

# The Treasury

## Budget 2020 Information Release

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- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
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- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
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## **System investment advice on digital/ ICT initiatives for Budget 2020**

### **Proposal**

1. This paper provides the Government Chief Digital Officer's (GCDO's) insights from the Budget 2020 process and key messages from the Digital Investment Plan.

### **Executive Summary**

2. Initiatives with a significant digital/ICT component were assessed by GCDO in Budget 2020. GCDO's advice to Treasury and Budget Secretariat Groups included a view of achievability and attractiveness of initiatives from an overall system perspective.
3. Like the approach taken in Budget 2019, we will require some conditions be placed on certain digital, data and ICT initiatives at Budget 2020. This is to ensure system-level value, manage risks and ensure ongoing coordination.
4. GCDO advice on digital/ICT investment is supported by a Digital Investment Plan which aims to achieve better coordination of digital/ICT investment across government to maximise opportunities and address commonly shared issues.
5. We expect agencies to take an all-of-government approach when considering investment in digital, data and ICT for both existing baseline and new Budget investment. GCDO will work with agencies to ensure digital transformation is underpinned by sound investment and embeds integrated standards, integrated services, privacy, security<sup>1</sup> and assurance practices.
6. We recommend Ministers encourage agencies to engage with the GCDO when developing investment proposals with strategically significant digital/ICT components.

### **Background**

#### ***A coordinated approach is needed***

7. In 2018 the Treasury, the Government Chief Digital Officer (GCDO) and the Government Chief Data Steward (GCDS) agreed to work together to develop an all-of-government system view of ICT spending, to ensure any future digital, data and ICT investment is targeted, efficient and provides value for money.
8. As part of this work the GCDO and the GCDS, jointly with the Treasury presented a set of Digital, Data and ICT Investment Principles (Investment Principles), for Budget 2019 which were endorsed by Cabinet [CAB-19-MIN-0038 refers]. GCDO and GCDS then worked with the Treasury in Budget 2019 to apply the investment principles and provide advice to Budget decision makers on initiatives that had significant digital, data and ICT components.

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<sup>1</sup> The Government Chief Information Security Office (GCISO) is the functional lead for information Security, tasked to help strengthen Government decision making around information security and support a system wide uplift in security practice. The GCDO will work in close partnership with the GCISO to ensure digital transformation of agencies incorporate information security considerations.

9. We see an increasing trend of government agencies looking to invest in their digital infrastructures and capabilities. [33]

We are aware that agencies have a total of \$8.1 billion of investment intentions over 5 years in digital, data and ICT systems. This is made up of \$5 billion baseline spending and \$3.1 billion new funding to be sought from future budgets. A coordinated approach to this investment will help avoid duplication and maximise opportunities to address commonly shared issues.

***The Investment Principles are increasingly being integrated into the Budget process***

10. Budget 2019 was an initial step in the development and application of the Investment Principles. For Budget 2020 the Investment Principles were further refined and updated with the input of agency experts and endorsed by the Digital Government Leadership Group.<sup>2</sup> The Investment Principles will continue to evolve to align with the *Strategy for a Digital Public Service* and the New Zealand Data Strategy and Roadmap.
11. The *Strategy for a Digital Public Service* was endorsed by Cabinet in October 2019. It is a call to action for the public service to operate in a more modern and efficient way [CAB-19-MIN-0544 refers]. The Strategy identifies five priority focus areas that build on foundations and enable future digital transformation of government. “Investment” is one of the five priority areas which recognises the need to ensure future investment in digital data and ICT initiatives is targeted, efficient and creates public value.
12. The GCDO and GCDS have provided advice to the Treasury and Budget Secretariat Groups in Budget 2020 that covers:
- 12.1 how well initiatives align with the Investment Principles, the Strategy and the Data Strategy and Roadmap;
  - 12.2 the priority of some initiatives from a system perspective;
  - 12.3 the achievability of the proposed solution and how confident the GCDO and GCDS are that it can be delivered based on their understanding of market and workforce constraints, technology maturity, delivery approach, and organisational readiness; and
  - 12.4 where agencies could benefit from coordination and collaboration on investment decisions relating to both new funding at Budget and/or other baseline investment.

