

The Treasury

Budget 2017 Information Release

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[40]	Not in scope	

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Reference: T2017/618 SH-15-1

Date: 16 March 2017

To: Minister of Finance (Hon Steven Joyce)
Associate Minister of Finance (Hon Simon Bridges)
Associate Minister of Finance (Hon Amy Adams)

Deadline: Wednesday 22 March 2017

Aide Memoire: Transition to a Digital Identity Marketplace and additional funding for RealMe

At the Government Investment Ministers meeting on Monday 13 March you asked for the proposal for a Digital Identity Marketplace and additional funding for RealMe to be considered at the Cabinet Committee on State Sector Reform and Expenditure Control (SEC). We have asked the Department of Internal Affairs (DIA) to do this at the SEC meeting on Wednesday 22 March so this discussion can occur before the Budget Ministers meeting in early April.

Ahead of the discussion at SEC, this briefing provides some background information on RealMe, the vote team's assessment of the budget initiative and some questions you could consider asking officials from DIA at SEC.

Background on Digital Identity in New Zealand

Independent assessments have shown that a competitive market for digital identity authorisation and verification services does not currently exist in New Zealand, but could be grown. In the immediate future, RealMe is the only service that can be used by multiple agencies to verify a citizen's identity and provide login services to access government services.

\$ millions	2016/17	2017/18	2018/19	2019/20	2020/21 & outyears
Operating	12.74	6.45	2.35	2.44	2.44
Capital	3.00	3.00	3.00	3.00	3.00

DIA have struggled to fully recover the cost of operating RealMe from agency users of verification services. Savings from using RealMe are not easily identifiable or cashable for individual agencies, making it difficult for agencies to justify paying a per transaction fee for RealMe. If RealMe is to continue to play a role in helping citizens access services from government, it will likely require ongoing Crown funding.

Vote team assessment of the initiative

Table 2: Funding to transition to a marketplace solution						
\$ millions		2016/17	2017/18	2018/19	2019/20	2020/21 & outyears
Funding sought	Operating	[33]				
Vote team assessment	Operating					

Table 3: Funding for RealMe						
\$ millions		2016/17	2017/18	2018/19	2019/20	2020/21 & outyears
Funding sought	Operating	-	[33]			
	Capital					
Vote team assessment	Operating	-				
	Capital	-				

The initiative seeks funding for two things: to transition to a marketplace solution, and for the continuation of RealMe to address gaps in the market and meet agency demand.

Recommendation: Fully fund the transition costs

In terms of the first component, we consider the transition to a marketplace to be a good strategy but it needs to be managed well to be a success. Our assessment is that funding of [38], [37] should be set aside in a contingency to fund the transition to a digital identity marketplace.

[38], [37]

[38], [37]

[38], [37], [33]

Risks of partial funding towards RealMe

If DIA receive a scaled amount of the funding sought for RealMe, this would create potential for service risks. RealMe may not be able to cater for the increased demand from agencies such as MoE and MSD with a scaled amount of funding.

[37], [33]

We consider demand for this kind of service will continue and if appropriate incentives are in place there is no reason why private companies would not enter the market to provide these services.

Risks of no funding for the transition or additional funding for RealMe

If this bid is not funded at all, the most likely scenario is that RealMe would continue to be the only provider of secure digital identity authorisation and login services in the domestic market. Without additional funding to provide this service, and without the ability to fully recover the costs from agency users, DIA would not be able to meet increasing agency demand for RealMe and there would be considerable risk of service failure for current service levels in the short term. Ongoing and higher levels of Crown funding would be required to maintain RealMe's current service levels, and agencies would likely seek additional Crown funding for individual enhancements, further raising costs and causing duplication in the system.

[33]

¹ These are higher levels of capital funding than we supported in our preliminary assessment. Further consultation with agencies showed that funding levels could not be scaled and achieve the necessary enhancements.

[33]

Questions to consider asking DIA officials at SEC

- What value is there in continuing to fund RealMe?
- Could RealMe be funded from cost recovery in the future?
- What off ramps are being planned for RealMe?
- How are DIA planning to involve others from the state sector, in particular those in MBIE who have commercial market expertise?
- What governance structure will be used to ensure the transition work is independent from business as usual for RealMe?
- What is the strategy to develop this market, in particular what will be required to support this market to grow? How will you incentivise new players to enter this market and begin providing these services, and how can we make it possible for agencies to start working with the private sector as the transition starts?

[23]

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