

Office of the Minister of Internal Affairs

Chair

Cabinet Committee on State Sector Reform and Expenditure Control

ICT FUNCTIONAL LEADERSHIP: PROGRESS REPORT OCTOBER 2016 TO MARCH 2017

Purpose

1. This paper sets out the Government Chief Information Officer's (GCIO) progress report on the functional leadership of government information and communication technology (ICT), for the period October 2016 to March 2017. The report is presented with Dashboards (See Appendix 1).

Executive summary

2. Significant progress has been made since the ICT Strategy (the Strategy) was launched in 2013 and refreshed in 2015. The Strategy has provided structure and direction for enabling the public sector to exploit ICT-enabled opportunities. The Strategy has helped lay the foundation for improving outcomes and services for New Zealanders, and now the focus is on different ways of doing government business in order to accelerate the pace of change.
3. Highlights since the last Cabinet update include:
 - **Savings target has been achieved:** the Government has delivered \$107 million against the 2017 target of \$100 million annual savings through government acting as a joined-up system.
 - **Result 10 on track:** agency projections give us confidence that the target of an average of 70 per cent of New Zealanders' most common transactions with government being completed in a digital environment will be met by the end of 2017.
 - **Integrated digital services based on life events:** The first integrated service went live with the release of SmartStart in December 2016, which has helped over 2000 new parents save time and money.
 - **The Digital 5 (D5) Summit:** I, together with officials, attended the Digital 5 Summit in November 2016 to share best practice with other digital government leaders.
 - **The Data Investment Framework (DIF):** The DIF was developed by the Partnership Framework and has allowed a more efficient and consolidated approach to investments in data.
 - **Establishing the GovTech Graduate Programme:** The GovTech graduate programme provides recent graduates with the opportunity to build digital skills while working at several participating agencies.
 - **Accelerating the adoption of public cloud:** A twelve month programme of work to address barriers to the adoption of public cloud computing is nearly complete, and the Department of Internal Affairs (the Department) is confident that the potential cost avoidance of \$40 to \$60 million can be achieved over six years.
 - **Establishing an ICT marketplace:** Suppliers are currently being short-listed to develop a 'one-stop-shop' for New Zealand government agencies, making it quicker and cheaper to access a wider range of public cloud services.

- **Assurance maturity:** There continues to be improvement in system-wide assurance capability. To assist with standards of assurance, the GCIO has established the Assurance Services Panel, an independent panel of pre-qualified providers of quality assurance services.
- 4. The GCIO is supported by, and receives guidance from, the Partnership Framework which is comprised of senior leaders across government. Collectively they lead an Integrated Programme of Work (IPW). The strategic opportunity we are driving towards is the development of a digital ecosystem that includes government, non-government, business and individuals, and the skills, capabilities and resources that come from these participants.
- 5. A number of system challenges remain. System funding and benefit models remain the most pressing challenges for transformation.

Background

- 6. The GCIO's functional leadership mandate spans 60 public sector agencies as well as district health boards. The GCIO must provide ongoing reporting to the Cabinet Committee on State Sector Reform and Expenditure Control (SEC) on the progress of ICT Functional Leadership. The previous report was in November 2016.
- 7. The GCIO has set up the Partnership Framework involving senior leaders across government.¹ To support a coordinated approach to the Strategy, and to complement the core work of the GCIO, the Partnership Framework developed the IPW. The IPW consists of initiatives that provide the greatest contribution to the outcomes of the Strategy. In May 2016, the IPW was endorsed by Cabinet [SEC-16-MIN-0023]. In addition to this, the GCIO has evolved considerably since the last report. Its functions continue to mature and targeted support has been provided to some agencies.
- 8. This paper continues the use of dashboards that began with the November 2016 report. There are two dashboards attached:
 - The System Change We Are Seeing: the impact we are seeing as a result of ICT Functional Leadership and implementation of the Strategy; and
 - The Integrated Programme of Work to Drive Digital Transformation: the system-critical work that is planned or underway across government to drive digital transformation.

