

# Delivering Digital Government - Reset Plan

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# Executive summary (1/2)

- Between August 2025 and February 2026, Cabinet made a series of decisions aimed at reducing the cost of digital in government, reflecting its view that the public service had a history of waste, duplication, and poor delivery on technology projects. These decisions included establishing the Public Service and Digitising Government portfolio and transferring the Government Chief Digital Officer function and the Government Digital Delivery Agency (GDDA) to the Public Service Commissioner.
- Following this transfer, the Commissioner requested a rapid review of what the GDDA must do, how it should be organised, and the capability – leadership, technical, delivery, and decision-making – required to operate effectively within the PSC and across agencies. This review responds to that brief.
- The review has found that a combination of factors have contributed to major performance issues in recent years including a system that is poorly informed as to the nature and value of tech investment across the system; has poor co-ordination to resolve the inevitable conflicts and trade-offs in delivering complex tech projects; has a weak central digital function that focuses on the functional rather than the strategic and is not seen as playing its critical role as the expert support needed by the agencies – all at a time of fiscal constraint, greater public expectations and remarkable change in foundational tech capabilities such as AI.
- Done well, technology investment can materially change how government operates, what it costs, and what it delivers to citizens. Inland Revenue's business transformation shows this is achievable in NZ – when governance, funding, and delivery settings are right.
- In that context, we recommend three parallel tracks to reset how government delivers the tech-enabled transformation of government. First, **reset prioritisation** so that scarce resources flow to the highest-impact projects. Second, **reposition the GDDA** as the system's highly capable central strategist, technical authority, and commercial broker — guiding the system while holding agencies accountable for delivering complex projects. Third, **reform the wider system** to remove the structural barriers that constrain delivery performance and undermine all-of-government outcomes. A summary of each track is set out below:

# Executive summary (2/2)

## 1. **Reset prioritisation:** Urgently review existing digital portfolio and relaunch high-impact foundational projects.

- Run a rapid diagnostic of all digital projects, operations and opportunities and assess them on impact/value and agency/industry capacity and readiness – not just spend.
- Reallocate resources to the highest-value projects or imperatives; pause or retire those that are low-value or in conflict. Minimise need for new funding via a combination of reallocated funding from paused/retired projects and short-term operating model/process improvements enacted ahead of technology delivery.
- Establish a tiered all-of-govt project governance/investment committee model with a clear mandate to manage trade-offs across the system. Build capability within Treasury to support new digital transformation and investment governance approach.
- Identify a small number of foundational common-capability projects (our hypothesis: digital identity, data exchange, AI for govt), set a clear strategy and nominate a lead agency that has delivery accountability for each project.

## 2. **Reposition the GDDA:** Narrow mandate, reset operating model, build capability, and hold agencies to delivery.

- Narrow GDDA's remit to strategy, standards/architecture, assurance, strategic procurement, and system capability.
- Devolve project delivery and ongoing operations to lead agencies; identify the right host agency for each common-capability service.
- Rebuild GDDA's capability so it can earn credibility as the centre of expertise – and use that expertise to enable agencies to deliver, rather than substituting for them.
- Rationalise the GDDA organisation, get the right people to ensure the right mix of capabilities/capacity in the centre versus in agencies.
- Immediately connect with Australia's DTA and transfer experience/models and explore joint opportunities (eg sourcing, security etc)

## 3. **Reform wider system:** Change underlying machinery so digital change can move at pace.

- Reset the system risk appetite and funding model to suit digital delivery; require both GDDA and Treasury concurrence to enforce the reset governance approach.
- Standardise the tech leadership/accountability model and close any digital capability gaps across agencies. Reset incentives to reward all-of-govt outcomes.
- Review and remove any overlapping or inconsistent digital mandates (from Ministers down) that undermine all-of-govt outcomes. Monitor change to ensure no reversion to previous siloed approach.
- Confirm and enforce consistent reporting of technology cost/performance outcomes and benefits across Government agencies
- Pursue legislative/policy change where needed to unlock foundational projects that will deliver greatest productivity (eg: 'bundled consent' options for citizen data)

- These actions are not a menu of options rather they are intended as a combination that can be practically applied to improve performance. However, applying this change will still be challenging and the lesson from the past decade is that execution discipline matters as much as the design of the reforms themselves. Therefore, it will be critical to ruthlessly prioritise where to focus attention and investment and to ensure that the organisational and financial enablers for success are in place before committing publicly to an aggressive technology improvement agenda delivering big, short-term outcomes.

# Reviewers were asked to complete a rapid review of the government's approach to digitisation over a three-week period

## Scope of review...

- Between Aug '25 and Feb '26 Cabinet made a series of decisions with the aim of driving down the cost of digital in government
- Part of those decisions was the establishment of the Public Service and Digitising Government portfolio and the transfer of Government Chief Digital Officer function and the Government Digital Delivery Agency (GDDA) to the Public Service Commission
- Following this transfer of GDDA accountabilities, the Commissioner requested a rapid review to assess what the GDDA must be able to do, how it should be organised, and the leadership, technical, delivery, and decision-making capability needed to operate effectively within the PSC and across agencies
- The Commissioner's objective was to draw on relevant private and public sector experience to provide the best possible guidance
- This review was to support the GDDA's renewed focus, give early assurance on capability readiness, and inform priorities as the function moves to full operation

## Method applied...

- Rapid review of documentation provided included PIF reviews, interim target digital state, Cabinet papers and supporting press releases, GDDA materials/reports and selected meeting minutes
- Interviews with CEOs, senior executives and technology leaders in a range of organisations including:
  - A number of core govt agencies (small and large) that have had both existing/past tech transformation programmes
  - Selected Crown entities
  - GDDA senior staff
  - Major vendors to govt
  - Peer country digital agencies
  - Former staff and consultants who have worked for/within NZ Crown agencies/entities
  - Former private/public sector CEOs who have led major transformations
- Desktop review of other relevant materials including wider scan of other peer countries' digital transformation programmes, private sector best practice

## To guide the rapid review we applied the following problem statement

*Rapid review problem  
statement*

*How must the GDDA's role, operating model, and system relationships change to accelerate digital transformation across government — so public money is spent well, citizens are better served, and the economy captures the productivity gains on offer?*

# The review found wide system issues including poor prioritisation, duplication, and projects falling short of all-of-government objectives – leading to a sense of frustration from agency leaders

## 1. Observations

### Disguised examples of projects not delivering

- Agency directed to deliver new online national compliance system on a tight timeline. Agency execs recognised that they needed assistance, attempted to engage GDDA but ended up relying on external consultants to advise on strategy and competing against other gov agencies for skilled tech project resources – rather than drawing on GDDA support
- Large-scale agency embarking on complex multi-year project chose to pursue own payments system rather than re-using existing and mature payment systems operated by another large-scale agency
- Multiple agencies pursuing digital identity initiatives with limited coordination leading to confusion amongst potential private sector participants in identity programme
- Two large-scale and related agencies based in the same building tendering for new service delivery modules independently without planning for integration or wider all-of-govt outcomes – before process was eventually stopped
- Large agency with mature tech stack forced to rely on new and valuable AI tools based in Australian data centres rather than in NZ. Vendor advised that the single agency demands do not justify investment in required AI compute/tools inside NZ – raising potential data sovereignty issues

**GDDA performance issues compounded by unclear delivery accountability across agencies, mixed agency capability and overlapping ministerial mandates**

### Example comments from agency leads highlight the disconnect between how GDDA views itself and internal customers' actual experience

*"...we were able to negotiate a much better deal with a major vendor than GDDA\* was able to achieve through its all-of-govt pricing..."*

*"...while we did get some useful input, we didn't get the expert advice we needed to deliver on our project..."*

*"...our experience with GDDA was that the process became the focus rather than the outcomes we were trying to achieve..."*

*"...the funding model is slow/bureaucratic and focused on the wrong level of detail to the point where it is not fit for the pace of change and the deployment models needed for digital projects..."*

*"...GDDA did provide us some independent views, but in reality they just helped us to admire the problem. It didn't make our lives any easier in delivering our project..."*

*"...I didn't feel that GDDA had the confidence or the capability to help broker an answer to building a common system for use across agencies - so we built our own..."*

