10 outcomes.

The current funding challenge appears to be overcoming participating agency concerns around cross subsidising the wider sector for Result 10. However, if for example gaining general agency collaboration is the main barrier to achieving club funding, a successful funding bid (or departmental reprioritisation) alone may not be sufficient to lay the foundations for Result 10 success – steps to strengthen Result 10 collaboration would be necessary. If the issue is an inadequate value proposition, the Department would need to do more work to validate (or challenge) the value proposition of Result 10 as a priority⁶.

[6]

Further operational risks are:

- delays in securing revenue streams associated with the New Zealand Government Cloud initiative, as discussed in Section 3 (memorandum accounts)
- department technology not being sufficient to support its business processes
- ISP providers not retaining data that is required for investigations of serious non-compliance activity.

Appendix VI consolidates the Department's key operational risk areas over the medium term, along with the related risk mitigation measures. Within these areas, the Department has identified the specific business as usual or project risks that individually have a high or very high exposure.

⁶ The Department is currently actively working to strengthen the Result 10 value proposition to avoid this risk.



[6]



[6]



Appendix I: Detailed medium term intentions

Summary of medium term intentions – intended changes

Intention	Type of Action	Success measures
Functional leadership of all-of-government ICT: the establishment of a work programme to deliver functional leadership of all-of-government ICT, through the responsibilities of the Government Chief Information Officer (GCIO).	New	<ul style="list-style-type: none"> A constrained ICT spend prioritised according to related benefits, and the extent to which ICT risks have been successfully managed. Target: reduce the annual \$2bn of ICT spending by \$100 million over the next five years. GCIO will provide ongoing reporting to Ministers of realisation of benefits from ICT functional leadership.
Result 10: Delivering Better Public Services Result 10 - New Zealanders can complete their transactions with government easily in a digital environment	New	<ul style="list-style-type: none"> Currently around 24 per cent of government transactions are delivered on-line. The target is to achieve on average 70 per cent of New Zealanders' most common transactions with government being completed in a digital environment. Update will be measured using an (already developed) basket of services that people use regularly and are suitable for transition to the digital environment.
ICT Development pipeline: Identify and develop business cases to support the delivery of better public services through the intentions for functional leadership of all-of-government ICT and Result 10	New	<ul style="list-style-type: none"> Six – nine Business cases developed over two years, with three – four progressing to implementation across government
Better Local Government: Delivering a programme to improve the performance of local government	Change	<ul style="list-style-type: none"> Improved quality of policy advice (based on general SOI indicators) Extent to which efficiency savings and other benefits compared to pre-amalgamation state are identified based on a low cost framework of indicators for measuring post amalgamation benefits.
Igovt: Extending igovt services to the private sector	Change	<ul style="list-style-type: none"> A benefits realisation model is currently being developed that will measure the benefits from igovt / RealMe.



Medium term intentions – key priorities

The tables below provide further detail on the Department's intentions for key priorities over the medium term, as introduced in Section 2.

Functional leadership of all-of-government ICT

Strategic outcomes:

- Enhance trust in New Zealand government and confidence in the performance of public sector organisations.
- New Zealand is recognised for creating sharing and using knowledge for social cultural and economic well being.

Type of action

New

Motivation for change

Responding to government priorities

This intention refers to the establishment of a work programme to deliver functional leadership of all-of-government ICT, through the responsibilities of the Government Chief Information Officer (GCIO).

The plan to deliver this intention includes:

- Leadership and decision making – driving alignment with Government ICT policy and BPS Results, and uptake of common capabilities to deliver savings and service improvement
- 5-Year Action Plan for Government ICT
- Benefits tracking and assurance
- Investment management - improving ICT asset management and reducing the level of ICT assets held on agency balance sheets
- Accelerating the ICT Development Pipeline programme and supporting the adoption of common capabilities
- Leading the implementation of a new operating model for government ICT

ICT enablement is essential to delivering many of the Better Public Services Results; without it Result targets may well be compromised. Progress to date on ICT foundation services has been good, although largely occurring in relatively simple areas. The pace of adoption of all-of-government ICT solutions has also been limited by decision making being spread across over 200 State sector organisations, and significant duplication of capability and systems.

To generate a step-change in system performance, the GCIO will provide leadership to ensure greater standardisation and integration of government ICT, but with change executed in collaboration with agencies as business owners. The ability to influence and prioritise ICT investment across agencies and sectors, along with leveraging all-of-government purchasing power, will be critical to the success of functional leadership.

Cabinet has agreed a sustainable funding profile for core capability to deliver this intention, along with mandate for the GCIO to direct departments to adopt common capabilities (acting in unison with the State Services Commissioner). Chief Executives must also secure the GCIO's agreement to their strategic ICT plans and investment intentions.