Key Updates

Exceeding \$100 million per annum of sustainable business savings

- 9. The Government has delivered \$107 million against the 2017 target of \$100 million annual savings through government acting as a joined-up system. Savings are projected to be \$292 million over the five years to 30 June 2017. Over this period ICT Functional Leadership has transformed how ICT Services can be consumed by government as part of a broader role of transformation to support Better Public Service outcomes.
- 10. The GCIO's measurement of system savings includes:
 - The cost of ICT services negotiated with the market with government acting as a single client, as compared with the cost that would otherwise have been incurred if agencies had engaged with the market individually.

¹ The ICT Strategic Leadership Group at chief executive level is supported by four working groups covering Service Innovation, Technology, Strategic Investment and Information.

- Cost avoided by performing required activities once rather than by each agency, (e.g. primary procurement and security certification). This has also raised sector capability and reduced risk.
11. The GCIO initiated work in mid-2016 to consider a broader benefit measurement beyond these savings. Current limitations to benefit measurement include not having a common set of system-wide benefit categories or a process to capture and validate them. The GCIO's work has proposed a potential benefit framework as an input to wider system performance measurement. The GCIO is working with Treasury and this work continues.

Better Public Services: Result 10

12. The ongoing work to improve digital services is reflected in the progress towards the Better Public Services Result 10. Result 10 targets an average of 70 per cent of New Zealanders' most common transactions with government being completed in a digital environment by 2017. As at March 2017, current use stands at 59.8 per cent. Agency projections give the Department confidence that the 70 per cent target will be met by the end of 2017.

Integrated digital services based on life events

13. The GCIO continues to focus on the development of integrated services built around customers' life events. The first integrated service went live with the release of SmartStart in December 2016. SmartStart is an online service that provides step-by-step information and support to help new parents access government services associated with the birth of a child.
14. Using SmartStart, over 2,000 new parents have chosen to share their baby's digital birth record with MSD, saving them \$26.50 each and resulting in 70 per cent of users saving time as a result of no longer needing to attend a face-to-face interview.

The D5 Summit and international digital leadership

15. In November 2016, I, together with the GCIO and officials, attended the D5 Summit and the Government 3.0 Global Forum, both in South Korea. Through the D5, we join with the governments of Estonia, Israel, South Korea and the UK to share best practice on improving government services. New Zealand is the current chair of the D5, and will host the next D5 conference in 2018.
16. The GCIO is also engaged in digital leadership with the OECD. The OECD E-Leaders Working Party is currently chaired by the GCIO, Colin MacDonald. The Working Party is made up of senior digital government officials from OECD member countries and partner countries.

The Data Investment Framework

17. The DIF continues to allow a more systematic approach to the creation of an all-of-government data ecosystem. The DIF was developed by the Information Group² to ensure a more efficient and consolidated approach to investments in data by targeting \$40 million in operating expenses and \$10 million in capital expenses (over a four year period) for high priority projects.³

² The Information Group is one of the working groups within the Partnership Framework. It advises, from a system-wide perspective, on how government can better unlock the value of the information it holds on behalf of citizens.

³ This is the Budget 2016 Data Analytics Contingency.

18. The DIF has enabled the prototype of the Social Sector Data Exchange to progress, continued funding of the Data Futures Partnership, and supported agency data investments including the Ministries of Education and Social Development.

Establishing the GovTech Graduate Programme

19. To help ensure that the public sector has the right people with the right capabilities, the GovTech Graduate programme has been established. GovTech is a two year programme that looks to use recent graduates to build knowledge in a variety of information, technical and digital skills whilst working across several participating agencies. Early indications are that the programme has helped to build the skills needed to support the Strategy. A second tranche of graduate recruitment is now being considered.

Accelerating the adoption of public cloud

20. A recent survey of public agencies revealed that the majority had a high interest in using a core set of cloud services within the next 12 months. However, the need for different approaches to security, insufficient skills and uncertainty around the risks of cloud services remain barriers to adoption.
21. A twelve-month programme of commercial, security and agency transformational work to address these barriers is nearly complete. The GCIO is leading this programme and is working closely with the Government Communications Security Bureau, New Zealand Security Intelligence Service, National Cyber Policy Office, and other agencies. I remain confident that, as a result of the uptake of public cloud, the potential cost avoidance of \$40 to 60 million over six years can be achieved.

