

# The Treasury

## Budget 2021 Information Release

### August 2021

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- [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
- [36] 9(2)(h) - to maintain legal professional privilege
- [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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## Treasury Report: Capital Panel Advice Budget 2021

<b>Date:</b>	5 March 2021	<b>Report No:</b>	T2021/465
		<b>File Number:</b>	ST-4-8-4-11-2

### Action sought

	Action sought	Deadline
Hon Grant Robertson <b>Minister of Finance</b>	<p><b>agree</b> that the Treasury work with Investment Officials to report back to you on the best way to improve investment pipelines and performance visibility across the system.</p> <p><b>refer</b> to the Associate Ministers of Finance and other Ministers as required for their information.</p>	Monday 15 March 2021

### Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Rima Khorshid	Senior Analyst, Investment Management and Asset Performance (IMAP)	[39]	N/A (mob) ✓
Craig Murphy	Manager, Investment Management and Asset Performance (IMAP)	[35]	

### Minister's Office actions (if required)

**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** Yes

# Treasury Report: Capital Panel Advice Budget 2021

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## Executive Summary

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This report provides you with advice from the Capital Panel (the Panel) to support the decisions and trade-offs you will make as part of the Budget 2021. It supplements the Treasury's Emerging Budget 2021 Package Advice [T2021/359 refers].

The Panel provides useful insights from key investment system leaders, including representatives from the New Zealand Infrastructure Commission (Te Waihanga), Digital Public Service Branch (DPSB), Government Chief Data Steward (GCDS), New Zealand Government Procurement and Property (NZGPP), the Ministry for the Environment (MfE). A broader system risk lens was also represented through the Capital Panel.

The Panel reviewed the top 30 initiatives by value and level of risk [33] of the total [33] as part of Budget 2021.

[33]

The Panel applied a framework that considers the relative attractiveness (including references to Government priorities) and achievability (including level of planning and system insight on capability and capacity) of Capital investment proposals. Attractiveness was assessed using a three-point scale (red, amber, green), as was achievability (low, medium, high).

Of the 30 Initiatives assessed, the Panel identified:

- two Initiatives as “investment-ready”, highly attractive and with high achievability – [33]
- 15 Initiatives were identified as having some achievability concern; six of these may be candidates for deferral to future Budgets until Cabinet approval of relevant Business Cases.
- 13 initiatives as having material or uncertain achievability concerns, all of which should be considered for deferral to future Budgets.

The Panel found that the primary constraint in the assessment of Budget 2021 initiatives was the capability and capacity of agencies. The Panel recommended that you do not fund any initiatives that are not ready for investment now (defer until they are investment-ready); and that you do not fund capital for investments whose agencies have capability and capacity issues (unless further support is provided).

For the second year, the Panel identified three themes in reviewing the initiatives:

- **Agencies' investment pipelines are unreliable.** [33] in initiatives were expected for Budget 21; almost [33] was submitted. This is despite allocating funding in Budget 20 to the New Zealand Upgrade Programme (\$8 billion) and the COVID-19 Response and Recovery Fund (\$3 billion). Agencies' inability to plan limits the Government's ability to make best use of a Multi-Year Capital Allowance (through appropriate sequencing) and provide certainty to the market.
- **Over [33] of the Initiatives submitted are not "investment-ready".** [33] A business case is important to identify options for delivery and strategies for managing risk and helps decision-makers consider the merits of an investment at key milestones - ahead of a budget decision.
- **Agencies do not deliver investments as and when they expect to.** The Panel does not consider this unexpected as agencies are generally seeking funding ahead of full information (i.e. business cases) being available. There is no substitute for good thinking – generally, funding investments before they are ready is expected to result in slower delivery, cost overruns and higher risks. This is also reflected in the progress of the [33]

Te Waihangā and the Construction Accord both consider greater visibility of investment pipelines essential to provide market certainty and manage limited market capacity (which is exacerbated by COVID-19 border restrictions). Te Waihangā notes limited market capacity to expend beyond the current pipeline of horizontal infrastructure investments, and limited vertical infrastructure capacity is expected for up to five years.

NZGPP also considers the size and skill level of the domestic workforce is likely to continue to inhibit delivery for both infrastructure and digital investments. GCDO considers the impact from COVID-19 on the capacity and capability of the digital workforce to have exacerbated the ongoing challenges within the New Zealand market. GCDO notes the need for agencies to adjust pre-existing assumptions about the market's ability to meet their requirements.

