

HON PEENI HENARE, MINISTER OF DEFENCE

New Zealand Defence Force Enterprise Productivity Business Case

December 2021

This publication provides papers seeking agreement to replace the New Zealand Defence Force's outdated computer software and hardware that pose a cyber security risk.

The pack comprises the following documents:

- October 2021 Cabinet Economic Development Committee Minute of Decision *New Zealand Defence Force Enterprise Productivity Business Case* [DEV-21-MIN-0205];
- The associated Cabinet Paper *New Zealand Defence Force Enterprise Productivity Business Case* [DEV-21-SUB-0205];

This pack has been released on the New Zealand Defence Force website, available at: www.nzdf.mil.nz/nzdf/search-our-libraries/documents.

Certain information has been withheld in accordance with:

- section 6(a) of the Official Information Act 1982 (OIA): *would prejudice the security or defence of New Zealand or the international relations of the Government of New Zealand;*
- section 9(2)(b)(ii) of the OIA: *would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information;*
- section 9(2)(f)(iv) of the OIA, *maintain the constitutional conventions for the time being which protect – the confidentiality of advice tendered by Ministers of the Crown and officials;*
- section 9(2)(g)(i) of the OIA, *maintain the effective conduct of public affairs through – the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any department or organisation in the course of their duty; and*
- section 9(2)(j) of the OIA, *to: enable a Minister of the Crown or any department or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).*

In addition, the business case (Annexes A and B) for this project is withheld in full in accordance with the above provisions of the OIA. The public interest is met with a summary of the key information that formed the basis of Cabinet's decision to invest this funding being provided by the Cabinet paper.



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

New Zealand Defence Force Enterprise Productivity Business Case

Portfolio **Defence**

On 20 October 2021, the Cabinet Economic Development Committee:

- 1 **noted** that the New Zealand Defence Force (NZDF) Enterprise Productivity Single Stage Business Case (SSBC), attached as Annex A to the paper under DEV-21-SUB-0205, seeks to ^{s. 6(a)} deliver modern and sustainable productivity and collaborative capabilities:
 - 1.1 by investing in hardware, software and systems which NZDF personnel use to complete their day-to-day ICT tasks;
 - 1.2 across nine major camps and bases, and another ten New Zealand locations and numerous international posts and deployed operations;
- 2 **noted** that the SSBC builds on previous investment decisions in Enterprise Cloud and Connectivity [GOV-20-MIN-0015], which forms a part of the NZDF Communications and Information Systems ICT Enterprise investment plan (attached as Annex B to the paper under DEV-21-SUB-0205);
- 3 **noted** that the SSBC considered a range of options before selecting the ^{s. 6(a)} as the recommended way forward, based on the best combination of cost, benefits and risk;
- 4 **noted** that this proposal will mitigate the risks ^{s. 6(a)};
- 5 **noted** that the recommended way forward will:
 - 5.1 refresh the ^{s.6(a)} infrastructure and update licences to the most recent version, providing enhanced security, collaboration, and business reporting functions;
 - 5.2 replace desktop terminals with laptops and tablets that better meet the requirements of individual roles and support mobile ways of working;
 - 5.3 introduce standard unified communication (voice, video and text) tools and services, which will integrate with meeting room technology, and support collaboration with commercial partners and allied militaries;

- 6 **noted** that the recommended option has a total whole of life cost (WOLC) ^{s.9(2)(b)(ii), s.9(2)(j)}
- 6.1 ^{s.9(2)(b)(ii), s.9(2)(j)}
- 6.2 ^{s.9(2)(b)(ii), s.9(2)(j)}
- 6.3 ^{s.9(2)(b)(ii), s.9(2)(j)}
- 6.4 ^{s.9(2)(b)(ii), s.9(2)(j)}
- 7 **noted** that the NZDF will fund the Enterprise Productivity project through its CIS Branch baseline, and that the costs can be met from reprioritisation within existing baselines, so that no additional funding is required;
- 8 **noted** that the total capital cost (including contingency) for the proposed solution will be funded from the NZDF's depreciation reserves;
- 9 **noted** that the immediate work to replace the desktop and email infrastructure and software has a total WOLC ^{s.9(2)(b)(ii), s.9(2)(j)}
- 9.1 ^{s.9(2)(b)(ii), s.9(2)(j)}
- 9.2 ^{s.9(2)(b)(ii), s.9(2)(j)}
- 9.3 ^{s.9(2)(b)(ii), s.9(2)(j)}
- 10 **agreed** to delegate authority to the Chief of Defence Force to start immediate work ^{s. 6(a)}, as long as the final costs in the Project Implementation Business Case do not exceed the total WOLC over five years ^{s. 9(2)(b)(ii), s. 9(2)(j)};
- 11 **noted** ^{s. 6(a)} the need to migrate to new services during December 2021 and January 2022 to minimise disruption to operations;
- 12 **agreed** to the option recommended by the SSBC ^{s.6(a)}, based on the best combination of cost, benefits and risk;
- 13 **authorised** the Minister of Finance and the Minister of Defence to jointly approve the Project Implementation Business Cases for:
- 13.1 the replacement of ^{s.6(a)} and email infrastructure and software in order for contracts to be completed by the end of October 2021, and implementation to be completed over December 2021 - January 2022 period;
- 13.2 the remaining components of the Enterprise Productivity programme.