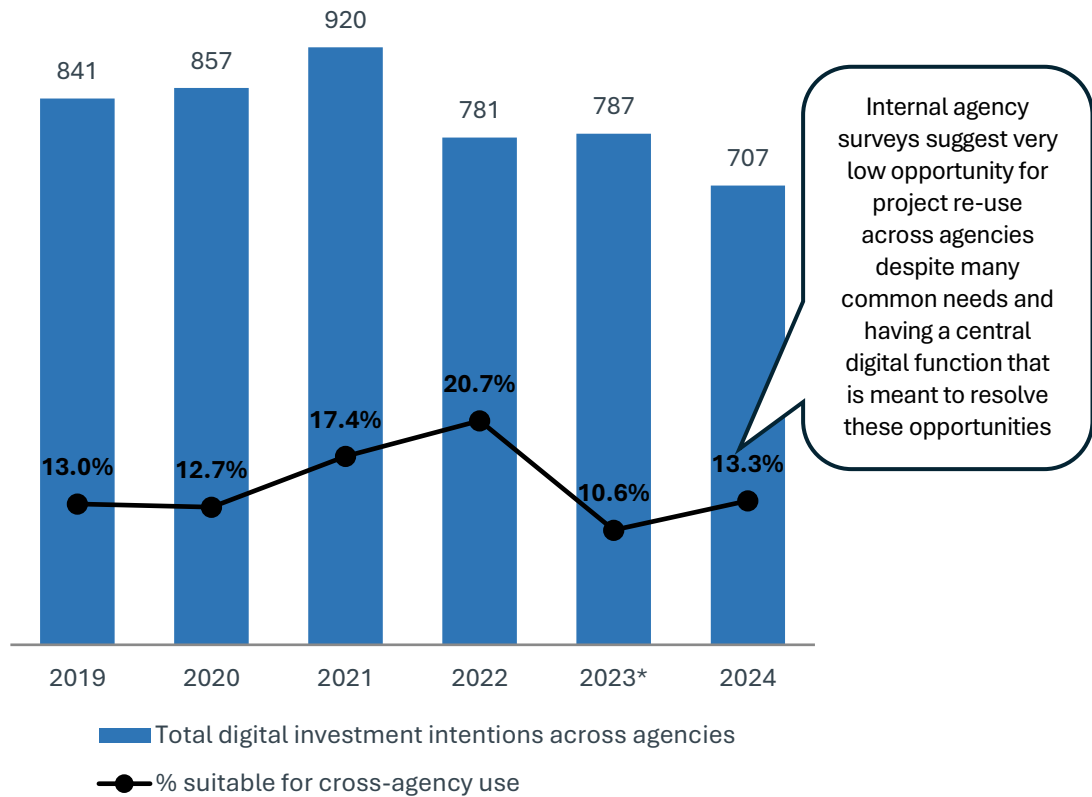
*"...there are core and common functions like data exchange that would make our business much more effective, but we aren't getting a strong direction from the centre..."*

*"...current funding approval processes are slow, cumbersome and not fit-for-purpose for today's digital projects..."*

# The system is fragmented, lacking complete and timely information and missing the urgency to drive change – despite investing \$42m per year in a central digital function

## 1. Observations

Percentage of digital investment/systems suitable for cross-agency use\*\*



### What we found

- Despite costing \$42m per year to operate with 170 FTE (with ~\$20m revenue - mostly internal transfer chargebacks) we found:
  - It was hard to get fundamental metrics to judge performance of tech investment across the agencies and there was limited understanding on baseline tech spend funded through appropriations vs. project funding
  - Reports/surveys on tech investment intentions across agencies were thinly populated and focused on raw spend and measuring activity (inputs) rather than the value/impact (outputs) created by the investment
  - Governance groups lacked sufficient decision rights and were focused on process/information sharing rather than managing trade-offs or making decisions across the system
  - No clear strategy for tech as an enabler of change, more focused on functional tech architecture as the governing idea
  - No sense of urgency or prioritisation of work that has the highest impact (eg GDDA review of agency digital strategies not due to complete until June 2027)

\* Using the cross-agency systems question from 2023 onwards. The drop in percentage from 2023 is due to clarifying the question on whether the investment involved a system or service that could be re-purposed to be used by other agencies. The previous version was more about cross agency collaboration, often interpreted as not actually working with others, just informing others.

\*\* Source: Annual Digital System Insight Report – Jan 2025; Digital Services Monthly Finance Report Feb 2026; Team analysis

# The review also found that current technology funding and investment/approval models are slow and cumbersome and can drive the wrong behaviours – a change in method could enable self funding

## 1. Observations

### Tech funding - context and imperative

- Funding and investment/approval models are designed for risk management of major capital infrastructure programmes while an increasing number of tech investment opportunities are smaller and more iterative/agile and increasingly opex rather than capex
- Agencies struggle to promptly secure funding to pursue these opportunities or manage legacy system renewal, forcing them to periodically push for either bigger project business cases (which often are not the right answer), to hide smaller discretionary projects within IT operating budgets, or else to forgo/delay sensible incremental improvement opportunities and/or allow technology 'debt' in core systems to grow
- Current system norms require full new central funding for an agency's technology investment, with benefits expected only in the medium to long term, once the technology is delivered. Most agencies\*, and the system as a whole, lack the culture and capability to free up existing funding, whether through tough priority calls on current projects or short-term improvements that would enable at least partial self-funding

### How this shows up inside the system

- Complex and time-consuming gateway process with multi-step review and approval for most substantive tech investments
- Difficult to secure discretionary funding as part of budget process
- Limited central visibility of what agencies are actually spending on technology – agency 'skunk-works' projects hidden in budgets and financial reporting – and therefore difficult to hold leaders accountable on the delivery of suitable outcomes or payback for the spend
- Difficult to broker cross-agency investment opportunities
- Most technology investments require new central funding, which puts pressure on wider government finances and makes government reluctant to invest

**Kainga Ora has shown it is possible to self-fund a major (approximately \$170m) tech upgrade by delivering a combination of unbudgeted low-tech cost improvement initiatives and operating model/process changes to drive out cost ahead of tech deployment**

# Our interviews picked up recurring themes about other system issues that prevent tech-enabled transformation

## 1. Observations

### Behaviours/People

- **Execution depends on people:** Having the right people in the right roles (with proper senior air cover) is best guide to success. View that the centre often doesn't select for the right skills and more cross pollination with private sector needed
- **Convergent bias:** Divergent, exploratory thinking seen as indecision/risky rather than rigorous. Both styles of thinking are needed to understand opportunities before confirming approach/project
- **Deference over contest:** Deference to politicians even when ideas are poor or not addressing whole-of-govt issues, rather than a healthy contest of ideas
- **Process as proxy for progress:** Workshops, frameworks and meetings treated as delivery. Activity is substituting for outcomes
- **Fragmented accountability:** Cross-agency problems seem to sit with nobody if centre not playing its role

### Risk management

- **Low risk appetite in the centre limits opportunities at the edge:** Rules out calculated decisions that are routine in private sector. A more flexible approach to risk appetite across the system could support transformation
- **Costs of caution:** Low risk appetite drives layers of control/delay and blocks transformation – but that cost is rarely measured. The cost of supporting status quo operating models will continue to grow without transformation – and needs to be funded if govt unwilling to invest in change
- **Poor information prevents shift in risk appetite:** Each decision maker has to work with poor quality information – limiting any informed choices about risk appetite. Instead, the system regularly defaults to low-risk or silo mode

### Incentives

- **Asymmetric incentives:** Mistakes can end careers or limit future progression but missing opportunities don't carry the same cost. The system protects against loss, rather than rewarding value delivered
- **Public service reality:** View that the most powerful incentives to drive tech transformation are:
  - **Capital:** Your project gets funded;
  - **Peer transparency:** Your project's performance is transparent to oversight group and peer comparison/support is a strong motivator to deliver;
  - **Individual:** You have clear KPIs that are outcome focused and cascade from the top down; performance/outcomes become clear gate for future career progression

# Health NZ has faced all of these issues leading to major hurdles in delivering tech and service innovation – despite the huge productivity opportunity in health spending

## 1. Observations

### Poor quality information

- Difficult to track or identify accurate information to inform risk appetite or decisions eg cannot report true FTE or junior doctor numbers
- No simple answers to basic data questions from Health, Treasury or GDDA

### Process over outcomes

- Innovative new commercial models for tech/system innovation get mired in cumbersome oversight and procurement processes

## Health New Zealand Te Whatu Ora

### Commerciality

- GDDA lacks the commercial/market experience or relationships to quickly assess non-standard proposals
- No clear process to test or refine innovative tech proposals leads to work-arounds

### Funding model

- Funding approval doesn't support digital transformation
- Easier to get approval for \$12bn annual labour cost than \$20m digital project which has to follow gateway process with Min/Cabinet sign-off

### Pace/credibility

- Centre lacks credibility or appetite to guide/support innovation at pace
- Innovation trials (eg ambient AI in ED) happens in spite of institutional settings, not because of them

Treasury's view is that driving productivity in Health through tech transformation could deliver the biggest enduring benefit for NZ; a 5% saving in labour costs alone could save ~\$600m per year

# However, we also found that the gov't's investment in tech has made the greatest impact when part of a transformation in how gov't conducts its business and serves citizens

## 1. Observations

### Selected examples of successful tech-enabled transformations

#### Large-scale, multi-year transformation: IR Business Transformation

- **Scope:** ~\$1.5B, multi-year overhaul of the entire revenue system covering policy, processes, technology, and organisational operating model
- **Core tech replacement:** IR migrated from a 1980s COBOL mainframe (FIRST) to a modern core tax platform and decommissioned over 400 legacy applications.
- **Customer-centric redesign:** IR shifted from an admin-driven model to one based on pre-populated data, near-real-time information exchange and digital self-service.
- **Staged rollout:** Delivered across multiple releases, with the final customer-facing changes (paid parental leave, duties, foreign trusts, then child support) going live in February and October 2021



#### Rapid cross-agency project: New Zealand Traveller Declaration

- The NZTD was launched as a critical component of the 'Reconnecting New Zealand' border reopening after COVID-19
- The programme was designed as an enduring border risk management platform, providing a single digital point for travellers covering biosecurity, customs, immigration, prohibited goods and security checks — replacing the paper Passenger Arrival Card.
- Delivery and rollout: The fully digitised NZTD went live in August 2023
- Lead agency and partners: New Zealand Customs Service led the NZTD, working closely with the Ministry for Primary Industries, MBIE (Immigration NZ), and the Ministry of Health to deliver a unified digital border process.