The Ministry for the Environment considers there to be a bias towards short-term options in considering the emissions and/or physical risks arising in relation to investment proposals. There is broader need to build better understanding of how to reduce GHG emissions and respond to the risks arising from a changing climate.

The Capital Panel considers that more focus is required on:

- **the investment pipeline;** to ensure agencies plan investments well and socialise investments with Ministers ahead of Budget, to provide choices to Ministers and enable better medium to long-term capital planning and make the best use of the Multi-Year Capital Allowance; and
- **system-level perspectives of delivery;** to provide greater visibility of investments that are in delivery across the system to highlight where delivery issues are present (across sectors and agencies) and better target interventions.

The Treasury will work with Investment Officials – who, apart from DPMC, are all represented on the Panel – and the Implementation Unit to report back to you on the best way to improve the investment pipeline and provide greater visibility of investment delivery across the system.

## Recommended Action

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We recommend that you:

- a **note** the Capital Panel analysis and advice in this report to support you in making Budget 2021 investment decisions; particularly that you manage over-subscription and capacity constraints by:
    - i. Deferring investments that are not ready (until they are investment-ready); and
    - ii. Declining to fund investments where agencies have capacity and capability constraints (unless the confidence of success can be increased through additional resourcing or leveraging system expertise).
  - b **note** that the Capital Panel has identified some long-term systemic issues that negatively impact investment performance (particularly poor visibility and investment planning), and that ongoing collaboration across the investment system is required to make enduring improvements.
  - c **agree** that the Treasury work with Investment Officials to report back to you on the best way to improve investment pipelines and visibility of investment delivery across the system.
- Agree/disagree.*
- d **refer** to the Associate Ministers of Finance and other Ministers as required for their information.

*Refer/not referred.*

Craig Murphy  
**Manager, Investment Management and Asset Performance (IMAP)**

Hon Grant Robertson  
**Minister of Finance**

# Treasury Report: Capital Panel Advice Budget 2021

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## Purpose of Report

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1. This report provides you with the Capital Panel's (the Panel) advice based on its assessment of Budget 2021 (B21) Capital Initiatives (Initiatives).
2. This report builds on the report responding to the request from your office for detailed system-level advice in Budget 2020 (B20) [T2020/263 refers].
3. This report is set out in 4 sections:
  - Capital Initiative Assessment overview: Provides an overview of the Panel process and assessment framework.
  - Capital Panel Initiative Assessment results: Provides a summary of the initiative assessments. Additional detail is available in Appendices A and B.
  - Capital Panel: Investment Insights. Provides the main themes noted by the Panel about government investment, and the implications of these. Additional system leader views are available in Appendix C.
  - Treasury Analysis: Provides next steps to address issues raised by the Panel.

## Capital Initiative Assessment Overview

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### **Background**

4. You directed us to make improvements to the way we support capital investment decision-making through B20. We designed a process that considers attractiveness and achievability ahead of affordability and sought advice from system leaders by convening a Capital Panel (the Panel) [T2019/2686 refers].
5. We have improved the framework for B21 through broadening system perspectives to include resilience and climate change adaptation as well as system risk.

### **The Capital Panel**

6. The purpose of the Capital Panel is to bring together system-level perspectives to enrich initiative assessments, analysis and advice to support budget decision-making.
7. The Panel was led by the Treasury and includes representatives from system roles critical to government investment, including: the New Zealand Infrastructure Commission (Te Waihanga), the Digital Public Service Branch (DPSB), Government Chief Data Steward (GCDS), New Zealand Government Procurement and Property (NZGPP), and the Ministry for the Environment (MfE), along with a broader system risk lens.
8. The Panel's advice provides system-level insights from across the government's implementation network to support Ministerial decision-making. That advice supplements the detailed Initiative level advice that is provided by the Treasury's Vote Team. The Panel is not preparing a capital package; instead, it supplements the Treasury's Emerging Budget 2021 Package Advice [T2021/359 refers].