The ICT strategy group and ICT council provide a strong structure for collaborative delivery of ICT change. The ICT council has recently agreed Iteration 2.0 of the Common Capabilities Roadmap providing a broad outline of common capabilities that will deliver the outcomes of Cabinet's *Directions and Priorities for Government ICT*.

The next significant milestone is the publication of the Five Year Action plan for ICT by April 2013.

ICT investment is central to the Government's ICT objectives. The implementation programme will initially focus on building on the successes being delivered now, then on more complex candidates that promise greater benefits. For example shared call centres or payment systems, new opportunities relating to information and



service delivery, and the reorganisation of government ICT capability.

The plan involves a level of direct DIA involvement in delivery of ICT investment. For example the Department is already involved in the delivery of the Infrastructure as a Service and New Zealand Government Cloud Initiatives. However, significant further ICT investment will involve cross government projects predominantly being implemented by individual agency leads with GCIO oversight. This approach will require robust funding and governance models to support these implementations.

Financial impacts of the intended change:

Cabinet has approved additional funding of \$3 million in 2012/13 and \$4 million in 2013/14 and out years for functional leadership, which includes both direct GCIO costs and the Department's cost of delivering support to the function.

Financial impact of intended change	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating impact – departmental					

Implications for workforce capacity and capability of the intended change:

Greater strategic and leadership capabilities needed to lay the groundwork in this new area. Required workforce capabilities are scarce in the external market

By the end of 2012 the GCIO will present State Sector Reform Ministers with top-line elements of a *5-Year Action Plan for Government ICT* setting out a work programme for integrating information, service delivery, technology and business processes to deliver better public services for less. This plan will address the associated ICT and workforce capability and capacity implications.

How the success of the intended change will be known or measured:

Success will be defined by a constrained ICT spend prioritised according to related benefits, and the extent to which ICT risks have been successfully managed. The GCIO is seeking to reduce the annual \$2bn of ICT spending by \$100 million over the next five years. The Department is in the process of developing ongoing reporting to Ministers of the realisation of benefits from ICT functional leadership.



Result 10: New Zealanders can complete their transactions with government easily in a digital environment

Strategic outcomes:

- Enhance trust in New Zealand government and confidence in the performance of public sector organisations.
- New Zealand is recognised for creating sharing and using knowledge for social cultural and economic well being.

Type of action

New

Motivation for change

Responding to government priorities

The purpose of Result 10 is to enable New Zealanders to complete their most common transactions with government easily in a digital environment. This should both simplify interactions with the government for citizens, and reduce service delivery costs as face to face interactions are substantially higher cost than digital transactions.

Successfully achieving Result 10 will be a cross agency effort, particularly around leading the creation of improved service offerings to citizens – this has similar dependencies on funding and governance models to the functional leadership of ICT intention.

The Department will house a core team focussed on developing strategy and performing a secretariat function to support this cross agency effort. Close core team input into the Five Year Action Plan for ICT has provided Result 10 with a significant opportunity to boost its own strategy. Over the next one to two years, the priorities for the core team are:

- Set up of a front of house innovation in Christchurch, which involves a shared customer service facility and on-line presence. Essentially a Result 10 “pilot”.
- Development of a framework for authorised data across government, with income information and identity information being the first areas addressed.
- Initial design of the citizen account, which is a privacy protected digital tool for New Zealanders to view all their interactions (and interact) with government.
- Identify amongst the Result 10 participating agencies common or aligned customers, life events (for example, transition to tertiary education) and service transaction types (like payments).

Major reductions in service delivery costs will be achieved by:

- Cross agency citizen-centric digital services that reduce the number of interactions between citizens and government, reduce the time and cost per interaction and reduce the turnaround time to provide services
- Simplification and standardisation of service delivery processes and information; and
- Optimisation of service delivery assets, ICT infrastructure and related resources.

The target for Result 10 is to achieve on average 70 per cent of New Zealanders' most common transactions with government occurring in a digital environment – up from 24 per cent currently.

Result 10 core team activity is unfunded from 2013/14. The Department is currently seeking to arrange club funding from the agencies it is working with to deliver Result 10. This approach, if successful, will achieve a pragmatic solution to getting Result 10 going; the Department would then look to secure the input of all benefitting agencies in the next two to three years. If this approach is unsuccessful, the Department will submit a bid for new funding as part of Budget 2013.

**Financial impacts of the intended change:**

The funding profile below is to fund a core team, and the Department's cost of delivering support to the function. The team is funded to drive the priority projects noted above, and to identify business case needs. However, the funding level assumes a significant aspect of the team's role is facilitating and aligning in-flight projects across government, and reporting.

Financial impact of intended change	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating impact – departmental		3.500	3.500	3.500	3.500

Implications for workforce capacity and capability of the intended change:

The required capabilities are scarce in the external market. The general approach has been to source capability from the sector however it has been difficult to continue to resource this work through inter-agency secondments.