### Why it worked / outcomes

- **Funding and stability:** Multi-year funding with clear scope and stable policy settings
  - **Leadership focus and accountability:** IR executive team treated the transformation as their top priority. They set up dedicated governance, made timely decisions, and stayed actively engaged in steering trade-offs
  - **Strong capability:** IR built in-house capability and augmented it with key partners to deliver a complex, multi-stage programme
  - **Staged, customer-centric delivery:** Multiple sequenced releases over several years, with strong change management and an explicit focus on how customers used the system and what mattered to them
  - **Outcomes:** 99% of IR transactions are now digital; \$500m in administrative savings.
- 
- **Leadership and accountability:** A clear lead agency in a defined multi-agency partnership, with executive-level collaboration, shared accountability, and fit-for-purpose governance across the key agencies
  - **Dedicated resources:** Key staff seconded from agency BAU to form a capable programme execution team
  - **Pragmatic legal design:** Built on existing legislative frameworks rather than waiting for new law. Each agency retained authority under its own statute, with the NZTD acting as the common data-capture layer
  - **End-to-end integration:** Execution more than a shared front-end – data built into each agency's downstream operational systems
  - **Outcomes:** ~72% of NZTD now completed digitally

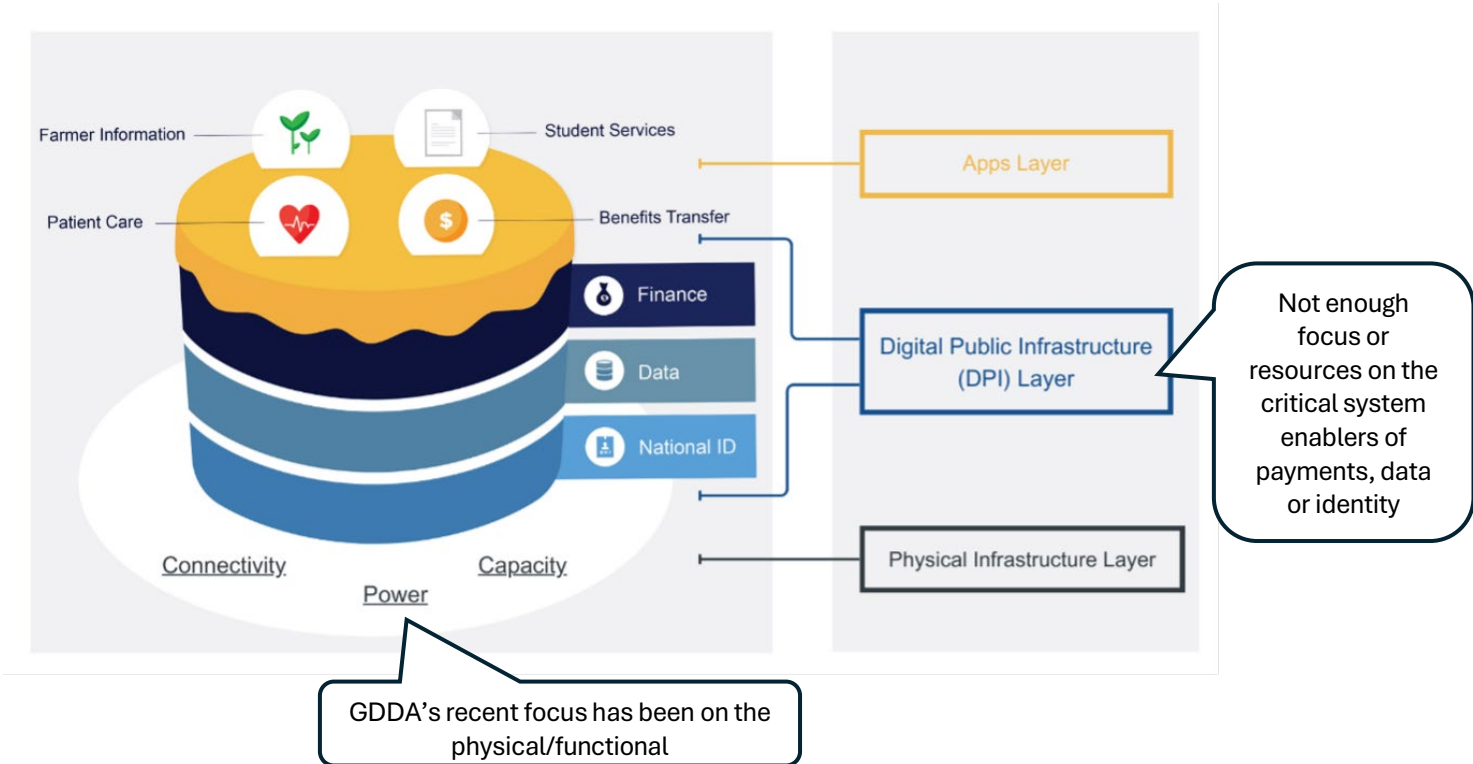
# The importance of building digital public infrastructure (DPI) to enable modern and efficient delivery of public services is a mature concept and well understood...

## 1. Observations

Digital public infrastructure (DPI) refers to shared digital systems that act as foundational 'rails' for a society, much like roads or electricity grids do in the physical world. Built to be open, interoperable, and accessible to everyone, DPI enables governments, businesses, and individuals to deliver and access services such as payments, benefits, and verification quickly and at scale

- GDDA has recognised the importance of building DPI for NZ, but in recent years its resources and focus have been weighted to the physical/ functional layers such as telco/ infrastructure as a service and cloud
- While those elements remain important, true transformation of government depends on delivering the three legs of 1) payments; 2) trusted exchange of data (with clear consent rules); and 3) trusted digital identity. AI is the new enabling capability that can realise the benefits of DPI sooner

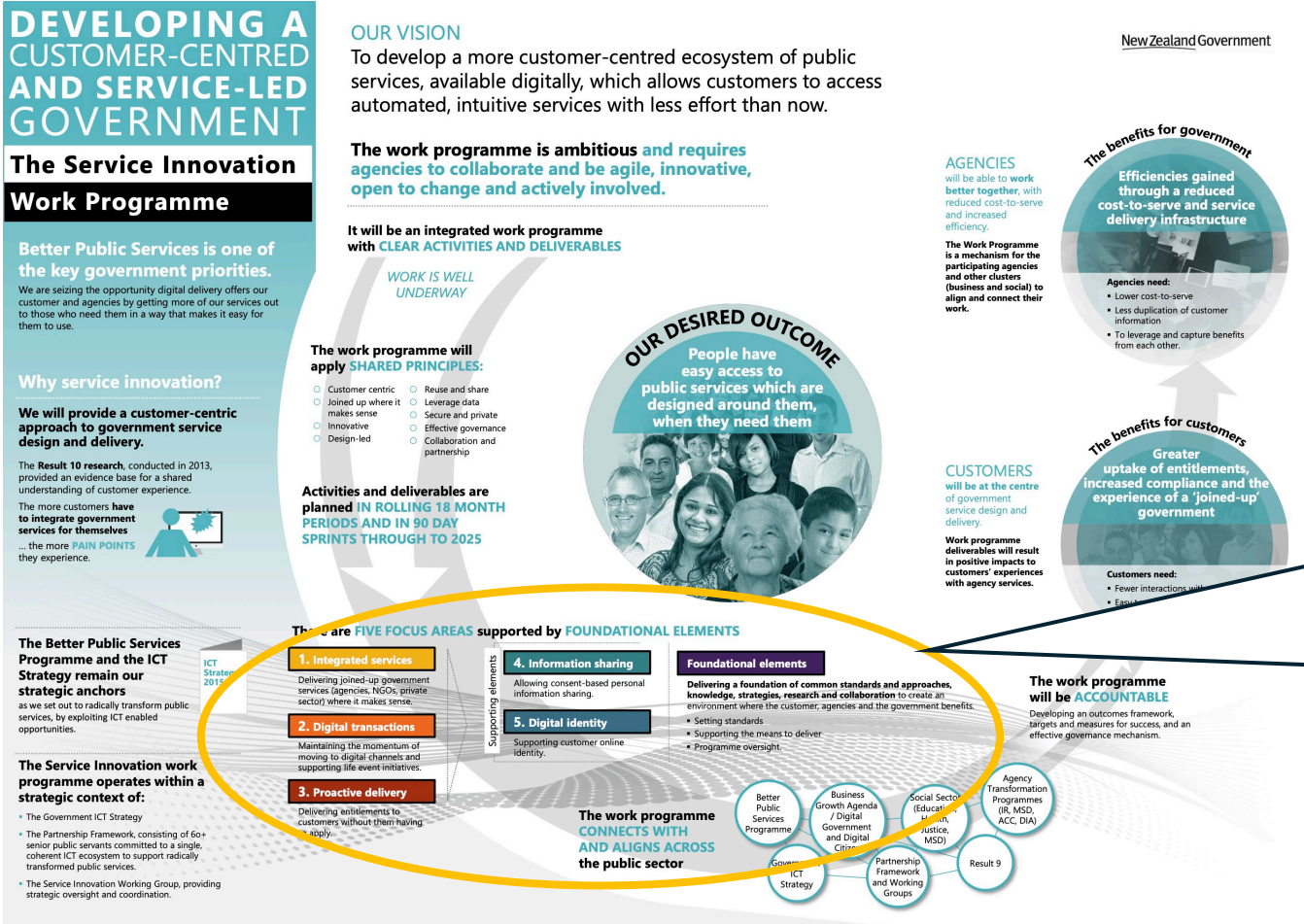
Digital public infrastructure (DPI) example concept model – CSIS 2023