**Panel’s assessment framework and approach**

- 9. The Panel’s assessment framework comprises three aspects: attractiveness, achievability and affordability. The focus is on attractiveness and achievability – Ministers apply the affordability constraint through the Budget process:
  - **Attractiveness** was considered with reference to Government priorities, contribution to government strategies, level of unacceptable risk, correlation to value creation, contribution to climate resilience and transition to a net zero emissions economy, and consideration of broader outcomes. The Attractiveness aspect considers how attractive the investment proposition is (and whether the proposal will meet its objectives), rather than how attractive the overall objective is. The attractiveness of each Initiative is represented with a Green (most attractive) to Red (least attractive) rating.
  - **Achievability** was considered using indicators such as the governance structure in place and project team setup (if any), the Investor Confidence Rating of the agency, the inherent risk of the Initiative, and the maturity of thinking about the investment (i.e. current state of business case development). There was also discussion about panel members’ insights into agency capability and capacity, the level of consultation with them on the investment proposal / approach, and the market’s capability and capacity to deliver the Initiative. The three achievability groupings are:
    - **Low achievability concerns.** These Initiatives are considered achievable. However, the attractiveness of the Initiative should be a key consideration in the funding decision.
    - **Some achievability concerns.** These Initiatives are considered achievable, subject to additional work by the agency or the support of a System Leader. The level of achievability support should be considered in addition to the attractiveness when considering funding; and
    - **Material achievability concerns.** The Panel has material achievability concerns with these Initiatives. The level of support needed is likely to be significant to realise the benefits of these Initiatives.
- 10. This framework helps to ensure that high-value investments considered by Ministers are well-developed and ready for implementation, effectively reducing overloading in the system and improving the probability of delivery success. The Panel provides advice to support discussions and decision-making on Capital investment as part of B21.

**Capital Panel Initiative Assessment Results**

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- 11. The Panel assessed Initiatives identified as high risk (based on a Risk Profile Assessment), significant (seeking Capital funding of [33] , or having achievability concerns and seeking Capital funding [33]
- 12. The Panel reviewed 30 initiatives [33] of the total [33] received [33] [33,26]

The Panel did note the required specialist resource for delivery may not be readily available in the market and the GCDO recommend ensuring this initiative is considered a ‘system asset’ and that opportunities for future system interoperability are provisioned for within the design.



13. The Panel observed that, in general, agencies' capability and capacity is the primary constraint in the delivery of an Initiative. It that this will not change in a short space of time, making planning and system-level interventions important to ensure successful delivery of investments. On that basis the Panel has constructed its advice around its level of achievability concern.
14. A summary of the grouping of Initiatives with *low* or *some* achievability concerns are set out in Table 1 and Table 2 below, respectively. Initiatives highlighted may be candidates for deferral to future Budgets until Detailed Business Cases (DBC) (where options are considered) are approved by Cabinet. A detailed summary of each Initiative is attached at Appendix A.

[33]

15. A summary of the grouping of Initiatives with material achievability concerns or uncertain achievability is set out in the Table 3 and could be considered candidates for deferral to future Budgets or significantly scaled funding. A more detailed summary of each Initiative and recommendations is included in Appendix B.

## Capital Panel: Investment Insights

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16. The Panel observed three main themes, which are explored in this section:
  - the investment pipeline supplied by agencies is unreliable;
  - over half of the Initiatives submitted are not “investment-ready”; and
  - investment performance is relatively unknown.
17. These are systemic issues impacting investment performance, exacerbated by limited market capacity. The Capital Panel members have each provided their more detailed system views (refer to Appendix C).

### ***Agency investment pipelines are unreliable***

18. Agencies’ investment intentions provided in November 2019 are not a good indicator of the Initiatives agencies sought funding for in B21 - [33]
19. The Panel’s expectation was that any COVID-19 related pressures, and any “investment-ready initiatives” will have been funded through the COVID-19 Response and Recovery fund and will not have significantly impacted any good forward plans.

21. The quality of the investment pipeline reflects a need for agencies to improve their strategic planning and increase their focus on supporting investors – particularly Ministers – with accurate information and useful choices. Agency investment planning requires improvement to obtain an accurate investment pipeline, which is essential for:
- Understanding the investment required to maintain the Government’s current service levels or pursue new opportunities.
  - Providing an accurate forward view of investments is also important, so a well-coordinated government capital pipeline can be presented externally to attract engagement in local and international markets.
  - Helping highlight choices early and help make better use of the Multi-Year Capital Allowance (by prioritising and sequencing investment to optimise value for money in addition to agency and market capacity).