How success of the intended change will be known or measured, including the value of spending:

Currently around 24 per cent of government transactions are delivered on-line. The target is to achieve on average 70 per cent of New Zealanders' most common transactions with government in a digital environment.

Updates will be measured using an (already developed) basket of services that people use regularly and are suitable for transition to the digital environment.

**Intention name: ICT development pipeline****Strategic outcomes:**

- Enhance trust in New Zealand government and confidence in the performance of public sector organisations.
- New Zealand is recognised for creating sharing and using knowledge for social cultural and economic well being.

Type of action

Change

Motivation for change

Responding to government priorities

This intention refers to increased need to identify and develop business cases to support the delivery of better public services through the intentions for functional leadership of all-of-government ICT and Result 10, both of which have a significant dependency on cross government ICT investment.

The Department has coordinated some of this ICT investment directly. For example, the Department balance sheet funded New Zealand Government Cloud. This approach to cross-government ICT investment carries risk for the Department, particularly around the rate of agency uptake (which impacts the Department's level of financial exposure).

An efficient means of developing and approving ICT investment business cases, with associated implementation (and monitoring) mechanisms is therefore a critical enabler to realising the objectives of both the functional leadership of ICT and Result 10.

The Department is currently working with Treasury on ICT funding models. The key ingredients to success in this area are:

- A source of seed funding for business case development. Business cases cost between \$0.5 million and \$1.5 million to develop. Some may not be implemented.
- A governance mechanism for securing up-front buy-in and commitment – positive business cases are generally predicated on the participation of a critical mass of agencies.
- Tools for enabling implementation of funding. The Department's memorandum account approach is just one of a range of potential tools.
- Governance mechanisms to provide assurances to implementation participants that projects are on track and funds are being appropriately utilised. The project structure applied to the Cloud initiative provides a potentially viable example in this area.

Options for ICT development are scalable. No new funding has been inserted in the table below, pending the outcome of the work noted above.

Describe and quantify the financial impacts of the intended change:

Financial impact of intended change	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating impact – departmental					
Value of new funding sought from the centre	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating expenditure – departmental					



Operating expenditure – non-departmental					
Implications for workforce capacity and capability of the intended change: This work will require some specialist capability from both the market and inter-agency. Some of the skill sets required are quite scarce in the external market at present.					
How success of the intended change will be known or measured, including the value of spending: A successful result in this area would be a model that enable around 6-9 business cases each year over the next five years (around \$3-5 million in business case funding per annum), with 3-4 business cases being led into implementation by various agencies each year.					



Better Local Government

Strategic outcomes:

- New Zealand's diverse people and communities/hapū/iwi are resilient and prosperous
- To enhance trust in government and confidence in the performance of public sector organisations

Type of action

Change

Motivation for change

Responding to government priorities

This intention refers to the delivery of new responsibilities under reforms to local government legislation.

The Government is implementing an eight point programme to improve the performance of local government within tighter fiscal constraints. It is an integrated package that sets fiscal responsibility requirements linked to a graduated system of possible government interventions. It reframes the scope of councils' role, giving them stronger tools to manage cost, and provides options for efficiency gains.

New Zealand's 78 councils make up four per cent of GDP, spend \$7.5 billion per year and manage \$100 billion of public assets. They also perform a huge range of regulatory functions that interact with households and businesses. Rates as a percentage of GDP have increased from 3.1 per cent of GDP in 2002 to 4.0% of GDP to 2011. Council debt increased from \$2 billion to \$7 billion over the same period. The challenge for local government is to achieve service delivery within tighter fiscal constraints.

The Department needs to position itself to deliver new responsibilities under these reforms once the Local Government Bills #1 (enactment likely early 2013) and #2 (introduction likely 2013) are passed into legislation.

Assistance and intervention framework

The approach the Department intends to take to implement this framework comprises:

- Developing a performance framework for assessing council performance across both regulatory, financial performance, and general delivery of services.
- Undertaking information analysis and monitoring. The Department intends a relatively light handed approach initially for this area, which relies upon drawing primarily on existing information sources (rather than developing new information requirements of councils).
- Providing related advice to Ministers around council performance and related risks. This advice will be informed by close collaboration across other agencies involved with councils.
- Providing support to related appointments (e.g. commissioners)

Supporting external bodies

The Department will be required to provide appropriate support for newly established external review bodies. This includes the Local Government Efficiency Taskforce and the Infrastructure Expert Advisory Group.

Local Government Commission capability

One option for efficiency gains is council reorganisation. For example, the newly amalgamated Auckland Council operated with approximately 2000 fewer staff in its first year than the legacy councils combined.

The local government reforms streamline procedures to achieve local government reorganisations, and anticipate a Local Government Commission with capacity to give faster consideration to a higher volume of reorganisation proposals.