Janine Harvey
Committee Secretary

Present: (see over)

Present:

Hon Grant Robertson (Chair)
Hon Dr Megan Woods
Hon David Parker
Hon Nanaia Mahuta
Hon Poto Williams
Hon Damien O'Connor
Hon Stuart Nash
Hon Kris Faafoi
Hon Willie Jackson
Hon Michael Wood
Hon Meka Whaitiri
Hon Phil Twyford
Dr Deborah Russell MP

Officials present from:

Office of the Prime Minister
Officials Committee for DEV

Proactively Released by the Minister of Defence

Office of the Minister of Defence

Chair, Cabinet Government Administration and Expenditure and Review Committee

NEW ZEALAND DEFENCE FORCE ENTERPRISE PRODUCTIVITY BUSINESS CASE Proposal

- 1 This paper proposes to replace outdated computer software and hardware s.6(a)

- 2 This paper seeks:
 - 2.1 Approval to invest in:
 - 2.1.1 Replacing s. 6(a) software with the latest versions s.6(a), including updating Microsoft Office s. 6(a) to Microsoft Office 365,
 - 2.1.2 replacing s. 6(a) desktop terminals with laptops and tablets that better meet the requirements of individual roles and support mobile ways of working, particularly given the ongoing pandemic, and
 - 2.1.3 introducing standard unified communication tools and services that integrate with meeting room technology and support remote working.
 - 2.2 Agreement to delegate authority to the Chief of Defence Force to:
 - 2.2.1 Start immediate work s. 6(a) (the work described at paragraph 2.1.1 above) on completion of the Project Implementation Business Case (PIBC) that addresses this work, and
 - 2.3 Agreement to delegate authority jointly to the Minister of Finance and Minister of Defence to implement the:
 - 2.3.1 remaining components of the Enterprise Productivity project (the work described at paragraphs 2.1.2 and 2.1.3 above) following the completion of a second PIBC.

Relation to Government Priorities

- 3 Objective 1: *Keep New Zealander's Safe from COVID-19*: This proposal allows personnel to effectively work remotely while assuring secure access to key data, information, collaboration and planning tools. It supports the continuity and flexibility of NZDF activities at all COVID-19 Alert Levels, in all tasks including those directly in support of the all of Government response to the pandemic.

- 4 Objective 2: *Accelerating the Recovery*: Increasing the efficiency of the NZDF by updating the basic IT tools (such as email and Microsoft Office) that underpin most work throughout the organisation, while also appealing to a contemporary, more digitally aware and capable workforce that expects to be joining an environment that exploits data to ensure the NZDF's operations are successful.
- 5 Objective 3: *Laying the Foundations for the Future*: This proposal s.6(a) by upgrading software and systems to the latest versions.

Executive Summary

6 s.6(a)

. At the same time, it moves the NZDF from using aged fixed desktop computers to using mobile devices that allow the flexibility needed to work in a modern context, including through the ongoing COVID-19 pandemic.