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<sup>2</sup> The Digital Government Leadership Group is a strategic governance group comprising of 13 public service and State sector chief executives, co-chaired by the GCDS and GCDO (and as Chief Executives of Statistics NZ and the Department of Internal Affairs). The members are chief executives of 13 public sector agencies and one independent member, Ian Fitzgerald, (to provide an independent external view). The public sector agencies are: Statistics New Zealand, the Department of Internal Affairs, the Government Communications Security Bureau, the Ministry of Social Development, the Inland Revenue Department, the Ministry of Education, Land Information New Zealand, the Ministry of Business, Innovation and Employment, the Ministry of Health, the Ministry of Transport, the New Zealand Transport Agency, the New Zealand Customs Service and the Social Investment Agency.

**GCDO progress on digital investment since Budget 2019**

***GCDO is developing an investment pipeline***

- 13. GCDO and GCDS sent out a request in August 2019 seeking information on agencies’ digital and data investment intentions, including:
  - 13.1 planned bids, and previous successful bids, for ICT-related investment;
  - 13.2 ICT investment and intentions within existing funding; and
  - 13.3 capital asset and operating expenditure about key systems delivering critical services.
- 14. The investment intentions data has helped the GCDO identify agencies that appear to be investing in similar systems. This will help identify opportunities for collaboration and coordination of investment and enable greater knowledge sharing between agencies and functional leads.

***The Digital Investment Plan***

- 15. To support the direction for investment set out in the *Strategy for a Digital Public Service* the GCDO has developed a Digital Investment Plan (the Plan), see annex 1. The Plan aims to take an all-of-government view of digital, data and ICT investment and recognises the importance of:
  - 15.1 Ensuring digital public services are designed around people with improved access, transparency and trust; and
  - 15.2 Helping government manage digital investment at a system level by facilitating greater knowledge sharing, collaboration and co-creation throughout the public sector.
- 16. Figure 1 below outlines the indicators of success for the Plan.

Figure 1 – indicators of success for the digital, data and ICT investment plan

De-prioritisation of investment and divestment of legacy systems	Prioritisation of flexible, reusable systems, components and rules
Progressive investment spread over number of years in smaller amounts	Greater access to government data
Greater uptake of all-of-government rules, contracts and commodity services.	
Greater number of interoperable systems within government	
More multi-agency and less single agency digital, data and ICT budget bids	
More baseline funding decisions involving multiple agencies and coordinated investment proposals resulting in integrated services lead to system benefits	

17. The *Strategy for a Digital Public Service* will help reposition how digital transformations can improve outcomes. Digital transformation is about how we meet everyone's needs through better design and collaboration, whether online, face-to-face, through others or by phone. Early research shows that some groups in society are comparatively less likely to have internet access. These include Pasifika, Māori, older members of society, the disabled, unemployed people and those not actively seeking work. In making digital investment decisions, agencies should ensure that their systems and services are designed to be accessible to all members of the community.
18. The Plan also builds on the Investment Principles and incorporates insights from the investment intentions data to provide an overall direction of travel for future investment in digital/ICT systems. As a result, we expect agencies to take an all-of-government approach when considering investment in digital, data and ICT for both existing baseline and new Budget investment. This requires a behaviour change, founded on collaboration and co-creation to build more joined up services that focus on the complex needs of people and the environment. The GCDO will work with agencies to navigate this shift.
19. Complementary to the development of a Digital Investment Plan, last year the Minister of Statistics wrote to Ministers about the need to create a Data Investment Plan to help government invest in data strategically, by setting out a long-term view of investment across the government data system. The Minister of Statistics intends to discuss this plan with Cabinet in coming months. The Data Investment Plan will operate in parallel to the Digital Investment Plan and inform data investment decisions from 2021 onwards.

#### ***Digital Public Service branch is helping lift system capability***

20. Following a review in 2019, the branch within the Department of Internal Affairs that supports the GCDO was refreshed to create the Digital Public Service branch (the DPS branch). The DPS branch purpose is to work with and through agencies to drive and deliver customer-centred digital government. The DPS branch will continue to work with public sector agencies, to ensure digital transformation is underpinned by sound investment and standards.
21. Going forward, as the DPS branch transitions to its new ways of working, we expect digital and ICT budget initiatives will have fewer conditions due to early engagement with the GCDO and the GCDS on investment proposals and greater visibility of digital risks.