We anticipate that council amalgamation proposals associated with the enactment of the Local Government Bill #1 will result in heightened activity over a five year period. In response the Department intends to:



- Develop policies and guidelines to inform stakeholders around the process for applying for amalgamations (and outcomes), and associated communications strategy to assist stakeholders through the process.
- Develop a framework for assessing proposals on the basis of the criteria laid out under the proposed legislation

There remains uncertainty as to the level (and timing) of amalgamation proposals the Department will receive.

[7]

Department resourcing will be based on three significant proposals a year, although a flexible staffing strategy is in place. A prioritisation framework will be applied to proposals to ensure that highest value amalgamations are addressed first.

The Commission will develop a low cost framework of indicators for measuring post amalgamation benefits. Success will be measured by the extent to which efficiency savings and other benefits compared to a pre-amalgamation state are identified.

Describe and quantify the financial impacts of the intended change:

The funding profile below is driven primarily by an increase in team FTE levels to support the new activity above.

Financial impact of intended change	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating impact – departmental: Assistance and intervention		1.050	1.050	1.050	1.050
Operating impact – departmental: Local Government Commission		0.478	0.456	0.586	0.456

Implications for workforce capacity and capability:

Will involve increase in team sizes supporting this activity.

Significant capability implications of the intended change:

The current Local Government Commission website is inadequate to deal with heightened activity. The Department is currently upgrading its website to address this issue.

How the success of the intended change will be known or measured, including the value of spending:

Assistance and Intervention

- Based on quality of policy advice (using general SOI indicators and output performance measures)

Local Government Commission

- The Commission will develop a low cost framework of indicators for measuring post amalgamation benefits. Success will be measured by the extent to which efficiency savings and other benefits compared to pre-amalgamation state are identified.



Igovt	
Strategic outcomes: <ul style="list-style-type: none"> New Zealand is recognised for creating, sharing and using knowledge for social, cultural and economic well-being The people of New Zealand have a strong and valued national identity, culture and heritage To enhance trust in government and confidence in the performance of public sector organisations 	
Type of action	Change
Motivation for change	Responding to government priorities/shifting towards a funding model that fully recovers cost from Agencies/ third parties using the service.
<p>This intention refers to changes in the Department's igovt services.</p> <p>Igovt helps citizens verify their identity to government service providers securely via the Internet; enabling government service providers to offer more personalised online services involving more valuable transactions. It comprises the logon service and the identity verification service (IVS). Igovt is a critical enabler to Result 9 and Result 10.</p> <p>The Department's Partnering Agreement with NZ Post supports the extension of the igovt services to the private sector and use of NZ Post's retail network to support igovt ID issuance. A new joint service RealMe (incorporating the current igovt logon service and integrating with the igovt IVS) is planned for launch on 1 July 2013. From this date, public and private sector organisations will connect with the RealMe service (i.e. the igovt logon service brand will cease to exist, with igovt being retained for the IVS). .</p> <p>[9]</p> <p>-</p> <p>As part of the arrangement with NZ Post the Department will take a share of private sector revenues generated through use of the RealMe service. There is an opportunity to speed igovt / RealMe's transition to being fully funded from revenues by agencies using the service. For example, approximately 40 services use the logon service now, and over 50 further services are in the 'pipeline'. Further agency contributions ('club funding') may also be sought. In addition, partnering opportunities present the opportunity for revenue.</p> <p>Current estimates are that the logon service and identity verification service could recover their operating costs over four years and six years respectively. These estimates are indicative and will be informed by the independent reviews. The Department intends to submit a Cabinet paper in February 2013 using this information to provide funding options to Cabinet for future igovt services.</p> <p>The Department has commissioned two independent reviews of the igovt service:</p> <ul style="list-style-type: none"> A financial review to provide clarity and confidences on the cost basis for igovt funding and future cost and revenue models. An assessment of the benefits from igovt services for agencies consuming igovt services in order to understand the advantages and disadvantages from their perspective. <p>These reviews are being undertaken in support of efforts to secure ongoing funding for ongoing development and</p>	



operation of igovt / RealMe.

Financial impacts of the intended change:

The costs below represent fixed running costs such as Identity Verification Service and Logon service hosting, variable costs such as issuing igovt IDs, and depreciation funding related to initiatives to continually improve the asset.

Financial impact of intended change	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating impact – departmental		16.180	17.700	19.370	22.300

The Department may need to seek new funding from the centre to fund a portion of igovt. At this preliminary point, new funding sought below assumes that igovt will be fully funded by agencies/third parties using the service by the end of the four year plan.

Value of new funding sought from the centre	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Operating expenditure – departmental		16.180	11.800	6.457	0.000

Implications for workforce capacity and capability:

NZ Post and Internal Affairs are currently creating the operating model which will set out functions, roles and responsibilities required to support the new operating environment for RealMe which will be launched in July 2013. This will impact on the current workforce as volumes increase. Additional capacity with similar capability will be required to cope with the increasing work pressure. Some roles and skill sets will also change.