# ...and the NZ govt has long recognised the importance of building DPI but execution has failed over many years – despite the potential value at stake

## 1. Observations

### Govt Service Innovation Programme concept proposal 2013



Back in 2013 payments, data exchange and digital identity were all recognised as being foundational to improving the delivery of public services – but almost 13 years later they have still not been delivered

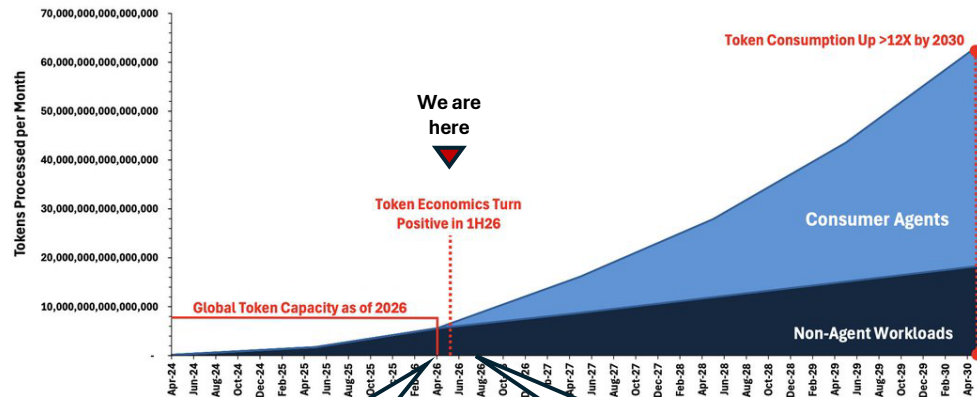
# Investment in AI capacity and capability continues to grow and forecasts are being revised up suggesting we are only at the start of the transformation AI tools can enable...

## 1. Observations

### Global investment in AI capacity and capability forecast to grow...

**Exhibit 9: Consumer agent workloads could dramatically increase token consumption, leading to 10x token consumption by 2030.**

Consumer token growth is driven by broader user reach, higher daily frequency, and the shift from chat sessions to both on-demand and always-on agents.



Source: Data compiled by Goldman Sachs Global Investment Research

Hyperscaler investment in AI continues to grow – now forecast to be over US\$1.1tn in '26/'27 alone

Latest AI token use forecasts suggest we are still in very early stages of AI deployment as capability and applications continue to expand

### ...and business/govts are starting to reset their businesses around AI

CommBank's in-house agentic AI fraud system, built in three months, cut fraud losses by over 20% in H1 FY26 and now drives three quarters of its card fraud rules.

**CommBank, April 2026**

Anthropic and OpenAI are both launching joint ventures for enterprise AI services

Russell Brandom 8:59 AM PDT · May 4, 2026

**TechCrunch, May 2026**

UK gov't's "Consult" AI analysed 50,000+ Independent Water Commission responses in two hours for £240 (with higher accuracy) – versus months conventionally. Ultimately informing a decision to abolish the water regulator Ofwat.

**UK Govt / DSIT, Oct 2025**

Major AI firms have recognised the potential to re-engineer businesses using AI and have launched new consulting JVs to drive that change and lift AI adoption

# ...and along with DPI, AI is foundational capability that can transform the work of govt, but NZ has lacked ambition or a coherent strategy for govt AI and is quickly falling behind peers

## 1. Observations


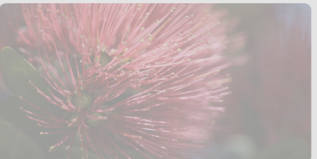

### Selected examples of peer countries' govt AI efforts vs NZ

- Singapore first launched national AI strategy in Nov '19
  - **Singapore** allocated SG\$1bn over five years for AI capabilities, digital trust, and govt workforce readiness; **UK** launched £2.3bn AI Action Plan in '25 – seen as key tool to help deliver £14 billion in government efficiency savings by '28/'29; Aust Fed commits ~\$100m to specific AI initiatives over '24 -'28
  - Singapore makes AI training mandatory for all 150k public servants; leaders required to actively use AI themselves – not just sponsor it
  - Australia has all-of-govt MOU/ contracts with major AI companies committing to localised compute/toolsets and delivering better priced access to AI for public service; working on data sovereignty; partnering with OECD for agentic framework for govt AI deployments
- VS.**
- NZ published AI strategy in July '25 – **last OECD country**
  - NZ's 2025 AI strategy explicitly focuses on adoption and commercialisation\*\* – **but has no specific timelines, milestones or measurable outcomes for govt AI**
- VS.**
- GDDA effort proposes a **simple AI 'hub' for agencies to share resources** by July '26; 272 AI use cases identified across 70 agencies — **but only 20% are deployed and operational** and many are duplicate use cases
- VS.**
- **Fragmented AI use in NZ govt agencies** with pockets of advanced use, but sub-scale and reliant on overseas (not local) compute; **no all-of-govt commitments**

While govt has initiated some work to support commercial AI R&D\*\* the govt itself has AI activity rather than an AI strategy - a fragmented effort while bigger opportunities (eg frontier partnerships, service redesign) remain unrealised

# The NZ tech industry has highlighted similar issues as being critical to lift both govt and private sector productivity

## 1. Observations

<b>DIGITAL PUBLIC INFRASTRUCTURE</b> <p>Digital public infrastructure enables seamless, efficient interaction between citizens, businesses and government.</p> <p>It reduces compliance costs, eliminating duplication and making it easy to do business in New Zealand. This includes modernising legacy systems for a citizen-centric experience, creating common platforms, ensuring government services are AI-first and committing to open data flows.</p>	<b>OPEN DATA INTERCHANGES</b> <p>Open data interchanges and standards that allow secure, privacy-preserving data sharing between authorised parties. Developing and supporting API-exchanges across multiple sectors (for example, the API-Centre for the payments sector), extending the Customer and Product Data Act 2025 to accelerate innovation in health, transport, energy and beyond. Transition multiple sectors at once.</p> <p>When data can flow safely and efficiently, businesses can build better services, researchers can solve complex problems and citizens benefit from personalised, responsive solutions.</p>	<b>DIGITAL IDENTITY SYSTEMS</b> <p>Accelerate uptake of trusted digital identity systems that provide every New Zealander and business with secure, digital identities to use across public and private services. This helps reduce fraud, simplifies online transactions, enables financial inclusion and boosts productivity.</p> <p>We have built the framework through the Digital Identity Service Trust Framework Act 2023 and now we must invest in driving adoption and engagement.</p>	<b>CYBER SECURITY CAPABILITY</b> <p>Continued investment in nationwide cyber security capability that protects our critical infrastructure, businesses and citizens from constant, complex and growing cyber threats. This includes supporting businesses to strengthen their security and ensuring New Zealand is a trusted, secure place to do digital business.</p> 
<b>KIWI AI</b> <p>Investment in homegrown AI capabilities so we can harness AI capabilities quickly, safely, ethically and effectively. This means investing in local AI research and development, establishing ethical frameworks and safety standards, developing computing infrastructure and local small language models (SLMs). We also need to ensure New Zealand has the expertise and education to deploy AI in ways that benefit everyone while managing risks.</p> <p>Invest in developing the skills, regulations and local capabilities for all Kiwis to safely engage in agentic commerce (using AI to buy, sell and help manage businesses).</p>	<b>DIGITAL ASSET REGULATION</b> <p>Establish a clear, proportionate, and principles-based regulatory regime for digital assets and blockchain technologies to protect consumers and signal New Zealand is open for responsible innovation.</p> <p>A regulatory regime would support economic competitiveness while maintaining trust in the financial system.</p> 	<b>GOVERNMENT PROCUREMENT</b> <p>Modernise government procurement rules to remove outdated barriers to adoption of Software as a Service (SaaS) across government. This includes legacy pricing constraints, compliance burdens and IP ownership assumptions that do not reflect how cloud services are delivered.</p> <p>The government should update All-of-Government procurement settings to improve flexibility and value for money, enabling agencies to confidently adopt secure, fit-for-purpose SaaS solutions and strengthening opportunities for New Zealand technology firms.</p>	<b>DIGITAL INCLUSION</b> <p>Investment in digital inclusion initiatives to ensure all New Zealanders can access, adopt and benefit from digital infrastructure. This includes bridging the digital divide through connectivity programmes, digital literacy training and accessible design that works for everyone regardless of age, location or ability.</p> 

The local tech industry peak body (Tech NZ) has published its proposed manifesto for Election 2026 to encourage the government to focus on similar foundational capabilities

# Major vendors can see the opportunity to work with govt – but when compared with peer countries they see the engagement as transactional rather than strategic

## 1. Observations

### Summary of tech vendor feedback on engagement with NZ govt

#### 1 Outdated commercial models and slow to change

**Core contracts are 12 years old:** Telco/Infra as service were built for legacy product models; cloud, SaaS and AI cannot be properly accommodated. GDDA's current focus addresses functional tech spend rather than the opportunity of transforming the c\$140bn\* cost of govt.

