INQUIRY INTO DIGITAL RESTART FUND BILL 2019

Organisation: New South Wales Government

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NSW Government Submission to Portfolio Committee No 6 (Transport and Customer Service) on the Provisions of the *Digital Restart Fund Bill 2019*

PREPARED BY THE NSW GOVERNMENT

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Executive summary

The NSW Government is committed to delivering better customer experience in its delivery of government services. *The Digital Restart Fund Bill 2019* seeks to establish the Digital Restart Fund (DRF), which will put customers at the centre of service delivery and drive savings by changing the way in which digital and ICT projects are planned and implemented in NSW. It will accelerate whole-of-government digital transformation.

ICT investment has traditionally focussed on funding large, multi-year capital projects by individual agencies. This has sometimes led to duplication of cost and effort by agencies and an ICT infrastructure that is insufficiently integrated across agencies, resulting in disjointed service delivery for NSW citizens. The DRF's agile and iterative funding approach seeks to minimise the financial and delivery risks associated with ICT investment by enabling rapid development of digital solutions through early testing and customer feedback and achieving cost savings by prioritising solutions that can be used by multiple government agencies.

The DRF will fund initiatives that deliver on citizen journeys and life events, modernise existing legacy systems and build the public sector's digital capability to provide a better customer experience.

Overview of the Digital Restart Fund

The NSW Government is committed to continuously improving the customer experience for the people of NSW. To achieve this, the NSW Government established the Digital Restart Fund (DRF) in the 2019-20 Budget to accelerate whole-of-government digital transformation to enhance customer service.

Historically, large ICT projects can be inherently risky due to unrealistic cost estimations, complexity of solutions and long project durations. This is evidenced by high profile project failures both nationally and internationally, including the:

- U.K. National Health Service system - delayed by nine years
- Queensland Health's payroll system – delayed and underpaid employees
- California's ERP deployment – delayed and major vendor issues
- Victoria's MyKi smart card system – delayed and significantly over budget
- NSW Learning Management Business Reform project - delayed and significantly over budget.

The DRF reshapes the Government's funding approach to ICT and digital projects by enabling iterative, multi-disciplinary approaches to digital/ICT planning, development and service provision while complementing existing investment approaches. The DRF fosters contemporary delivery models (e.g. agile, prototyping, user research) which gather customer needs upfront whilst tailoring and testing risky assumptions and solutions through prototyping prior to large scale builds. This approach de-risks delivery and delivers incremental value as opposed to waiting till the end of a long implementation program for benefit realisation.

Projects funded by the DRF will reduce complexity and duplication, minimise wastage and keep the customer's needs as the primary lens when evaluating Government ICT expenditure. The DRF will provide NSW Government clusters with a source of funding to address problems in a more agile manner than the budget process. The DRF will assist in the development of digital services which drive efficiencies and provide more integrated user experiences.

The Digital Restart Fund Bill 2019 replicates the success of Restart NSW, whose remit is to enable the funding and delivery of high priority infrastructure projects that improve the state's growth and productivity. Although on a smaller scale, the DRF aims to provide independent and strategic advice to ensure digital investment decisions are underpinned by robust assessment and longer term planning like that of Restart NSW.

Legislation for Digital Restart will specify the sources from which monies will enter the fund, and at a high level specify which projects and initiatives are eligible for funding. A detailed Digital Restart Policy will also be finalised, following year 1 to accompany the legislation. The legislation will also ensure continuity of funding so that monies in the fund remain in the fund from financial year to financial year (unless expended) which better suits the nature of planning and funding digital programs of work.

The *Digital Restart Fund Bill 2019* would establish a Special Deposit Account for the Digital Restart Fund. This involves a commitment of $100 million over two years, to be offset by cluster expense reductions.

Types of projects eligible for funding

The DRF funds digital initiatives that fall into the following categories:

1. Customer Life Journeys/Events – projects that deliver changes that improve citizen experience across end to end journeys, with faster time to market

2. State Digital Assets – projects that create cost savings and consistent user experience through increasing agencies' use of Core and Common ICT components

3. Agency Digital Investment and Legacy Modernisation (seed funding) – projects that support agency digital innovation and ICT modernisation and accelerate transition towards agile delivery and reusable components

4. Enabling Capabilities - projects that aim to build and transform the skillset of NSW government employees so they can better support and sustain innovative practices and customer services. These projects will provide government employees with opportunities and resources to use new and existing technologies and to adopt new approaches to working.