A number of positions are funded through the igovt programme. Discontinuance (or scaling down of the services) would impact on the viability of a number of positions.

Other significant capability implications of the intended change:

Ongoing investment in enhancing the services functionality and service performance are a key feature of the services. As such, ongoing capital expenditure (of between \$3 - \$4.47 million per annum) has been estimated for out-years. A joint Product Development Roadmap will be agreed with NZ Post which will be the primary guide for informing ongoing capital investment by the Department (this is currently being developed). This capital expenditure will be achieved from within departmental baselines.

How success will be known or measured:

A benefits realisation model is currently being developed that will measure the benefits from igovt/RealMe.

Appendix II: Detailed cost pressures

Direct employment costs

The table below summarises operational cost pressures arising from direct employment costs. This forecast is based on the percentage change arising from salary review settings agreed in 2012, as a proxy for overall employment cost growth. This is discussed further in Section 3.

Summary of direct employment cost pressures

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total departmental direct employment cost pressures	0.000	3.742	7.199	10.415	13.807
Total non-departmental direct employment cost pressures					

Operational cost pressures arising from capital

The table below summarises operational cost pressures arising from capital

Summary of capital/property-related cost pressures

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total departmental depreciation/capital charge cost pressures	0.000	1.393	2.935	2.365	3.885
Total non-departmental depreciation/capital charge cost pressures					
Cost pressure as a result of: Forecast depreciation on the capital programme compared to the current baseline in 2012/13 of \$32 million.					
Value of cost pressure	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental	0.000	1.393	2.935	2.365	3.885
Non-departmental					

Other cost pressures

These tables identify all other significant cost pressures anticipated over the medium term.

Summary of other operating cost pressures

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total departmental other operating cost pressures	0.000	9.757	10.021	12.263	15.913

Cost pressures in detail**CPI cost pressures**

Describe pressure in further detail: CPI cost pressures on other operating costs across the four year plan.

Value of cost pressure	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental		3.047	6.296	9.703	13.353

Infrastructure as a Service

Project costs of transforming from the current ownership model to an outsourced service provider model for the Department's ICT

Value of cost pressure	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental		1.500			

Participation in Optimise Human Resources (Better Public Services initiative)

The Department will invest upfront to progress work on developing improved HR systems and processes across agencies. Anticipated savings are outlined in the following section (reprioritisation).

The Department also has responsibility for facilitating the HR initiative. Detailed work is now underway to complete the design to enable a proposal for the new service delivery model to be agreed by the six agencies and Government. The Optimise HR Steering Committee, made up of representatives from all six participating agencies, will continue to be the governance and decision-making body for the project.

DIA will be responsible for providing accommodation for the project team, providing project management (incl procurement) and mobilising specialist vendors for the next three phases: Design High Level, Design Detail and Configure & Test. The cross-agency Steering Committee will continue to govern the project. A decision on how services will be delivered through the Service Provider (whether it is through a Lead agency model or a new entity) will be agreed during the Design High Level phase.

Costs associated with DIA's facilitation role are expected to be fully recovered from participating agencies. At this point neither costs nor recoveries have been factored into the plan, pending further discussion with participating agencies.

Value of cost pressure	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental (DIA share)		1.200			



Increasing need for digital storage

Ongoing and increasing digital storage is required to deliver statutory storage responsibilities and priorities for making online channels the primary way that customers access services. The environmental shift from paper based to digital recordkeeping requires Archives New Zealand to store digital archives in perpetuity. The Government Digital Archive will take in digital transfers from 2013/14 and adequate storage needs to be available into the future. As customers increasingly seek to access information digitally it is a strategic priority to digitise and make high-use collections available online.

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Value of cost pressure					
Departmental		0.100	0.200	0.500	0.500

Increasing costs for supporting EDRMS

The Department continues to carry the cost of running multiple electronic document and records management systems (EDRMS). Four of these products need remedial work and/or upgrades to continue to function following changes to the ICT operating environment to Microsoft 2010 (by December 2013).

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Value of cost pressure					
Departmental		0.500			

Implementing a new EDRMS

A new EDRMS is intended to gradually replace the current suite of products. By investing in a new EDRMS the department will be able to reduce cost pressures associated with:

- funding and supporting multiple (and some cases, outdated) systems;
- increasing storage costs for physical records.

The Department will better support the digital delivery of internal processes, and reduce risks around the effectiveness of recordkeeping.

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Value of cost pressure					
Departmental		0.500	0.500	0.500	0.500

Impact of Asset Management Plans

Delivering on the Department's intentions to improve asset management may impact on costs for building maintenance and ICT. Minimum costs for implementing the asset management improvement plan are included below. However, full costs of developing all lifecycle asset management plans will only become apparent as the programme is developed in the first half of 2013/14.