#### **Agencies were expected to take a greater all-of-government approach for Budget 2020**

22. As a result of GCDO and GCDS's Budget 2019 advice, conditions were agreed on certain initiatives to ensure system-level value, manage risks and ensure ongoing coordination, [CAB-19-MIN-0174 refers]. In agreeing to the conditions, Cabinet directed the GCDO and GCDS in conjunction with the Treasury, to engage with agencies and report back with a status update on the conditions by April 2020. The status update on these conditions will be covered in an oral item at the Cabinet Government Administration Expenditure Review Committee on 19 March 2020, alongside this paper.

23. For Budget 2020 we still require some conditions be placed on certain digital, data and ICT initiatives. Due to lack of early engagement with GCDO and GCDS by agencies we have inadequate information on some initiatives to support them unconditionally. The conditions support initiatives that may not be immediately investment ready but show potential for system and sector gains in the form of customer focused service design, better data sharing, reducing system risks and increased overall productivity. But the implementation of these initiatives is not without risk.
24. Issues around privacy, security, digital rights and ethics stemming from the adoption of emerging technologies mean there is now an increasing need to consider wider digital risks when making investment decisions. To do this we want to encourage agencies to adopt the wellbeing approach to focus on both positive economic benefits and societal impact of investment decisions. This will help the system move to consider wider measures of success for investment decisions.
25. Common conditions recommended at Budget 2020 are:
  - 25.1 Smaller amounts of funding spread over a number of years i.e. in tranches;
  - 25.2 Completed and approved business cases;
  - 25.3 Further engagement with GCDO on delivery approaches; and
  - 25.4 Further engagement with GCDO on technology solutions.

#### ***Capability and capacity to deliver proposed initiatives***

26. Recent insights from an analysis of agency capability and one-on-one engagement with public service chief executives has reinforced to us that there is a lack of ICT capability within the public service, [CAB-19-MIN-0433 refers]. ICT capability includes availability of experienced personnel, processes and technology. This adds to the risk exposure of digital, data and ICT projects in government.
27. At Budget 2020, we are seeing multiple agencies bidding for a significant number of digital and ICT initiatives. This raises concerns around the resource requirements for these initiatives and the agencies' capability and capacity to deliver (if all the digital and ICT budget 2020 bids were funded).

[34]

#### **There is system level work underway**

29. In addition, a range of other work is underway for example:
  - 29.1 Clarifying and defining functional leadership roles and reviewing decision rights;
  - 29.2 Reviewing the ICT-related directions to Crown entities (under the Crown Entities Act 2004) to support a whole of government approach; and
  - 29.3 Considering ways to support public service agencies, particularly small agencies, to strengthen digital capability and security to reduce the risk of privacy, data and other digital system related incidents.

## **Ministerial support for the all-of-government direction is important**

30. We recommend Ministers talk to their agencies to emphasise the need to support this direction, including the need for cross-agency collaboration when developing digital, data and ICT initiatives. Ministers could also encourage agencies to engage with the GCDO and the GCDS when developing investment proposals with strategically significant digital, data and ICT components.
31. The GCDO is developing a detailed investment pipeline to help target efforts on digital investment coordination. This will be done in consultation with the relevant agencies.
32. The learnings from the assessment of digital, data and ICT initiatives at Budget 2019 and 2020 together with the insights from investment intentions data and the direction set by the *Strategy for a Digital Public Service* and the Data Strategy and Roadmap will continue to inform the GCDO's plan to maximise value for the digital systems in government.

## **Consultation**

33. The following agencies were consulted on this paper: Government Chief Data Steward, Statistics New Zealand, Ministry of Health, New Zealand Transport Agency, Ministry of Education, Ministry of Social Development, Social Investment Agency, Ministry of Business, Innovation and Employment, Government Communications Security Bureau, New Zealand Customs Service, State Services Commission, Te Puni Kōkiri, Te Arawhiti, Land Information New Zealand, Ministry of Transport, Ministry of Justice, Department of Conservation, Department of Internal Affairs, Department of Corrections, Ministry for Culture and Heritage, Education Review Office, Ministry for the Environment, Ministry of Housing and Urban Development, Oranga Tamariki, New Zealand Defence Force, New Zealand Police, Ministry for Primary Industries, Ministry for Women, Ministry for Pacific Peoples and Ministry of Defence. The Department of the Prime Minister and Cabinet were informed.

## **Financial implications**

34. We have not identified any financial implications from this paper.

## **Human rights gender and disability**

35. There are no human rights, gender or disability issues with this paper.

## **Legislative implications**

36. There are no legislative implications from this paper.

## **Publicity**

37. No publicity is planned in relation to this paper.

## **Proactive release**

38. We propose to release this Cabinet paper on the Treasury's website as part of the Budget 2020 proactive release mid-2021.