- 7 The Enterprise Productivity Single Stage Business Case (SSBC) builds on the Cabinet approved investments in Enterprise Cloud and Connectivity [CAB-20-MIN-0251]. The investment will enhance the way NZDF personnel perform their day-to-day business tasks using Information Communication Technology (ICT) in the restricted and below security environment. These productivity tasks include using applications and programs that help users produce and share information using, for example, the Microsoft Office suite of products, and collaborate with each other. Completion of these tasks is at the core of the day-to-day effectiveness of the NZDF.
- 8 The NZDF currently provides a range of aging ICT tools, including fixed desktop computers, unsupported software, and basic communications technology s. 6(a)

resulting in three main issues:

8.1 s. 6(a)

8.2 The current productivity tools and services significantly limits the ability of NZDF personnel to collaborate, plan, or access information remotely or on the move. This affects both the efficiency and effectiveness with which they can operate.

8.3 Collaboration across NZDF's multiple geographic locations is inhibited by the lack of standard communication and collaboration tools. This affects NZDF's ability to collaborate with commercial partners s. 6(a)

. Currently, most collaboration is done via email, whereas tools such as Microsoft Teams allow video conferencing, chat, and file sharing in real time.

- 9 The SSBC recommends:
- 9.1 replacing s. 6(a) software licences with the most recent and supportable versions (such as Microsoft Office 365), and refreshing the s.6(a) infrastructure enabling access to applications from anywhere on any kind of device;
 - 9.2 replacing desktop terminals with mobile devices, such as laptops and tablets, that better meet the requirements of individual roles and support mobile ways of working; and
 - 9.3 introducing standard communication tools and services across NZDF locations that also integrate with meeting room technology.
- 10 In practical terms, Defence is expanding its use of the Cloud to deliver productivity tools and services, such as Microsoft 365, that have previously been provided by Defence owned and maintained hardware and software, s. 6(a)
- 11 s. 6(a)
- 12 By the end of October 2021, Defence is due to finalise the specific terms and discounts of the three-yearly renegotiation of the all-of-government cloud software and services agreement with Microsoft. The terms include the cost of licencing the products that will replace s.6(a) and email software, and productivity products.
- 13 I am seeking Cabinet approval to invest in:
- 13.1.1 Replacing s. 6(a) software with the latest versions s. 6(a), including updating Microsoft Office s. 6(a) to Microsoft Office 365,
 - 13.1.2 replacing s. 6(a) terminals with laptops and tablets that better meet the requirements of individual roles and support mobile ways of working, particularly given the ongoing pandemic, and
 - 13.1.3 introducing standard unified communication tools and services that integrate with meeting room technology and support remote working.
- 13.2 Agreement to delegate authority to the Chief of Defence Force to:
- 13.2.1 Start immediate work s. 6(a) (the work described at paragraph 2.1.1 above) on completion of the Project Implementation Business Case (PIBC) that addresses this work, and
- 13.3 Agreement to delegate authority jointly to the Minister of Finance and Minister of Defence to implement the:

- 13.3.1 remaining components of the Enterprise Productivity project (the work described at paragraphs 2.1.2 and 2.1.3 above) following the completion of a second PIBC.

14 s.6(a)

Background

- 15 Every aspect of the NZDF depends on fundamental ICT tools: email, office software, digital communications and collaborative tools that are critical to everyday tasks. The pandemic has emphasised the reliance on an ability to use these tools remotely, s.6(a)
- 16 The future operational effectiveness of the NZDF depends on the ability to deploy and co-ordinate nationally and internationally distributed resources and enable a highly mobile digitally connected workforce. To that end, the NZDF needs to work efficiently and effectively, enabled by tools that will allow users to access and exploit data and information, collaborate and plan securely, anywhere, and at any time.
- 17 The NZDF currently utilises a range of productivity tools provided through either Communications and Information Systems (CIS) Branch, or external suppliers. These services include:
- 17.1 Devices and systems s. 6(a)
- 17.2 Core office productivity software – includes the core Microsoft productivity suite (i.e. word processing, emailing, basic data manipulation) as well as more specialised tools.
- 17.3 Unified Communications – the NZDF currently has a wide range of telephony and communication services for voice, video communications, and instant messaging. These are of mixed standard, age and supportability.

Current issues

- 18 The SSBC at Annex A seeks to address several issues with the current productivity tools and services. s.6(a)

This results in three main issues:

18.1 s.6(a)

s. 6(a)

18.1.1 s. 6(a)

18.1.2 s. 6(a)

18.1.3 s. 6(a)

18.2 Current productivity tools cannot adequately meet the needs of NZDF staff.
s. 6(a)

18.3 s. 6(a), s. 9(2)(g)(i)

Recommended way forward and other options

19 The SSBC was developed in line with the Treasury's Better Business Cases methodology and considered a wide range of potential options.