#### 2 Poor relationships with larger agencies

**Large agencies often route around GDDA:** GDDA's response has been to ask vendors to 'name' non-compliant agencies which undermines relationships. Quality of engagement with GDDA very dependent on which individual is involved and often not seen as commercially savvy.

#### 3 No future-focused investment outlook

**No joint roadmap with major partners:** Australia has recently signed major strategic partnerships and MOUs with major vendors (eg \$2bn Microsoft deal), but no equivalent in NZ. Vendors have offered to co-invest and pilot with NZ govt, but GDDA isn't structured/empowered to take them up.

#### 4 Behind on AI and emerging capability

**Agencies navigating AI alone:** Vendors don't see central guidance, shared infrastructure, or clear position on AI/agent government. Australia's central digital agency (DTA) runs a 20+ person AI branch with OpenAI, Anthropic and Microsoft MOUs.

#### 5 Sporadic and often disjointed engagement

**Engagement is annual, not continuous:** Vendors suggest no visibility of future priorities or budgets, no RFI feedback loop, and strategic meetings cancelled last-minute. Vendors compared this with Australia where the central function oversees majority of digital spend with rolling roadmaps.

#### 6 Procurement as a barrier to innovation

**Compliance overhead blocks innovation:** Agencies seem to bypass all-of-govt processes; the current GDDA marketplace fee (% of contract) incentivises avoidance. Vendors suggested outcomes-based frameworks, three-year visibility, sandboxes and access to business (not just IT) leaders inside govt

# Other countries have also had challenges in digitising govt and no model is a perfect fit for NZ but DTA Australia's approach more relevant than Sing/UK – we should engage directly with DTA

## 1. Observations

### Lessons learned from the Australian Digital Transformation Agency

### Others / Notes

#### Role/ Scope

- Strict scope discipline: anchor core functions of strategy, policy, assurance, digital procurement, and architecture in the centre of government but **position centre as enabler for the agencies, not owner** of projects, platforms or service delivery. Experience says that combining both together will 'guarantee failure'

- UK/Sing also have intentionally split functions but have a dedicated central delivery function located within same ultimate agency structure

#### Influence/ Credibility

- Centre needs to **earn credibility before wielding enforcement** powers – and as credibility builds so does confidence in programme delivery
- **Need clear strategy / direction from centre with endorsement** from Ministers down

- UK GDS\*\* embeds teams within agencies to apply influence, scale and expertise

#### Mandates

- Has no statutory powers but **authority comes from being properly embedded (concurrence) in spending approvals** across Federal govt and expert advice flowing directly through to governing investment committees
- Minority of spend goes through project approvals process with most tech spend (~80%) in agency baselines - this spend needs just as much focus
- Influence grew when DTA shifted from PM&C to Finance department

- The NHS sits outside of the UK GDS with its own digital function given scale/complexity

#### Governance

- **Need high quality information** about tech investments **before making high quality decisions**
- **Applies three-tier governance** (technical, Secretary of Dept, Ministerial) as tech and investment committee function - with formal powers and release valves
- Committees can apply **mandatory powers to drive agencies to re-use tech** (with Ministerial exemption)

- UK GDS treats digital as inseparable from public service reform rather than a tech-focused governance challenge
- Sing applies a strong top-down approach – reflection of model/culture?

#### Procurement

- Concentrating spend leverage through **strong commercial management has enabled DTA to cover >75% of tech spend** – using panels for six categories of common spend (eg cloud, prof services, telco etc) and large scale single seller agreements (eg AI companies; hyperscalers) – and gets better value beyond better pricing alone (eg buyer's conditions)
- Delivering meaningful savings helps to build political capital quickly

#### Other

- **Can move fast when given support**; eg went from 13-agency AI task force to fully funded AI team in 12 months, with policy, accountable officials, and procurement/MOUs with global AI firms all in place
- **Design shared platforms as serving whole-of-gov from day one** – don't make it an afterthought
- Fund digital as infrastructure not just projects
- **Data exchange / identity seem as connective tissue of digital government**: identity unlocks service access, data sharing unlocks service delivery. AI is the next focus
- National resilience, security and sovereignty – remain live topics. Potential for Aust to work with NZ

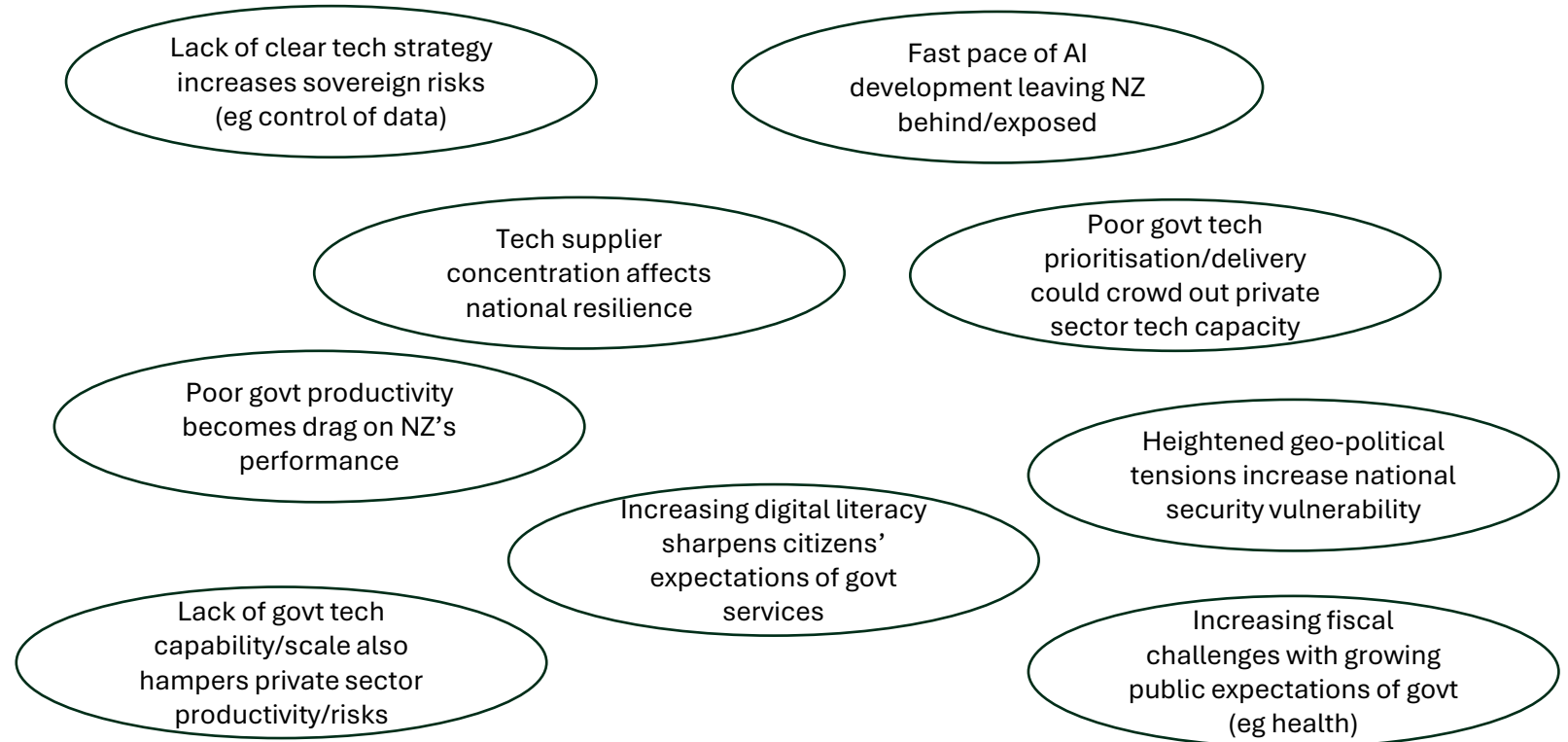
- DTA identity project challenging: still has thin penetration, higher opex than commercial alternatives. Interoperability with accredited private systems beats displacement
- UK has also faced challenges with identity project (Verify)

# The review shows there are material opportunities to improve performance and reduce govt tech costs, however other macro factors suggest a much wider case for urgent change

## 1. Observations

### Other potential macro risks that justify urgent change

- Our rapid review has identified many examples of duplicated processes/outcomes, poor prioritisation, competition for scarce resources, and process-focused (not strategic) procurement
- This alone suggests a real opportunity to reduce waste and save costs across govt tech operations and projects
- **However, our review also highlighted other macro issues which mean the urgency for change is not just about saving money**



**Context above suggests that the change required is more about transforming the way government operates and how it serves NZ's/citizens' interests as much as it is about removing waste and cutting tech costs**

# The govt has recognised the need for change with recent decisions in late 2025 a step in the right direction, however more fundamental changes are needed to meet the ambition

## 1. Observations

*“Evidence tells us that the bigger and longer digital projects are the more likely they are to fail. According to Treasury data, 59 per cent of core digital projects are behind schedule and 85 per cent of digital investment in the planning and delivery stages are rated 'high risk'.”*

**Cabinet paper, Sept 2025**

*“Agencies procure high-cost ICT solutions in siloes and compete with each other for scarce digital skills and often identical capability. This creates wasteful duplication and disconnected systems, misses the opportunity to achieve significant economies of scale.”*