Further information can be sourced from the Funding Digital Transformation webpage at https://www.digital.nsw.gov.au/digital-transformation/funding-digital-transformation.

Application process

To apply for funding, agencies prepare a business case for their project and submit it for consideration by the Evaluation Working Group, with consists of representatives from Customer Service, Treasury and Premier and Cabinet. The assessment process includes:

- identifying key users, their needs, problems, outcomes, economic and social benefits and privacy and cybersecurity concerns; and

- confirming the project fits within funding targets for type, stage, cluster and agency distribution, and State strategic priorities.

Projects must comply with the assurance plan (Attachment B). Projects that are endorsed by the Evaluation Working Group are submitted to the ICT/Digital Leadership Group to be prioritised and endorsed, prior to being considered by Delivery and Performance Committee of Cabinet (DaPCo).

DaPCo has the authority to approve projects up to $5 million and ERC approves projects with a value greater than $5 million. Attachment A summarises the application process.

Under the DRF approach, some clusters have been able to undertake discovery and proof of concept earlier, to better understand user needs and evaluate solution options before moving to full implementation. By rapidly prototyping and testing solutions with end users, clusters can validate initiatives before committing further resources.

To date, $38.6 million has been approved for projects across various clusters including:

- $18.2 million for seed funding and prototyping solutions towards legacy system modernisation to deliver government priorities, including $2.3 million to enable the leasing of public housing via a mobile app and $1.2 million to improve the tracking of firearms acquisition and disposals

- $9.1 million for the development of minimum viable products for State Digital Asset solutions that reduce costs to government and create consistent user experience through agencies' better use of core and common ICT components, including $2.5 million to allow instant verification functionality of the 'Working With Children Check', $2.1 million to make it easier for small businesses to sell to the Government with the development of buy.nsw.

- $5.7 million for improving customer experience across life events, including $3.0 million to provide digital support to assist with the loss of a loved one and $0.6 million to provide digital support to navigate having a baby.

- $5.6 million to transform digital capability across the public sector – with a specific focus on a whole of government approach to cyber security

The *Digital Restart Fund Bill 2019* includes a statutory review of the proposed Act in five years.

Minimising cybersecurity and privacy risks

The NSW Government acknowledges the importance of cyber security across clusters by providing an integrated approach to preventing and responding to cyber security threats across NSW, safeguarding our information, assets, services and citizens. Cyber Security NSW (CSNSW) collaborates with NSW agencies, emergency management, law enforcement, the private sector and other jurisdictions to enhance cyber capability.

Since its formation, CSNSW has developed several strategies, policies and operations functions. A whole-of-government Cyber Security Strategy was implemented in September 2018, followed by the new Cyber Security Policy in February 2019 (the New Policy). This aligns with the information requirements of the Commonwealth Protective Security Policy Framework. The New Policy specifically addresses issues related to Operational Technology and Internet of Things. It also requires clusters to implement and assess their maturity against the Australian Cyber Security Centre's 'Essential 8', which specifies mitigation strategies to prevent the effects of malware, to limit the effects of cyber incidents, and to recover data and maintain system access. In 2019, CSNSW received over 60 completed assessments.

Initiatives underway, funding and interface with the DRF

Pursuit of these benefits requires strong cyber security to ensure secure trusted and resilient services. Key customer centric design principles are improving the customer experience, however to achieve this has ensured unprecedented levels of connectedness between systems and sharing of data. As a result, cyber incidents are now significantly more likely to impact multiple systems and agencies across government.

These initiatives are also inherently reliant on maintaining public confidence/trust in government to hold and use personal information – if trust is lost, the public is unlikely to consent to widespread sharing of their data between agencies, increasing the cost of providing services, and degrading the customer experience.

Cyber Security NSW is focusing on four key pillars:
1) expanded intelligence capability
2) NSW Cyber Security Policy implementation
3) annual cyber security exercise program
4) awareness raising.

Cyber security requirements have also been added into the Infrastructure Assurance Framework (IAF) to ensure that all future ICT projects are secure by design. CSNSW is developing a business case for several proposals to strengthen the resilience and maturity of cyber security across NSW.

In 2019-20, CSNSW will be funded by the DRF. This reflects the close alignment between whole-of-government cyber security and the adoption of specific digital transformation projects.