Establishing an ICT marketplace

22. An important part of the IPW that seeks to accelerate the adoption of cloud services, is the proposal to establish a public cloud marketplace. The survey of public sector agencies signalled that the biggest barrier to the cloud was the need for different approaches to security.
23. The marketplace will act as a 'one-stop-shop' for New Zealand government agencies, making it easier, quicker and more cost-effective to access a wider range of technology capabilities. The marketplace will provide agencies with significant benefits arising from streamlined procurement and IT security processes for public cloud services. Suppliers are currently being short-listed following a request for proposals issued in early 2017.

Assurance

24. There continues to be improvement in system-wide assurance capability and management of risk. This is particularly so across the high-risk, high-value 'transformation' programmes and projects. To assist with standards of assurance, the GCIO has established the Assurance Services Panel, an independent panel of pre-qualified providers of quality assurance services. The purpose of this Panel is to improve the quality, consistency and independence of quality assurance to agencies and make it easier for agencies to source expert resources.
25. The GCIO has also developed a self-assessment tool that enables agencies to complete and submit their all-of-government self-assessments and reports online, and view results across domains and at the system level. Products to date include an online risk maturity assessment, the government privacy assessment and the ICT Maturity Framework.

26. The GCIO has also undertaken a government services mapping 'proof of concept' exercise with the possibility of making it available as an all-of-government service in the future. This service, called AssureNet, is an agency and system-wide ICT supplier 'supply chain information and risk analysis service'. This will improve supplier services, supply chain risk identification and risk management. This is dependent on a system funding mechanism.

System challenges to overcome in order to increase the pace of progress

27. The previous ICT Functional Leadership Progress Report signalled that barriers remained to lifting ICT maturity across government. In particular, it was noted that a lack of "access to funding for cross-agency initiatives and system-wide interventions, along with immature prioritization processes, impede progress". System funding mechanisms remains the most pressing challenge for transformation that impacts all areas of functional leadership.
28. This challenge is exacerbated by the ceasing of the BPS Seed fund, which has been used to fund Result 10 initiatives and the Service Innovation Work Programme, at the end of the current financial year. The BPS seed fund contributed to several all-of-government initiatives including SmartStart and other life-event projects that are still in development (e.g. the upcoming Victim of Crime Life Event).
29. Low risk maturity across government means that the ability to maximise opportunities may not be taken or could slow down the transformation agenda. Despite this being recognised as a critical capability, the all-of-government risk maturity programme has had to be stopped due to a lack of central agency support.
30. A 2017 budget bid for the establishment of a Partnership Fund that would fund Partnership Framework work programmes over the next four years has not been supported. This creates a funding gap in the first half of the 2017/18 financial year that could potentially impact on the development of the Service Innovation Work Programme and impede an all-of-government approach to ICT transformation. The Partnership Framework Secretariat group are currently engaging with the Strategic Investment Group⁴ to discuss funding options.

Strategic opportunities to build on progress

31. While there remain challenges to accelerating the progress of change, the following strategic opportunities have been identified, and work is underway on each of them. By taking advantage of these opportunities, government can be more responsive and innovative in meeting customers' needs:
- Working with the Social Investment Unit (SIU) to supply infrastructure to support social investment;
 - Strengthening the Partnership Framework (including considering a shift in funding mechanisms) in order to drive greater cross-government alignment;
 - Driving the creation of an evolved ecosystem of services by creating a 'playing field' for agencies and third parties to create and deliver co-designed digital services. This ecosystem is foundational to government digital transformation, as it holds together the range of players working together in a networked environment with access to the right platforms and channels, data, investment and capabilities to deliver public value;

⁴ The Strategic Investment Group is one of the working groups within the Partnership Framework. It takes a system-wide perspective of investment in information and technology and is comprised mainly of Chief Financial Officers.