## **Recommendations**

The Minister of Finance and Minister for Government Digital Services recommends that the Committee:



## BUDGET IN-CONFIDENCE

1. **note** that initiatives with a significant digital/ICT component were assessed by the Government Chief Digital Officer in Budget 2020.
2. **note** that some conditions will need to be placed on certain digital, data and ICT initiatives at Budget 2020 to ensure system-level value, manage risks and ensure ongoing coordination.
3. **note** the Digital Investment Plan which sets out the approach to achieving better coordination of digital/ICT investment across government to maximise opportunities and address commonly shared issues.
4. **note** that the status update on conditions agreed at Budget 2019 on certain initiatives will be covered in an oral item at the Cabinet Government Administration Expenditure Review Committee on 19 March 2020, alongside this paper.
5. **note** that in making digital investment decisions, agencies should ensure that their systems and services are designed to be accessible to all members of the community.
6. **invite** Ministers to talk to their agencies on how they are taking an all-of-government approach when developing investment proposals for digital, data and ICT from both existing baseline and for new Budget investment.

Authorised for lodgement

Hon Grant Robertson

Minister of Finance

Hon Kris Faafoi

Minister for Government Digital Services

# STRATEGY FOR A DIGITAL PUBLIC SERVICE

Ensure future investment in digital, data and ICT systems are targeted, efficient and creates public value

Develop a digital and ICT investment strategy and long term plan (Lead for MoF)

## What is digital, data and ICT investment?

Digital, data and ICT investments are investment that broadly fall into the following five categories.

- **Service delivery** – these include core systems and tools used for delivering or managing services to customers
- **Information and data services** – these include systems which have a significant information management element or significant data component
- **Corporate back office** – these include payroll, financial management, human resource information systems and other corporate systems for internal communications
- **Digital foundations and infrastructure** – these are enabling technologies such as identity management, end user computing and core ICT infrastructure
- **Specialist** – specialist hardware that is unique to an agency or few agencies

## Our goals are to....

- ❑ Take an all-of-government view to ensure future investment is targeted, efficient and creates public value
- ❑ Ensure that digital public services are designed around people with improved access, transparency and trust.
- ❑ Help government manage digital investments at a system level by facilitating greater knowledge sharing, collaboration and co-creation throughout the public sector.

## Key insights

- ❑ There is a total **\$8.1 billion of investment** intentions over 5 years in digital, data and ICT systems across government
- ❑ This is made up for **\$5 billion baseline** spending and **\$3.1 billion new funding**; to come from future budgets.
- ❑ The total value of digital, data and ICT **assets** across the system currently is **\$4.4 billion**.
- ❑ This is made up for made up of a **69% depreciated asset base**, (signalling an upcoming needs to reinvest in digital, data and ICT systems)
- ❑ Data collected from **32 public service department, 7 crown entities, 2 departmental agencies** and **5 non-public service departments**

## To work towards our goals we will focus on....

### Investment Coordination

- Identify where agencies could benefit from coordination and collaboration
- Facilitate coordinated investment decisions by linking up agencies considering similar investment proposals, (to explore synergies and avoid duplication).

### Investment Management

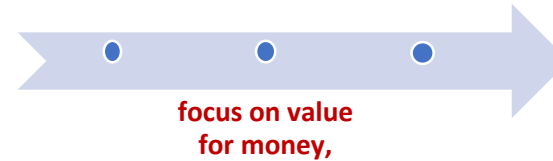
- Develop insight into and influence baseline investment decisions.
- Advice Minister of Finance and Treasury on investment decisions at Budget. This includes reviewing the investment principles
- Develop system profiles
- Manage the innovation fund
- Influence investment decisions by providing strategic financial advice as part of the corporate centre

### Asset Management

- Develop guidance around digital, data and ICT asset management practices; this includes guidance on optimising spending, life cycle management and managing legacy systems

## Our approach....

**Sustainable Investment**  
To influence investment decisions that ...



## as a result, we want to see....

De-prioritisation of investment and divestment of legacy systems	Prioritisation of flexible, reusable systems, components and rules
Progressive investment spread over number of years in smaller amounts	Greater access to government data
Greater uptake of all-of-government rules, contracts and commodity services.	Greater number of interoperable systems within government
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