Privacy

Privacy is a core consideration of data and information management policies and practices across government. CSNSW and the Information and Privacy Commission NSW

collaborate closely on cyber security and privacy policies and practices. Furthermore, the NSW Government is always striving to utilise new technologies to improve services and outcomes for the state. The need to maintain customers' confidence in the face of emerging privacy challenges is a key priority. The NSW Government aims to maintain this trust by embedding good data and information practices while ensuring customers have the appropriate information to make informed decisions on the use of their personal information.

The *Privacy and Personal Information Act 1998* and *Health Records and Information Privacy Act 2002* establishes information protection- and health privacy principles so that NSW Government agencies understand their responsibilities when collecting and maintaining personal information. The principles also outline individuals' rights and ensure that personal information is controlled by the individual, not by government. The Act also requires agencies to have reasonable security safeguards in place to protect personal information against unauthorised access and misuse.

The DRF investment process considers data and privacy aspects, as part of the funding request assessment processes. The application process includes an assessment of how each of the projects meet the data and privacy requirements during the funding process and subsequently during the delivery phase of the project.

# Ensuring appropriate use of public money by the DRF

NSW Procurement Policy Framework

The DRF is subject to the NSW Government Procurement Policy Framework (the Framework), which provides a single source of guidance on achieving value for money in NSW Government procurement, among other principles and objectives (**Attachment D**). The Framework is subject to strict governance, including oversight by the Procurement Board (the PB), which is supported by three sub-committees.

One of these sub-committees, the ICT & Digital Leadership Group (IDLG) is responsible for translating the Government's ICT strategy, procurement and associated implementation plans into outcomes across government. The current and future initiatives that will be funded under the DRF, do not receive special treatment nor are they exempt from any existing procurement policies and practices.

All the DRF-related procurement activities will have to comply with the relevant policies and governance dictated by the PB. The Procurement Policy Framework lists all current PB Directions at page 102. In accordance with s176 of the *Public Works and Procurement Act 1912*, all NSW Government Agencies procurement activities are to be in accordance with any policies and directions of the Board that apply to the agency.

Attachment A – DRF Application Process
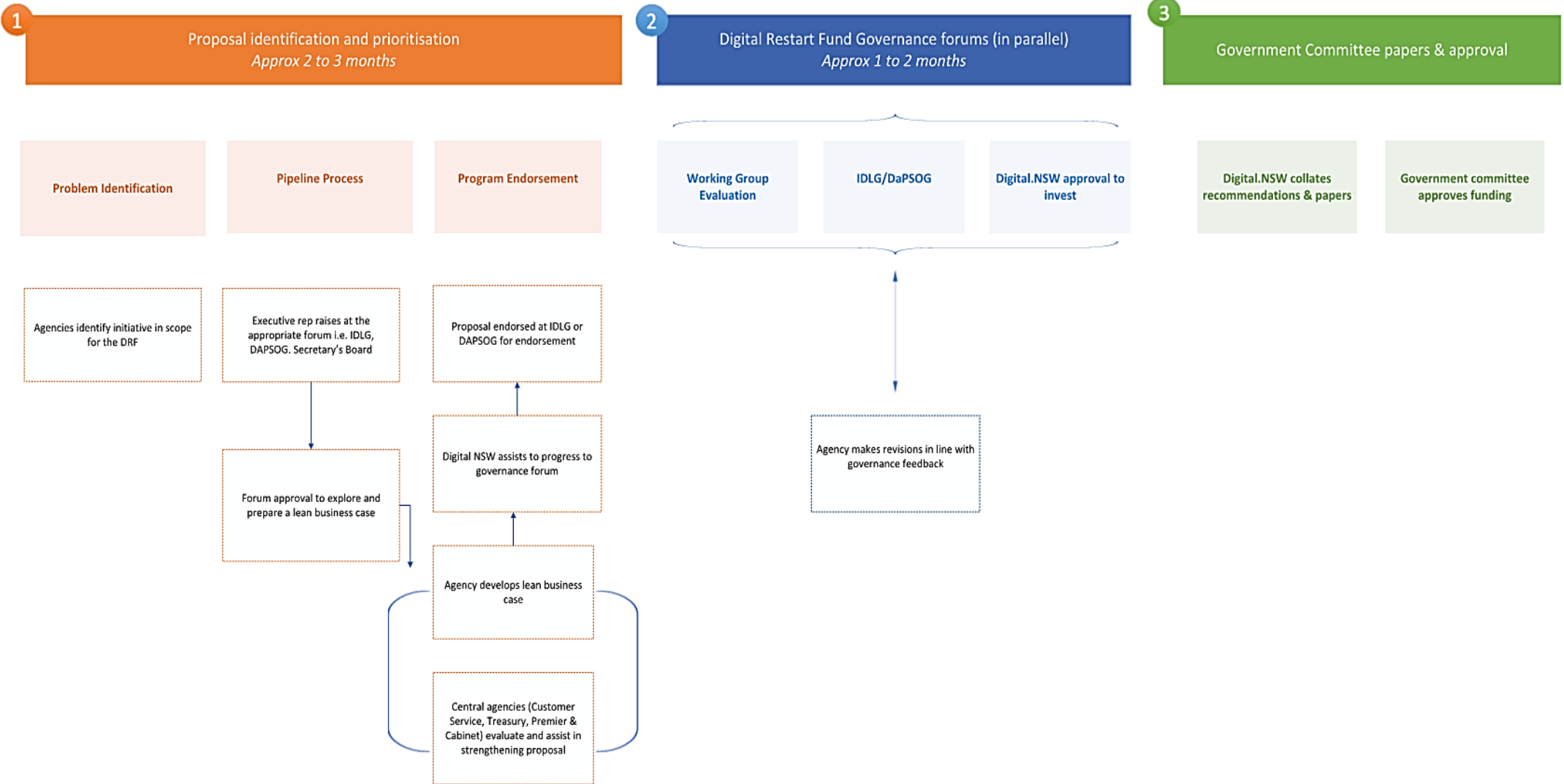
Attachment B – NSW Gateway Policy