20 s.6(a) was selected as the recommended way forward. This option provides the best value for money, as it achieves a high level of benefits at a moderate cost and fewer implementation risks compared to other options. Under the recommended way forward, the Defence Force will:

¹s. 6(a)

- 20.1 Refresh the **s.6(a)** infrastructure and update software licences to the most recent versions to provide **s.6(a)**, collaboration, and business reporting functions.
- 20.2 Provide personal devices that enable mobile ways of working and meet the requirements of users' roles. This will see most of the current desktop terminals replaced with laptops or tablets. Devices will be provided based on the device-as-a-service model to ensure that user devices are effectively maintained **s. 9(2)(j)**, which will prevent the current issues of declining productivity and supportability from repeating in the future.
- 20.3 Introduce standard unified communication tools and services (video, voice, and text communications) that integrate with meeting room technology to deliver better collaboration across locations. This will also reduce the need for physical telephony services.
- 21 Maintaining the Current State (baseline option) does not represent good value for money. Maintaining current services would, at the minimum, require a partial remediation of the current **s.6(a)** environment and a replacement of desktop terminals **s.9(2)(b)(ii), s.9(2)(j)**. The rest of the services would remain unchanged, **s. 6(a)**, and become increasingly incompatible with technologies used by commercial partners **s.6(a)** as distributed working, a necessity of pandemic response, has brought the infrastructure under consistent pressure. This generates a degree of urgency for remediation as the attendant risk of future pandemic or other emergency response is a real possibility.
- 22 The SSBC explored two other options as part of a short list. These options were discounted as they either do not deliver the same level of benefits or come at a considerable increase in costs.

Implementation

- 23 The Enterprise Productivity project will be implemented over the course of two years. The project will be supported by a dedicated change, communications and user adoption team, as the recommended changes will directly impact how most NZDF personnel work.

*Immediate work to modernise **s. 6(a)** and email services*

- 24 The SSBC was finalised for consideration in May 2021 however the progress of this paper seeking approval of the SSBC has been delayed. **s. 6(a)**

- 25 **s.6(a)**. This work must occur over the NZDF's minimum activity period during December 2021 and January 2022. If it is not completed at the end of this year it will be deferred for one year, **s.6(a)**

26 s. 9(2)(j)

27 s. 9(2)(j)

28 Once PIBC approval is received contracts can be signed, final preparations can be completed, and the migration to the replacement desktop and email services can be conducted over the Christmas and New Year period. The project will be governed as part of the CISCTP programme governance structure that has been in place now for over three years. The delivery of the replacement desktop and e-mail infrastructure has been assessed as LOW based on Defence's Scale and Risk assessment tool.

29 s. 9(2)(j)

The remaining components of the project

30 The remaining work on Enterprise Productivity will progress separately, including the development of a PIBC.

31 I am also seeking Cabinet's agreement to delegate approval of the remaining components of the Enterprise Productivity project following the completion of the PIBC to Joint Ministers of Finance and Defence. This will enable the Chief of Defence Force to incur the remaining expenditure to procure and rollout new devices and services. The PIBC will detail implementation activities, summarise key terms of the contractual agreements and confirm the financial impact based on the contracts.

32 The timeline for key implementation activities is summarised in the table below.

Activity	Start	End
Once approval of the PIBC has been received, complete the procurement of services and contract negotiation to replace s.6(a) infrastructure and software, and email infrastructure (immediate needs).	November 2021	December 2021
Replace the s.6(a) Infrastructure and software, and email infrastructure (immediate needs).	December 2021	March 2022
Conduct the procurement of services and contract negotiation for the replacement of desktop terminals with mobile devices and unified communication tools and services, and prepare the PIBC for approval by Joint Ministers.	s. 6(a), s. 9(2)(f)(iv)	
Once approval to commit funds is received from Joint Ministers, roll out of new devices.		
Meeting room and unified communication technology update.		

33 s.9(2)(f)(iv)

34 In the unlikely event that contract negotiations fail to deliver the preferred option, the NZDF will report back to Joint Ministers of Finance and Defence with alternative options.

Financial Implications

35 No additional funding is required as a result of this decision as costs can be met from reprioritisation within existing baselines.