***Over half of the Initiatives submitted are not “investment-ready”.***

22. Of 30 Initiatives assessed by the Panel, [33] had a completed business case and were therefore considered investment-ready by the Panel – i.e. the Detailed Business Case stage. This means that fewer than half are ready for investment funding decisions.
23. A business case is important to identify the options for delivery at the outset – prior to committing any spend – and to create strategies for managing risk. Well-considered business cases demonstrate robust thinking and planning, and are essential to help avoid common reasons for failure and mitigate possible cost overruns in the future.
24. Funding investments that are not ready will not speed up delivery. Rather, it will increase the risk of delayed delivery, cost overruns and negative impacts on expected outcomes.
25. The Panel considers that the lack of a business cases reflects capacity and capability issues in areas like collaboration, strategic and project planning and business casing within these agencies. Improved consultation with system leaders and the Treasury in the preparation of business cases can assist agencies to better understand the process and support them to deliver business cases.

***Agencies do not deliver investments as and when they expect to.***

26. The panel again commented on the need for agencies to improve delivery performance – and the visibility of delivery performance.

27. Of the [33] for which the Panel was provided delivery information for B20, [33,26] was expected to be drawn down, but only [33] – was drawn down. This theme has continued. The [33,26]
28. An ongoing lack of investment performance visibility and spending issues could indicate an agency's underlying capability or capacity problems. Good planning is especially needed for such agencies, where a capability uplift is required to improve delivery expectations of Capital investments.
29. The Panel noted that good planning, governance and system engagement would be useful to identify issues earlier and more easily, to provide targeted intervention to support the delivery of investments. These naturally exist as part of existing approval pathways within the Investment system. For example, Business Case clinics enable Investment Officials to support agencies in considering delivery options, in turn improving pipeline integrity.

### Treasury Analysis: It is timely to consider investment interventions

30. The Treasury considers that more work will be required to make a material improvement to investment management practices. This includes working together with system leaders to improve investment performance visibility and address the three issues raised by the Panel.
31. [26] However, Capital investment is constrained by agencies' capacity and capability to deliver investment. This means that it is important not to take on more than the system can reasonably deliver, and that agencies' limited capability is directed towards investments that provide the greatest value to New Zealanders.
32. This underlines the importance of ensuring investments are well-planned (have appropriate business cases), have appropriately assessed risks, and have engaged with system leaders to support more effective delivery. Indicative sequencing of initiatives that are not yet investment-ready (i.e. need further development) can support and strengthen a better signalled MYCA where spending is prioritised in out-years.
33. The Capital Panel considers that more focus is required on:
- **the investment pipeline;** to ensure agencies plan investments well and socialise investments with Ministers ahead of Budget, to provide choices to Ministers and enable better medium to long-term capital planning, and to make the best use of the Multi-Year Capital Allowance; and
  - **system-level perspectives of delivery;** to provide greater visibility of investments that are in delivery across the system, to highlight where delivery issues are present (across sectors and agencies) and to better target interventions.
34. The Treasury will lead the work with Investment Officials – who, apart from DPMC, are all represented on the Panel – and the Delivery Unit to report back to you on the best way to improve the investment pipeline and to provide greater visibility of investments that in delivery across the system.

[33,26]

[33,26]

[33,26]

[33,26]









## Appendix C: System Leaders' System Insights

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### ***Te Waihanga (the Infrastructure Commission)***

Te Waihanga, as part of its legislative mandate, is required to deliver the New Zealand 30 Year Infrastructure Strategy (the Strategy) by October 2021 and is in advanced drafting stages of that workstream for consultation in Q2 2021. As part of this work, we have published a number of sector-specific 'State of Play' documents which comment on current system settings and seek comment from industry to inform the Strategy. Once developed, the Strategy will provide Ministers and the wider infrastructure sector with a greater understanding of the current state of key infrastructure sectors and their contribution to achieving the objectives sought by the Strategy. It will therefore be a useful framework to help inform the capital investment decision-making process.

There are a number of pre-existing system challenges exacerbated in the wake of COVID-19; chief among them is the need to balance supply with demand for capital works and what this means for investment decision-makers. Te Waihanga's recently published Construction Covid-19 Recovery Study finds that, through stimulus, the horizontal infrastructure sector remains relatively buoyant and will recover to pre-COVID projections within the next two years; however, there is limited capacity within the sector to expand to meet further increase in demand beyond current intentions. Conversely, the vertical infrastructure sector is facing a prolonged route to recovery of up to five years, acknowledging the stimulus effects of government procurement, with corresponding market capacity at present.