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Value of cost pressure					
Departmental		0.480	0.185		

Continuation of the Christchurch Earthquake Appeal Trust (CEAT)

The Department provides secretarial support for CEAT, which allocates money raised by the Christchurch Earthquake Appeal to support earthquake recovery initiatives. CEAT is funded till 30 June 2013. However, it is anticipated the functions of the Trust will not be completed by this deadline and that funding of administrative support for the Trust will be required for a further period of six months in 2013/14 (but not for further outyears). This would be at an estimated



cost of \$400,000. This is lower than CEAT's current budget, but reflects the expectation that operating costs will be scaled back given the progress the Trust has made.

Value of cost pressure	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental		0.400			

Implementation of Property Strategy

To implement the Department's Property Strategy, expert resourcing is required for validating the strategy and develop a plan going forward.

Value of cost pressure	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental		0.200	0.200		

2014 General Election

The Department may require additional funding to support changes in the Executive, primarily for termination of events-based contracts. Total funding required is dependant on the outcome of the election but potentially up to \$3.5m.

Value of cost pressure	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental			1.000		

Residual cost pressures

Residual cost pressures arising from all other items not significant enough to list above

Value of cost pressure	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental		1.830	1.780	1.560	1.560

Appendix III: Detailed operational efficiency/reprioritisation initiatives

The tables below identify savings generated for reprioritisation, third party revenue and Vote transfers. Please note that significant changes to services are captured in Section 2 (medium term intentions) and in Appendix I.

Summary of funding available from reprioritisation

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.00m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total departmental reprioritised funding		15.725	21.106	20.998	24.501
Total non-departmental other operating cost pressures					

Reprioritisation in detail

Savings round from last year's four year planning round, and reduction in programmes

In 2012/13 The Department identified budget savings to fund department business improvement initiatives and wider cost pressures. These savings are available to offset cost pressures in 2013/14.

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Value of available reprioritised funding					
Departmental		3.558	3.558	3.558	3.558

Capital to operating swap

Capital-to-operating swaps are expected to provide funding for the Department to move from an asset ownership model to third party provider model for ICT requirements. This reduces capital charge and increases operating baseline over a 10 year period. The Department is in discussion with Treasury about the Capital-Operating Swap rules, and may change its intentions based on any revised guidance.

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Value of available reprioritised funding					
Departmental		1.440	2.700	2.700	2.700

March Baseline Update savings exercise

In the next two MBU updates, the department plans to conduct detailed savings exercises to carry forward in-year under-spends in areas expected to be below budget for the full year.

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Value of available reprioritised funding					
Departmental		2.450	2.096		

Reduced activity in Commissions of inquiry

Commissions of Inquiry activity ceases from 2013/14. This internal reprioritised funding is available to offset cost pressures in 2013/14.

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Value of available reprioritised funding					
Departmental		2.000	2.000	2.000	2.000

Reduced activity in Earthquake Appeal Trust

Earthquake appeal activity is expected to cease to a residual level during 2013/14 (see cost pressure section for 2013/14 costs associated with the wind down of this activity). These savings are available to offset cost pressures in 2013/14.

Value of available reprioritised funding	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental		0.772	0.772	0.772	0.772

Information and Knowledge Services efficiency initiatives

Joint delivery of planning, projects and programmes to optimise the management of and access to collections of national importance, and improve efficiency and effectiveness of services

Value of available reprioritised funding	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental		0.289	1.260	2.266	3.298

Charities Commission Savings

The integration of the Charities Commission was expected to generate savings. The Department has identified net savings of \$600k on-going from integration synergies (which are partly offset by increased costs in some areas).

Once the Charities Commission is fully integrated into the Department, third party fees will be reviewed to ensure that the levels of fees paid by third-parties are appropriate.

Value of available reprioritised funding	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental		0.600	0.600	0.600	0.600

ICT Strategy and Foundations programme

The implementation of the Department's ICT strategy will refresh communications infrastructure and server infrastructure⁷. Both areas are transitioning away from an ownership model to a service based model, which both reduces risk and is cheaper. These steps will also enable the Department to consider software as a service options.

A Modernise Desktop initiative, for which the business case is currently under development, will update of the operating system (transitioning from Windows XP to modern productivity software) and utilise the suite of all of government Cloud Office Productivity services.

Costs and benefits are yet to be fully scoped, the indicative estimates being \$1.3 million transition costs and over \$3 million benefits.