**Min Collins, Sept 2025**

*“Previous attempts to foster efficient digital investment and procurement have not worked well due to inadequate operationalisation of GCDO mandates, and an unclear digital government target state.”*

**Cabinet paper, Sept 2025**

*“New Zealand was the last OECD country to publish such a strategy... The time has come for New Zealand to get moving on AI”*

**Min Reti, July 2025**

**The diagnosis is well understood, but there are underlying structural and system issues which will need to be addressed to deliver on Cabinet’s objectives**

# This review has identified three core and interrelated issues that need to be addressed to change pace and scale of govt digital-enabled transformation

## 2. Diagnosis

### What we mean

1 **Prioritisation: No shared view of where and how digital creates value**

- Lack of recent progress means govt digital/tech being seen as a cost to control rather than an investment to create value or address critical national imperatives (eg productivity/resilience)
- No shared sense of value or prioritisation means tech development/spend scattered or duplicated across system – strong sense of frustration across agencies/Ministers due to lack of alignment
- Important projects that could create system-wide change (eg digital identity, data exchange, AI) are drifting, lack strong strategy and are poorly supported/coordinated
- Treasury currently lacks the required skill/capability to sit alongside GDDA in effective assessment and prioritisation of digital investments
- External vendors fit in with (benefit from?) fragmented model but are frustrated and recognise opportunities being missed (\$/value)
- Without quality/timely information the centre can't credibly arbitrate or realise all-of-govt benefits

2 **GDDA: has fuzzy mandate, low impact, thin track record**

- GDDA target operating model unclear and scope too broad with fuzzy boundaries between other agencies/central functions (eg Treasury). Has become a grab bag of related activities but master of none
- Only has paper mandates with very limited influence or control over funding, design and procurement decisions. Often seen as a cost manager to work around not a function that can create value or provide expert advice
- Core tech and functional capability seen as very uneven and pushed on agencies rather than enabling them; credibility with agencies is low and recent delivery has been underwhelming
- Procurement function prioritises tech changes focused on functional topics not top level strategy and change is pushed from the centre - system wants strategy, expertise, partnership and value for money. No sense that all-of-govt scale benefits are realised from vendors
- Confusion around what qualifies as core or common tech capability and who should lead delivery
- Too many people in GDDA team relative to core obligations – functions often duplicated elsewhere within agencies (eg procurement)

3 **System: not set up to enable rapid digital change or realise underlying value**

- Wider system level settings don't always support (or at worst undermine) tech/efficiency objectives e.g. misalignment in risk appetite between Ministers and the delivering organisations; project funding process/appropriations
- No consistent operating model (eg leadership/tech roles) across agencies, fragmented structure and lack of clear, consistent reporting makes it hard to co-ordinate and judge performance across system
- System wide incentive models don't reward/sanction behaviour or encourage all-of-govt planning and prioritisation
- Culture and project execution approach don't enable technology to be used to create change at pace – risk of being stuck in the past and wasting money

# There needs to be some fundamental shifts in how tech-enabled change is managed and delivered both in the centre and across the system

## 2. Diagnosis

### 1 Prioritisation

From....

- Poorly coordinated, discrete projects driven by agency/Minister fighting for limited funding and scarce skilled resources
- Prioritisation focussed on efficiency of tech spend not value delivered
- Delivery of duplicated tech systems with limited interoperability and complex ongoing management
- High impact projects drifting without strategy
- New resources/funding sought for most investments with benefits not realised until after technology has been deployed



To....

- Single view on tech priorities that deliver most value to system and avoid silo behaviour – applying investment committee mindset
- High quality information enabling high quality decisions
- Best talent and scarce funds deployed on most important projects
- Priority given to those foundational projects that can transform services for citizens and deliver highest return on investment
- GDDA (as system 'CDO') and Treasury (as system 'CFO') partnering to deliver a fit-for-purpose and timely investment model
- Agencies (or the system) free up funds by reprioritising existing funding and making low-tech operating and process improvements ahead of technology deployment

### 2 GDDA function

- Policy and compliance focused function that drives activity from the centre
- Solid start with technically-driven target state
- Focus on measuring activity and work already happening in the system
- Outdated procurement frameworks that are not meeting the evolving needs of agencies or vendors
- A broad spread of limited capability thinly covering a wide range of initiatives
- Incentive model that encourages a desire to control system to force alignment with funding mechanism



- A smaller, expert centre function focused on strategy, standards, architecture, assurance, and strategic procurement
- Working with agencies to reset digital strategy and build a roadmap based on value and outcomes
- Respected commercial business partner that empowers agencies to deliver – but with teeth to ensure high performance and early problem resolution
- Deep understanding of system and market and knows how to use gov't's own strengths and how to get most out of vendors
- Material value-for-money benefits through strategic procurement
- Delivery led from the edge not the core with close support/oversight

### 3 System

- A system that doesn't enable or encourage all-of-govt thinking
- Mixed model of responsibilities and incentives across system that undermines accountability and performance for tech projects
- Top performing staff frustrated, burnt out, or under-utilised



- Clear accountability for outcomes and focus on performance
- Top talent get recognition for performance and opportunity to work on biggest challenges by transferring between agencies
- Agencies working to prioritise all-of-govt outcomes
- Greater transparency on performance and faster issue resolution