Te Waihanga's expanding pipeline now tracks more than \$47b of primarily government procurement intentions and therefore has some ability to forecast demand. What lacks clarity is the extent of capacity within the market, and where that capacity might lie regionally and in terms of skillset. This poses a challenge to decision-makers when considering the scale of competing demands through the Capital Panel, and highlights the need for broader visibility and context of agencies' intentions and their own delivery capacity and capability when assessing budget initiatives.

## ***The Construction Accord and New Zealand Government Procurement and Property***

There is typically a correlation between an agency's procurement capability and the size and scale of their capital expenditure and asset portfolio. However, the skills required to procure ICT systems, for example, differ significantly from constructing a physical asset. Therefore, where agencies are delivering projects that are not 'business-as-usual' (i.e. not a good or service that they routinely procure), we recommend that they consult with others (such as system leads) to ensure they have correctly identified the skills they need to augment their existing capability.

Since the Covid-19 Level 4 lockdown in March 2020, Cabinet has identified further policy objectives that it wishes to achieve through government spending, such as the creation of sustainable job opportunities and engagement of Māori businesses (these supplement the four existing Broader Outcomes objectives). These objectives can often be in conflict with each other; therefore, it will be important for agencies to clearly define the social, environmental, economic or cultural policy objectives that it wishes to achieve through a project at the outset.

In the construction space, the Construction Accord continues to be a vehicle for promoting improved government procurement practice, and also acts as a conduit for collecting feedback from the market on the improvements that are still needed. Many agencies are trending in the right direction; however, the market continues to perceive examples of inconsistency and poor practice, even within agencies that are well-practised at construction. That is why it will be important to strike a balance between providing sufficient flexibility and certainty for an agency to develop a medium- to long-term pipeline of projects, while also ensuring there are adequate controls and monitoring in place to oversee capital programmes.

There is mixed feedback on the impacts of Covid-19 on market capacity and the ability of the domestic market to meet government's demanding pipeline. Attracting SMEs to bid for government tenders, while also growing their capability and capacity (and that of their workforce) will be an important lever for government agencies. Some projects are of such scale and complexity that only a handful of firms with a presence in New Zealand can deliver them. However, there may still be opportunities for agencies to gain visibility into bidders' supply chains, and to encourage larger firms to partner with others. The size and skill level of the domestic workforce is likely to continue to inhibit delivery. While a number of longer-term initiatives are underway to address this, short-term issues such as access to specialised skillsets are being exacerbated by the restrictive visa conditions and limited MIQ capacity.

For government spending to provide an effective stimulus to the regions, it will also be important for projects to mobilise rapidly, overcoming typical barriers such as establishment of effective governance, fast and informed decision-making, matching the project delivery model to project complexity and agency capability, etc. Some barriers will take longer and are outside an agency's control (e.g. market capacity, regulatory challenges). The Construction Accord and NZGPP have developed guidance to support agencies to safely achieve rapid mobilisation, and additional commercial and delivery expertise is also available from system leads to help agencies to set projects up for success.

## ***Ministry for the Environment***

The Zero Carbon amendment to the Climate Change Response Act 2002 set the course for climate action for NZ, both to reduce GHG emissions and to respond to risks arising from the changing climate.

There is a need to build capacity and capability in New Zealand towards better understanding and analysis of both aspects, with some actors in the system further ahead in this regard than others. The investment by Government through the Capital programme provides a significant opportunity for considering how a proposed project will support our journey towards a low-emissions, climate-resilient economy.

In late 2020, the Government declared a climate emergency and an intention to put climate change at the heart of its decision-making. Alignment of investment across portfolios towards initiatives that reduce emissions and/or build resilience to the impacts of climate change will be needed, given the scale of the challenge. It is important that Government departments consider the emissions and/or physical risks arising in relation to their investment proposals, so that they can respond appropriately to Government's strategy. Currently, there is a bias towards short-term options and certainty, which doesn't recognise the long-term and dynamic nature of climate change. The Government's response to the Climate Change Commission's advice on emissions reduction, the Emissions Reduction Plan, will be decided in the House by the end of 2021. The National Adaptation Plan, in response to the National Climate Change Risk Assessment, will set out actions towards being more resilient to the impacts of climate change, and will be published in August 2022.

Work will continue, along the lines of the Climate Impacts of Policy Assessment (part of the Regulatory Impact Statement (RIS) process) and other potential tools, to embed consideration of all aspects of climate-related risks and opportunities into Government policy and investment decisions.