Under the NSW Gateway Policy three risk-based assurance frameworks focus on specific areas of investment, with Infrastructure NSW the coordinating agency for capital infrastructure projects, the Department of Customer Service (DCS) the coordinating agency for ICT projects (capital and recurrent funded), and Treasury for major recurrent programs.
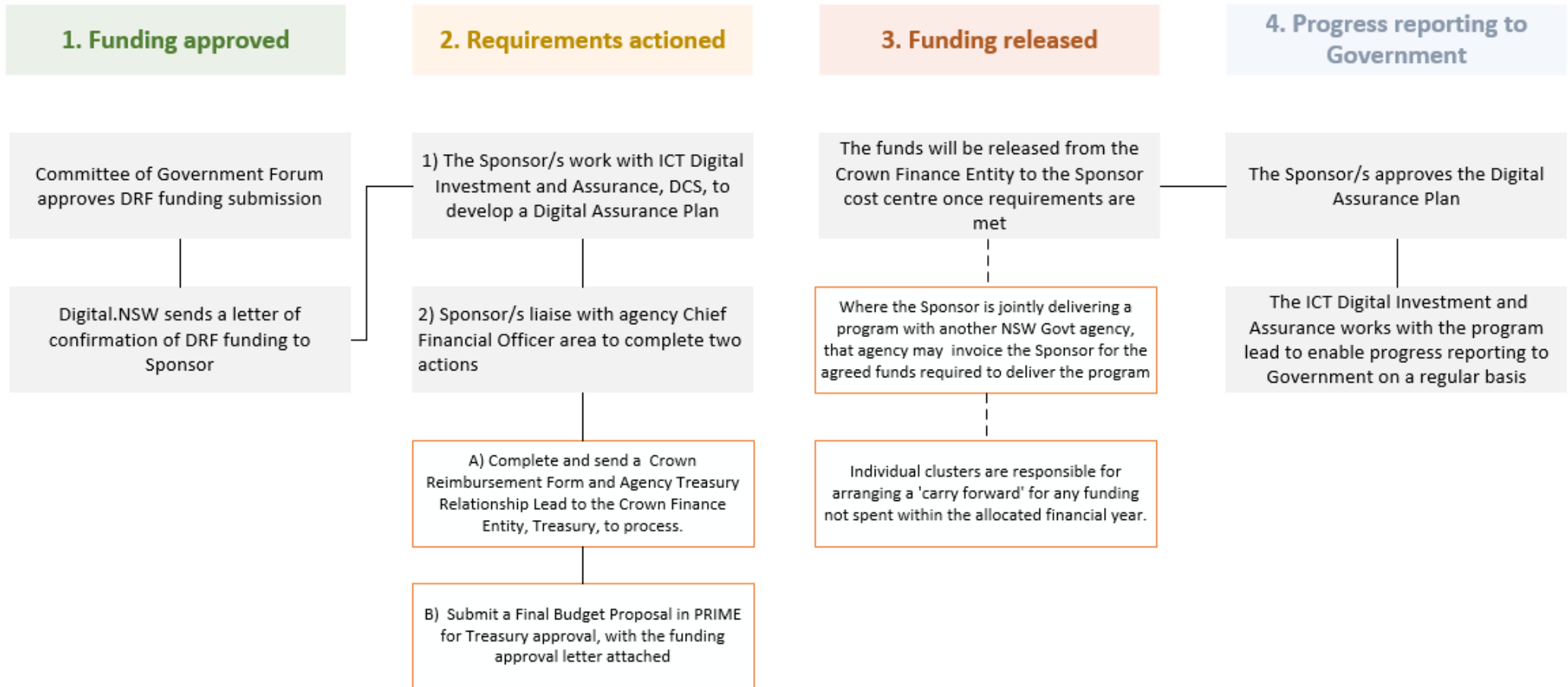
On 8 June 2016, the Government approved a strengthened NSW Government ICT Investment Governance Model to improve ICT investment outcomes and deliver better value ICT projects. This model requires all ICT projects to be assessed under a new risk-based ICT Assurance Framework (IAF) in accordance with the NSW Gateway Policy.