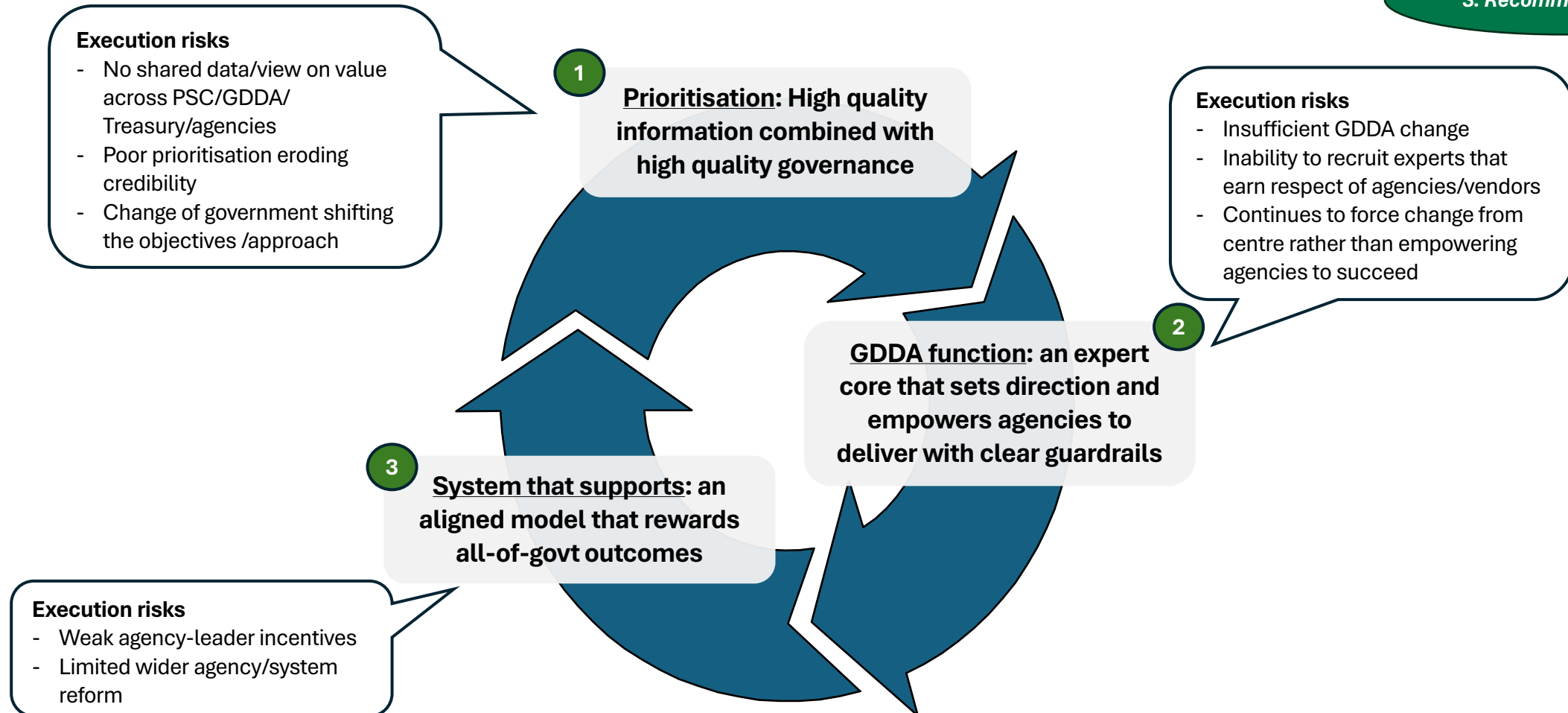
# Summary of recommended interventions

## 3. Recommendations

	Recommended intervention	By When*
<b>1</b> Urgently prioritise digital projects for value and launch select foundational projects	A. With Treasury, run an urgent diagnostic on digital opportunities/projects and tech baseline spend - then run project/intervention prioritisation as first step	• July '26
	B. Get agreement from Ministers/Agency CEs on proposed priorities and allocate resources and investment appropriately. Pause or retire conflicting/low value projects	• July '26
	C. Identify very limited number of high-impact common projects that unlock greatest value (hypothesis: <i>digital identity; data exchange; AI capability</i> ). Nominate a single accountable agency for each and set aggressive delivery strategy with iterative/MVP approach	• July '26
	D. Set up new three tier, decision-focused governance model that can act as an investment committee for digital projects and can resolve ongoing prioritisation/trade-offs (eg CTOs; agency CEs with Treasury; Ministers). Enforce compliance (eg no funding/resource if not submitted to committee)	• Aug '26
	E. Build dedicated capability within Treasury to support execution of new digital transformation and investment model	• Aug '26
<b>2</b> Narrow team mandate, reset capability and org model, rename team	A. Narrow the GDDA team's mandate to focus on highest impact activities and avoid blurred accountabilities: <ul style="list-style-type: none"> <li>• Focus on strategy, standards, architecture, assurance, procurement, system capability (eg talent dev) only</li> <li>• Allocate any project delivery and ongoing service management accountability to other agencies and give them the expert support to deliver</li> <li>• Become expert guide (not lead) to agencies on procurement models/info but retain lead on strategic procurement function via panel model for common/functional services (eg prof services, cloud, hardware, software, telco, contingent labour) and negotiate a limited set of all-of-govt contracts (eg major platforms) to get maximum value/required specialisation (eg data sovereignty, access/AI model controls). Maintain marketplace function for lower-value commodity products only if remains relevant</li> <li>• Drop or reallocate all other distractions (eg Gazette, jobs.govt.nz)</li> </ul>	• July '26
	B. With tighter mandate, reset org model and attract high-quality people with the right capability (expertise, tools) to match new objectives and build internal credibility. Reset current internal funding model to avoid mis-aligned incentives (resolve the impact of any mid-budget cycle timing issues)	• July – Aug '26
	C. Rename and relaunch the new central team to signal change and confirm new investment oversight framework and engagement model with agencies	• July '26
	D. GDDA to lead the reset of the digital transformation for government	• Sept '26
	E. Directly engage with DTA Australia and transfer experience/models to NZ and explore joint opportunities (eg sourcing, security etc)	• May '26
<b>3</b> Reset the system model to enable rapid digital enabled change	A. With Treasury, fix project business case approval process/funding model and risk appetite to fit tech enabled project demands and enforce GDDA concurrence	• Aug '26
	B. Fix the incentive model across the system (three tiers: capital approvals; peer transparency; individual targets) to encourage behaviours that support all-of-govt tech objectives (eg add to career progression gateways)	• Aug '26
	C. Standardise the tech leadership and accountability model (eg common roles/responsibilities, KPIs, standard digital investment reporting obligations etc) across system. Close any digital capability gaps across agencies	• Aug '26
	D. Review and remove any overlapping or inconsistent digital mandates (from Ministers down) that undermine all-of-govt outcomes. Monitor change to ensure no reversion to previous siloed approach	• Aug '26
	E. Change the tech response/project delivery model to reflect new reality/urgency (eg surge teams, AI assisted development)	• Aug '26
	F. Consider legislative change to provide clear boundaries or support for critical enabling tech projects (eg: 'bundled consent' options for citizen data) and clarify domain data ownership within system	
	G. Consider accelerating pace of change by clustering agency needs and/or establishing a Transformation Office	

# The primary changes recommended are inter-related. Past experience shows that changing one without the others will not deliver on objectives. Execution will be critical

## 3. Recommendations



The NZ govt's Service Work Innovation Programme highlighted many of the same opportunities and risks over 13 years ago – a firm commitment to execution is required to deliver change

# We recommend a rapid diagnostic is conducted to clarify biggest and most urgent business improvement opportunities – and assess agency/system readiness to realise them

3. Possible approach:  
Recommendation 1-A

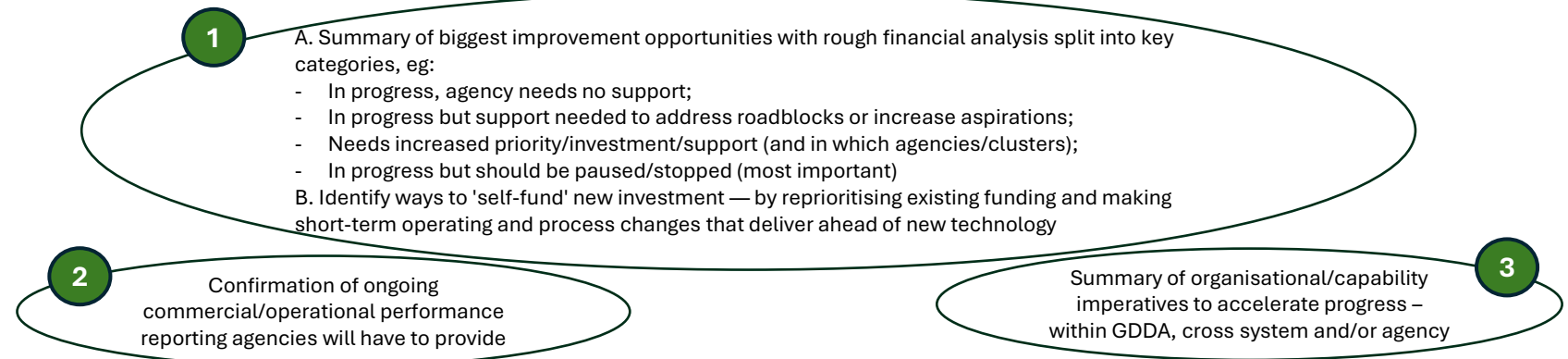
## Objective

To prioritise the government technology agenda and focus the GDDA's near-term support a shared cross-government view of improvement opportunities is needed – covering technology costs, the business value to be unlocked (cost savings, productivity, service improvements), agency readiness, and where cross-agency coordination or road-block removal will accelerate delivery rather than slow it

## Approach

1. Led by the GDDA – but with strong support from Treasury and key agencies
2. Establish cross functional team including technology and finance/commercial, as well as agency representation. Likely to need some consulting support to assist rapid assessment (eg benchmarks) and analysis
3. Combination of existing data review, interviews and analysis including:
  - Establish consistent baseline and trends of current spend
  - Review existing approved and in-progress project business cases
  - Assessment of highest potential improvement levers – new plus upsides to existing projects
  - Assessment of agency model/readiness and ability for central support/intervention to accelerate vs slow pace
  - Assess industry capacity and readiness
4. Pragmatic judgement/experienced-based, including realistic top-down assessment of key driver improvement opportunities, as opposed to exhaustive analysis or audit of work in progress

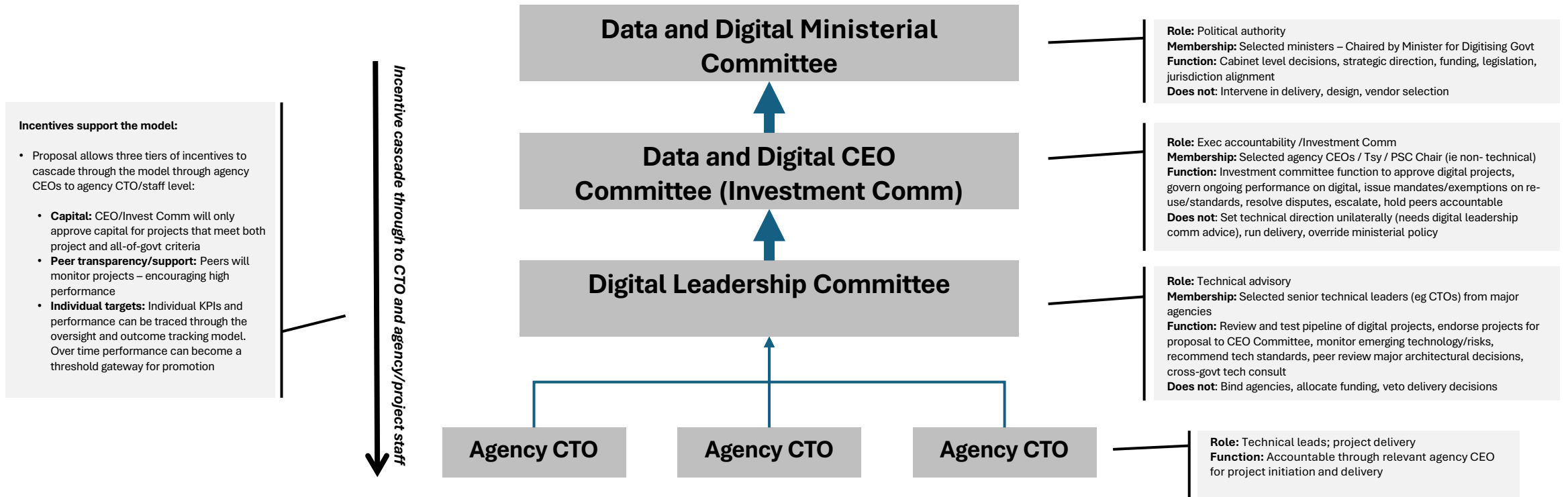
## Outputs



# Following the urgent diagnostic process we recommend applying a strong governance model for government digital and data projects – referencing DTA model from Australia

3. Possible approach:  
Recommendations 1-D and 3-B

## Possible three tier governance model for digitising government (digital and data)



- Clear separation of tech advisory, executive approval/oversight, political authority  
 - Exemption mechanism preserves agencies' autonomy without breaking centre function  
 - Each layer's decisions are appealable upward, not sideways