## ***Government Chief Digital Officer (GCDO)***

Budget 21 did not generate the volume of agency (digital) Budget bids as B20, due to the 'by invitation' nature of the process. However, GCDO is aware of agencies' investment forecasts which reflected a backlog of digital investments. It is too early to determine the impact of this delayed investment and whether this will create additional risks (particularly in regard to legacy infrastructure) for agencies.

There are ongoing challenges with the capacity and capability of the digital/ICT workforce and market in New Zealand. Agencies continue to make assumptions about the market's ability to meet their requirements. While the extent of the impact from COVID-19 upon the capacity and capability of the digital workforce has not been formally assessed, the enduring reliance New Zealand has upon skilled migrants (and the impact of closed borders upon this supply) suggest it will be an issue over coming years. This may be more problematic with transformational and specialist digital work.

GCDO note agencies' tendency to focus on (specific) digital solutions and not the overall outcome sought. This can result in a technology-centric solution that is not fit for purpose and does not meet the requirements as first imagined. In some cases, there also appeared to be a disconnect within agencies around digital projects possibly reflecting inadequate agency governance, planning, and coordination.

The routine issues and risks GCDO frequently see across agencies around digital governance, design, delivery risks, and assurance were evident in B21. The GCDO would like to see increased agency consultation with the Digital Public Service Branch (DPSB) well before the formal Budget process. The Digital Public Service remains ready to support agencies following the budget process and where conditions were attached.

It is increasingly apparent that the GCDO needs better and more routine multi-year visibility of agencies' current and planned digital/ICT investment to support agencies and guide the system. For B21, the GCDO was only aware of half the bids despite undertaking an 'investment intentions' exercise with agencies in late 2020. Poor visibility and late stage involvement in the investment cycle make it challenging for GCDO to coordinate system investment. Agencies may require clearer direction to provide GCDO this enduring visibility.

Overall, the GCDO found that the B21 bids had limited alignment with the Strategy for a Digital Public Service, the Investment Principles or the wider goals of a Unified Public Service. This is a reflection of the persistence of an agency-centric approach to digital investment and the challenges with moving beyond it. GCDO stresses that there are opportunities for a strengthened, more efficient, collaborative approach and this will be a focus for the 2021 GCDO work programme.

### ***Government Chief Data Steward (GCDS)***

Twelve of the initiatives reviewed had a significant data element. Nine of the 12 were, or could be, aligned to the Data Strategy and Roadmap and provided either an opportunity to improve or extend information of value to the data system, or mitigate a risk to current data collection. However, few fully demonstrated acknowledgement of these risks and opportunities. This highlights a need for greater engagement between the GCDS and agencies to improve the understanding of the Data Strategy and Roadmap and the value of data for the system.

As the Data Investment Plan is developed, a clearer investment pipeline should emerge. This should also help to provide better guidance for future initiatives where the data element initially appears to be of lesser significance in relation to the prime business drivers.

Those initiatives involving client, provider, or financial management systems have great potential to deliver to system-level data needs beyond their prime business objectives. However, a number of them do not appear to give enough attention to the need to involve a sufficient range of stakeholders in the design and implementation. In particular, clients and service providers need to be on-boarded at the outset to ensure that the requisite social licence to collect the data is secured, and the broader system benefits can be identified and captured.

**System risk - learning opportunities from sequencing and cross-fertilisation are not being well grasped in making investments**

As the Government initiates system developments to position itself to thrive in a digitalised environment, new opportunities are presenting themselves to transform business intelligence and operations. While tailored requirements and expectations are emphasised in business cases, a significant commonality is also evident that provides an opportunity for the Government to learn lessons and carry these forward so that opportunities are maximised and mistakes are not repeated.

Two capital initiatives illustrate this point. [33]  
and the [33]

initiatives are both for systems funding a combination of population-based, programme-based and capital funding. While there will be significant differences in funding a relatively [33] and a relatively [33]

there is also likely to be significant commonality between them. Together the two proposals add up to almost [33] at this early stage. Similar comments can be made about other systems developments, [33]

not referencing lessons from Police and MBIE developments, and the lessons from [33]

Ideally, such projects would be well sequenced, and significant attention would be paid to building and retaining expertise through them. The benefits of adaptations through the course of initial developments could be applied to later developments. Mistakes would be less likely to be repeated.

Instead the insight from the Capital Panel is that not only do current arrangements not facilitate such learning between projects, but there is a significant risk that such knowledge growth will be lost within the projects themselves. Proposed restructurings in the health and education sector has the potential to create a disjunction between project initiation and project completion for those initiatives.