IN-CONFIDENCE

- Working together with the ICT industry and digital partners on developing a long-term view of the impacts of digital transformation, focussed on digital identity and national infrastructure resilience, through 'Digital Government 2027';
- Participating in the Digital Economy work programme, to accelerate work in two of the four Digital Nation work streams (Digital Government and Digital New Zealanders) with a focus on the changes digital brings to business, society and transactions with government; and
- Continuing to improve the maturity of privacy practice across the system through the support, guidance and monitoring work of the Government Chief Privacy Officer in order to ensure trust and confidence in government services.

Next Steps

32. The GCIO will continue to report to Cabinet on progress of the IPW every six months. The next progress report on ICT Functional Leadership will be presented to Cabinet in November 2017, for the period April 2017 to September 2017. The Department has also agreed to develop a framework for assessing and reporting on the effectiveness of the GCIO as ICT functional leader across government. The framework will be developed by June 2017 and will be used to report results from 2017/18 onwards.
33. A new Result 10 target was recently agreed with Ministers so that "by 2021, 80 per cent of the transactions for the twenty most common public services will be completed digitally". Work is underway to identify the twenty most common services which will be included in this new measure.
34. The revised Strategy is designed to be enduring and accommodate emerging trends in the operating environment over a five to ten-year timeframe. However, we will consider refreshing the Strategy in line with strategic priorities, including the development of Better Public Services 2 (BPS2).
35. [Withheld in line with section 9(2)(f)(iv) of the Official Information Act 1982 – to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials]
36. [Withheld in line with section 9(2)(f)(iv) of the Official Information Act 1982 – to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials]

Consultation

37. This paper was developed by the GCIO who is located within the Department of Internal Affairs, in consultation with the Partnership Framework, other functional leads and the wider Corporate Centre.
38. Chief Executives in the ICT Strategic Leadership Group and the following agencies were consulted on this paper: the Ministry of Business, Innovation and Employment (MBIE), the Treasury, SIU, the State Services Commission, the Ministry of Justice, Statistics New Zealand, Land Information New Zealand and New Zealand Police. The Department of the Prime Minister and Cabinet was informed.

Financial implications

39. This paper has no direct financial implications.

Human rights, legislative implications and regulatory impact analysis

40. This paper has no human rights, legislative or regulatory implications.

Publicity

41. I propose to proactively release this paper subject to consideration of any deletion that would be justified under the Official Information Act 1982 (CO Notice (15) 3).

Recommendations

42. The Minister of Internal Affairs recommends that the Cabinet Committee on State Sector Reform and Expenditure Control:
 1. **note** that the GCIO is making good progress in leading digital transformation across the five focus areas of the ICT Strategy and that key achievements include:
 - 1.1 achieving and exceeding the major ICT Functional leadership goal of \$100 million per annum in sustainable business savings through a combination of initiatives;
 - 1.2 chairing the Digital 5 Summit with the governments of Estonia, Israel, South Korea and the United Kingdom;
 - 1.3 developing the integrated service SmartStart, which has helped more than 2,000 new parents save time and money;
 - 1.4 strengthening the Partnership Framework to better support agencies to work collaboratively, uplift capability and support cultural change; and
 - 1.5 the Information Group utilising the Data Investment Framework to take a more efficient and consolidated approach to investments in data by targeting \$40 million in operating expenses and \$10 million in capital expenses (over four years) for high priority projects;
 2. **note** that the following strategic opportunities have been identified that can build on this progress: establishing a Functional Lead role for Data and Analytics; improving privacy maturity and practice; working with the Social Investment Unit to develop an analytics infrastructure; powering up the Partnership Framework to improve all-of-government collaboration; continuing to work with our D5 colleagues; and launching an action plan for accelerating work in the Digital Nation work programme;
 3. **note** that traditional government structures continue to present challenges that inhibit the pace of change and make it difficult to work across the system, and that this issue will be exacerbated, and the Integrated Work Programme initiatives threatened, by the closing of the Better Public Services Seed Fund; and
 4. **note** that the refreshed 2015 ICT Strategy is designed to be enduring and accommodate emerging trends in the operating environment over a five to ten-year timeframe, but that we will consider refreshing the Strategy in line with broader strategic priorities, including the development of Better Public Services 2.

Authorised for lodgement

Hon Peter Dunne
Minister of Internal Affairs