The objective of the IAF is to ensure NSW Government's ICT projects are delivered on time and on budget through the implementation of this risk-based independent assurance framework. NSW invests in ICT projects each year, which provides essential support for business operations and government service delivery. The IAF provides the NSW Government with effective tools to monitor investment, receive early warning of emerging issues, and act ahead of time to prevent projects from failing.

The IAF is an independent risk-based assurance process for the State's capital and recurrent ICT projects. It identifies the level of confidence that can be provided to the Government that the State's ICT projects are being effectively developed and delivered in accordance with the Government's objectives.

Attachment C – DRF Funding Release

Post DRF funding submission approval

1. Funding approved	2. Requirements actioned	3. Funding released	4. Progress reporting to Government
Committee of Government Forum approves DRF funding submission	1) The Sponsor/s work with ICT Digital Investment and Assurance, DCS, to develop a Digital Assurance Plan	The funds will be released from the Crown Finance Entity to the Sponsor cost centre once requirements are met	The Sponsor/s approves the Digital Assurance Plan
Digital.NSW sends a letter of confirmation of DRF funding to Sponsor	2) Sponsor/s liaise with agency Chief Financial Officer area to complete two actions	Where the Sponsor is jointly delivering a program with another NSW Govt agency, that agency may invoice the Sponsor for the agreed funds required to deliver the program	The ICT Digital Investment and Assurance works with the program lead to enable progress reporting to Government on a regular basis
	A) Complete and send a Crown Reimbursement Form and Agency Treasury Relationship Lead to the Crown Finance Entity, Treasury, to process.	Individual clusters are responsible for arranging a 'carry forward' for any funding not spent within the allocated financial year.	
	B) Submit a Final Budget Proposal in PRIME for Treasury approval, with the funding approval letter attached		

Attachment D – NSW Procurement Policy Framework

The NSW Procurement Policy Framework provides a consolidated view of government procurement objectives and the Procurement Board's requirements as they apply to each step of the procurement process. It is managed by NSW Procurement and as such, it applies to the procurement of goods and services of any kind, including ICT, from 1 July 2019.All NSW government agencies, as defined in s162 of the *Public Works and Procurement Act 1912*, must comply with the mandatory sections of the framework. The framework is updated on a three-monthly schedule by NSW Procurement as new policy requirements and Procurement Board Directions are issued.

The NSW Procurement Board (PB) is responsible for overseeing the Government's procurement system, setting policy and ensuring compliance in accordance with the *Public Works and Procurement Act 1912*. The PB has the statutory power to issue directions to agencies, make decisions and monitor the progress of agency compliance. It accredits agencies to undertake their own procurement. The Secretary of the Treasury is the chairperson of the PB. The PB is made up of the cluster Secretaries, or approved deputies. Three subcommittees currently operate as governance bodies supporting the board:

1) the Procurement Leadership Group (PLG)
2) the IDLG
3) the Construction Leadership Group (CLG).