Value of available reprioritised funding	2012/13 (\$0.000m)	13/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental		(0.900)	3.200	3.200	3.200

[7]

⁷ Infrastructure as a Service

[7]

Achieving 75th BASS percentile: Finance, HR and Communications

The Department has identified indicative efficiency savings through the Benchmarking Administrative and Support Services (BASS) Programme, it is targeting moving into the 75th percentile based on current levels in the 2011 report by 2016. This has resulted in reorganisation in Finance and Human Resources. To achieve further efficiencies the focus is now shifting to shared service models and related systems. The two specific initiatives being targeted over the next two years are the Optimise HR Initiative (in conjunction with five other agencies), and a shared service finance system with Inland Revenue.

Optimise Human Resources Initiative

The Optimise HR initiative identifies two improvement areas. Firstly reducing employee lifecycle costs (mainly recruitment, learning and development, employee relations), which are currently almost three times higher than best practice organisations. Secondly, the HR function working more closely with the organisation to develop strategic workforce planning. The Optimise HR business case identifies a solution that builds a shared service model involving:

- a technology-enabled HR portal with standard reporting and information that addresses routine manager and employee HR information requests
- a shared service centre to deal with high volume transactional services
- a centre of expertise for specialist HR guidance.
- Makes an investment in a 'software as a service' based HR information system, which both enables the shared service model above, and reduces manual effort.

Design and implementation costs are expected to be fiscally neutral over a four-year period.

FMIS shared service

The Department is moving to a shared FMIS service with Inland Revenue (IR). The arrangement will see IR operating as the service provider to the Department. IR will own the SAP environment and the Department will pay an ongoing access fee. Further efficiency gains are anticipated through standardisation of processes, and further sharing of the more transactional aspects of the finance function (for example accounts payable and receivables processing).

Improving resource management

Beyond these specific initiatives, the Department will be looking to improve resource management within corporate services with the implementation of service catalogues and the development of effective time-recording capability.

These steps should enable cost pressures to be offset by a reduction in personnel costs.

Value of available reprioritised funding	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental			0.559	0.855	1.158

Achieving BASS 75th percentile - Implementation of Property Strategy

The Department's property strategy covers both owned land and buildings (\$150m) and nearly 50 leased properties (annual cost \$12m). The main areas of focus within the strategy are:

- Consolidating Wellington property space. To date the Department has vacated a lease in 22 The Terrace and moved

the contact centre to the Archives Building. [9]

- Reducing unnecessary regional presences or co-locating with other agencies. The Department has already co-located with Inland Revenue in Nelson, and is pursuing similar co-location opportunities in New Plymouth, Invercargill and Gisborne as leases expire over the next four years.
- Considering the sale of non specialised buildings. [9]

- Addressing Christchurch accommodation arrangements

The Department's property strategy involves a medium to long term timeframe. Lease terms are typically between three and nine years, and the sale of owned buildings needs to fit with the timing of space rationalisation initiatives.

Value of available reprioritised funding	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental				0.140	1.800

Auckland Policy Office reduction

Reduction in services from the Auckland Policy Office

Value of available reprioritised funding	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental		0.150	0.150	0.150	0.150

Corporate services review: Managing increases in remuneration

The financial modelling conducted during the review of corporate services in the Strategy and Governance Branch has ensured that employment costs are manageable through till the end of 2014/15, from which point pressures will be managed via reprioritisation of funding allocated to contractor costs. The Branch is able to control its level of spend for contractors based upon the pressure that exists on its personnel budget.

Value of available reprioritised funding	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental		0.134	0.277	0.424	0.574

[9]

Value of available reprioritised funding	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental		0.200	0.200	0.200	0.200



Other Efficiency initiatives

These comprise a collection of around 30 minor initiatives at the group level to generate further savings to offset cost pressures.

Value of available reprioritised funding	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental		3.807	2.509	2.908	3.266

Third-party revenue

Summary of third-party revenue changes

	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Total departmental third-party revenue changes	0.000	3.000	8.900	15.913	25.300
Total non-departmental third-party revenue changes	0.000	0.000	0.000	0.000	0.000

Third-party revenue changes in detail

Appropriation name and type affected: Information and Technology Services (MCOA) - Cross Govt Service Delivery and ICT Investment

Club Funding for Result 10 activities

Value of change in third-party revenue increase/(decrease)	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental	0.000	3.000	3.000	3.000	3.000
Non-departmental	0.000	0.000	0.000	0.000	0.000

Appropriation name and type affected: Civic Information Services (MCOA) - Managing and Accessing Identity Information

igovt is expected to be fully funded from third party funding by 2016/17

Value of change in third-party revenue increase/(decrease)	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental	0.000	0.000	5.900	12.913	22.300
Non-departmental	0.000	0.000	0.000	0.000	0.000

Transfers from/to other Votes

Transfers from other Votes are anticipated to cover the cost of continuing the Confidential Listening and Assistance Services from 2013/14 as funding currently ends in 2012/13. A Cabinet report back due in March 2013 will confirm the medium term position for this activity.