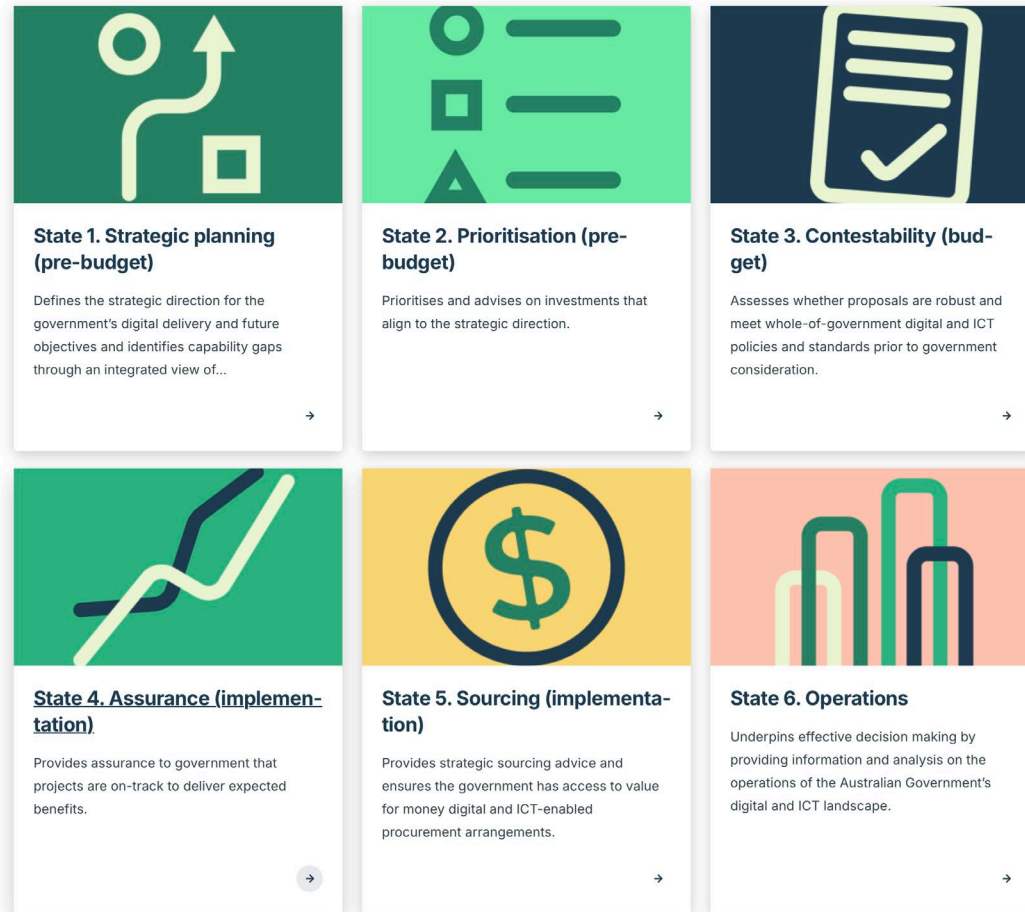
# To support new tiered governance model, the reset GDDA should also adopt and manage an investment oversight model as the operational pipeline to guide agencies through project inception to approval

3. Possible approach:  
Recommendations 2-A and 2-C

## Example: DTA Australia's Investment Oversight Model\*

DTA framework has assessed over 300 digital and ICT proposals since establishment

Recognised by the OECD as a leading whole-of-government model for digital investment governance



GDDA's role as tech expert, guide and assurance adviser to public service will ensure proposed projects are well formed and then well supported through the governance process – and therefore more likely to succeed in hitting both agency and all-of-govt objectives

# Once initial diagnostic phase/prioritisation completed, GDDA scope should be reset. Proposal below reflects tighter mandate and will depend on appointing the right capability

**3. Possible approach: Recommendations 2-A**

**What is in - DRAFT**

**What is out**

**Strategy and system leadership**

- **System strategy:** Lead government digital strategy, detailed digital government target state (co-developed with agencies) and private sector/international engagement
- **Domain strategies:** Develop supporting strategies to address specific domains (eg use of data for digital services across system/agencies; sovereign AI; data residency etc)
- **Incentives:** Design and propose system incentive model (three layers: capital (with Treasury)/ peer-transparency (through governance and portfolio reporting)/ role-based (KPIs)
- **AI lead:** Expert advice and lead on AI strategy and ethics for government
- **Capability/talent:** Establish common top level role functions/accountabilities (eg CTOs) across system, set capability frameworks and manage a talent development pipeline. Advise PSC on ideal deployment
- **Digital legislative stewardship:** provide expert advice on digital/AI to agencies (eg MoJ, DIA etc)

- PSC owns workforce policy/CE accountability,
- Relevant agency (eg MoJ/MBIE) owns legislation

**Architecture, interoperability and standards**

- **Standards:** With agencies, set tiered standards and interoperability rules/guidelines for for core digital functions (eg APIs and data exchange) across system with consequences for non-compliance
- **Architecture:** Define reference architectures and technical standards (eg identity, data exchange, security, AI model deployment) and provide expert guidance for tech projects led by agencies
- **Service design:** Set service design principles and standards (eg for citizen-facing interfaces or core functionality)

- NZISM ownership and operational cyber (GCSB lead)
- Privacy Act admin (Privacy Comm lead)
- Statutory data demarcation — official stats (Stats NZ) and social investment data (SIA)

**Investment and procurement**

- **Investment oversight framework and approvals:** Operate a framework to support agency tech projects from initiation through to investment approval via the new investment committee process
- **Procurement guidance:** Advise agencies on best practice procurement methods including off-the-shelf, re-use across system, highly customised commercial arrangements (eg risk sharing JVs/partnering with vendors)
- **Panels/SSAs:** Run all-of-government digital procurement panels for common capabilities and strategic sourcing agreements for selected large-scale/strategic vendors (eg hyperscalers/AI companies). Focus existing marketplace function on commoditised, low-value procurement

- Capital approval framework owned by Treasury
- Broader procurement rules owned by [MBIE]

**Portfolio management and assurance**

- **Adviser to tiered governance model/investment committee:** Both adviser and secretariat to the three tier governance model
- **Roadmap and register:** Build a whole-of-government digital investment roadmap and asset register (qualify tech debt) to inform project prioritisation - focused on business value/outcomes for system/agencies
- **Assurance:** Independent assurance function for digital projects. Regular post-implementation reviews (shared with Treasury)
- **Internal/external scrutiny:** Manage internal reporting on digital spend and performance. Consider re-instating public targets

- CE performance management on digital (PSC lead)

**Draft GDDA scope for discussion. To be finalised post diagnostic and prioritisation phase**

# Accelerated the pace of change will require a fundamental review and reform of the technology funding model and mechanisms

3. Possible approach:  
Recommendation 3-A

## Recommended shifts to funding models and mechanisms

### From....

- Complex and time-consuming gateway process with multi-step review and approval for most substantive tech investments
- Difficult to secure discretionary funding as part of budget process
- Limited central visibility of what agencies are actually spending on technology – agency ‘skunk-works’ projects hidden in budgets and financial reporting – and therefore difficult to hold leaders accountable on the delivery of suitable outcomes or payback for the spend
- Difficult to broker cross-agency investment opportunities

### To....

- Streamlined major tech project review process continues to ensure suitable review and risk management – including Cabinet approval
- New ‘investment committee’ governance and approval model where agencies and GDDA can bring more incremental cases for approval and capex/opex allocation – committee members proposed include senior Treasury, GDDA and selected agency CEs. Committee would also advise Cabinet on major projects\*
- Supported by simplified business improvement initiative process and templates focused on investment payback and impact
- Improved transparency of technology spend reporting and interrogation by GDDA/Treasury (incl an updated fit-for-purpose assurance model to potentially replace the Gateway process) avoids unapproved ‘skunk-works’ spend/projects
- Aligned with budget processes including in-year change control
- Improved pace but with built-in and clear accountability, visibility of spend and report back on outcomes achieved

## Next steps

1. Share model with key Ministers for feedback and endorsement
2. Confirm 120 day execution plan (PSC)
3. Launch first phase of execution plan by forming dedicated transformation team focused on immediate diagnostic phase
4. Confirm shape of new GDDA function
5. Complete GDDA capacity assessment; identify and secure the right capability to drive the reset
6. Roll-out balance of execution plan

# Appendix

# Interviewees and sources

## Agencies

- *GCDO/GDDA*
- *Department of Internal Affairs*
- *New Zealand Transport Agency*
- *Department of Prime Minister and Cabinet*
- *Treasury*
- *Ministry of Social Development*
- *Inland Revenue*
- *Ministry for Pacific Peoples*
- *Ministry for the Environment*
- *Public Service Association*
- *Te Whatu Ora / Health NZ*
- *Ministry of Justice*

## Suppliers

- *Range of tech vendors both local and international*

## Overseas

- *DTA Australia*
- *United Kingdom GDS*

## External

- *Current/former private sector executives*
- *Former public sector staff*

## Sources

- *Cabinet papers; PIF; operational performance reports; programme review papers; PSC papers; Meeting agenda/minutes; BIMs; desktop research*