	\$m Increase/(Decrease)				
	2012/13 (\$0.000m)	2013/14 (\$0.000m)	2014/15 (\$0.000m)	2015/16 (\$0.000m)	2016/17 (\$0.000m)
Departmental transfers	0.000	1.195	1.195	1.195	1.195



[6]



[6]



[6]



[6]



[6]



[6]

Appendix V: Workforce capability and capacity impacts

The tables below summarise the medium term impacts on workforce capability and capacity of the medium term intentions highlighted in Section 2, and for the organisation as a whole in delivering its strategy.

Key







Capacity Change			Capability Shift		
Neutral	Decrease	Increase	High	Medium	Low

Workforce capability and capacity impacts of intended changes

Capacity change	Capability change	Context	Change in capability
All-of-government responsibilities: <ul style="list-style-type: none"> Centrally led and collaboratively delivered government ICT Result 10 ICT Pipeline 		Greater strategic and leadership capabilities needed to lay the groundwork in this new area. Required workforce capabilities are scarce in the external market Interagency resource secondment has been difficult to secure.	<ul style="list-style-type: none"> Leadership capability across government and private sector Technical and strategic expertise Business cases
Igovt		NZ Post and Internal Affairs are currently creating the operating model required to support RealMe from July 2013. Additional capacity with similar capability will be required as volumes increase. Some roles and skill sets will also change. Impacts in other areas to support RealMe include <ul style="list-style-type: none"> managing the development of RealMe technology infrastructure operational aspects of igovt ID issuance processing. 	<ul style="list-style-type: none"> Commercial expertise / vendor management Sales, marketing and communications Programme management and operational design (business improvement) Product development
Better Local Government		Increase in team sizes will be required to support new responsibilities under local government reforms.	<ul style="list-style-type: none"> Leadership capability across government





Workforce capability and capacity impacts – whole of organisation

Capacity change	Capability change	Context	Change in capability
Identity Services			
		<p><i>Sustainable and Flexible Future Programme</i></p> <p>This programme of work has been initiated to ensure identity services and community facing services are able to address current and future challenges, particularly the need for improved efficiency and effectiveness and cope with increased volumes</p> <p>The programme will review the current business model which may result in a review of the organisation design. As the business model review is still in the “discovery phase” the outcome and therefore impact on capability and capacity is unknown.</p>	<ul style="list-style-type: none"> Future capability needs to be identified through the Programme
		<p><i>Passport Redevelopment Programme</i></p> <p>This programme is developing Passport processes and systems to manage the significant increase in passport applications without increases to capacity.</p>	<ul style="list-style-type: none"> Shift of capability to “skilled” end of spectrum for Passport processing roles
Information and knowledge services			
		<p>Increasing need for digital storage capacity in the Governmental Digital Archive, as a result of increasing amount of information, archival records and documentary heritage born digital. Archives are required to store digital archives in perpetuity.</p> <p>Preservation of existing material increasingly includes digitisation.</p> <p>Improving access to important information requires moving highly used</p>	<ul style="list-style-type: none"> IT capability Digitisation capability



		resources to online channels.	
Technology services		Capacity increases required to upgrade the Department's ICT infrastructure; offset by long term reductions as a result of the transition away from an ownership model to a service based model	<ul style="list-style-type: none"> IT capability
Community services		The development of an online grant and client management system, including client registration/management and grant management, has the potential to deliver online registration for other services in the Department. The system will be based on the Department's requirements but could also be offered to other government agencies as a future service.	<ul style="list-style-type: none"> Shift of capability to "skilled" end of spectrum for Community Advisory roles
Policy Services		Increased expectations to provide strategic and forward looking policy advice to Ministers in areas including ICT policy and local government. Implementation of local government reforms will increase monitoring	<ul style="list-style-type: none"> Leadership and management capability
Regulatory Services		Increased capability required to deliver increased regulatory functions within a more complex regulatory environment, including <ul style="list-style-type: none"> increased complexity of technology in regulated activities more complex working and governance environments from increased cross agency collaboration nationally and internationally 	<ul style="list-style-type: none"> IT capability
Civil Defence and Emergency Management		Increase in numbers of trained staff on call for NCMC during emergencies Potential shifts in capability and capacity to respond to recommendations of	<ul style="list-style-type: none"> Emergency management response capability



		Christchurch earthquake response	
Ministerial Support Services		Main events with workforce implications is election in 2014/15, and local government commission work ramping up.	<ul style="list-style-type: none"> • Will need to pre-position workforce capacity for 2014/15 election. • Team sizes being increased to address local government activity.
			
Corporate Services		Shared service initiatives around HR and Finance will increase the efficiency of these functions (and therefore reduce capacity requirements).	<ul style="list-style-type: none"> • Strengthened IT capability given systems change • Strengthened Leadership capability given shifting business model.