36 The discounted WOLC for the recommended option is s.9(2)(b)(ii), s.9(2)(j)

37 s.9(2)(b)(ii), s.9(2)(j)

37.1 s.9(2)(b)(ii), s.9(2)(j)

37.2 s.9(2)(b)(ii), s.9(2)(j)

37.3 s.9(2)(b)(ii), s.9(2)(j)

37.4 s.9(2)(b)(ii), s.9(2)(j)

38 In preparing for the implementation of s.6(a) and email infrastructure now, Defence has reclassified some of the operating costs as capital costs, compared to the SSBC. The total WOLC remains unchanged.

39 The immediate replacement desktop and e-mail work can be completed by early 2022, with an estimated discounted Whole of Life Cost (WOLC) of s.9(2)(b)(ii), s.9(2)(j)

40 s.9(2)(b)(ii), s.9(2)(j)

40.1 s.9(2)(b)(ii), s.9(2)(j)

40.2 s.9(2)(b)(ii), s.9(2)(j)

40.3 s.9(2)(b)(ii), s.9(2)(j)

41 Funding will be sourced from the Communication and Information Systems (CIS) Branch baseline over five years and through centralising the current ICT spend outside of the CIS Branch. The NZDF's Executive Committee have agreed to this funding approach.

Other Implications

42 There are no Human Rights, Legislative, Population and Regulatory implications resulting from this paper. A Climate Implications of Policy Assessment is not required.

Consultation

43 The NZDF has consulted with the Government Chief Digital Officer on the contents of the Enterprise Productivity business case, including the proposal to complete the work to replace s.6(a) and email infrastructure and software now over December 2021 and January 2022. The recommended option and immediate work is consistent with the Strategy for a Digital Public Service, follows the overall 'Cloud-First' direction, and is comparable with corporate platforms that other Agencies are replacing at the moment.

44 Treasury have been consulted.

45 The SSBC has been assessed as MEDIUM based on the Treasury's Risk Profile Assessment tool.

Proactive Release

46 It is envisaged that redacted versions of this paper and the SSBC will be released once contracts have been entered into with suppliers, with an anticipated release date in late 2021 or early 2022.

Recommendations

The Minister of Defence recommends that the Committee:

- 1 **note** the New Zealand Defence Force Enterprise Productivity Single Stage Business Case (SSBC) seeks to s.6(a) deliver modern and sustainable productivity and collaborative capabilities by investing in hardware, software and systems which NZDF personnel use to complete their day-to-day ICT tasks;
- 2 **note** the New Zealand Defence Force Enterprise Productivity Single Stage Business Case (SSBC) seeks to s.6(a) deliver modern and sustainable productivity and collaborative capabilities by investing in hardware, software and systems across nine major camps and bases and another ten New Zealand locations and numerous international posts and deployed operations.
- 3 **note** the SSBC builds on previous investment decisions in Enterprise Cloud and Connectivity [CAB-20-MIN-0251], which forms a part of the NZDF Communications and Information Systems ICT Enterprise investment plan (Annex B);
- 4 **note** the SSBC considered a range of options before selecting the s.6(a) as the recommended way forward, based on the best combination of cost, benefits and risk;
- 5 **note** this proposal will mitigate the risks s.6(a) ;
- 6 **note** that the recommended way forward will:
- 6.1 refresh the s.6(a) infrastructure and update licences, to the most recent version providing enhanced security, collaboration, and business reporting functions;
 - 6.2 replace desktop terminals with laptops and tablets, that better meet the requirements of individual roles and support mobile ways of working; and
 - 6.3 introduce standard unified communication (voice, video and text) tools and services. Which will integrate with meeting room technology, and support collaboration, with commercial partners and allied militaries.
- 7 **note** the recommended option has a total whole of life cost (WOLC) s.9(2)(b)(ii), s.9(2)(j)
- 7.1 s.9(2)(b)(ii), s.9(2)(j)
 - 7.2 s.9(2)(b)(ii), s.9(2)(j)
 - 7.3 s.9(2)(b)(ii), s.9(2)(j)
 - 7.4 s.9(2)(b)(ii), s.9(2)(j)
- 8 **note** the NZDF will fund the Enterprise Productivity project through its CIS Branch baseline, and the costs can be met from reprioritisation within existing baselines so no additional funding is required;
- 9 **note** that the total capital cost (including contingency) for the proposed solution will be funded from the NZDF's depreciation reserves;

- 10 **note** the immediate work to replace s. 6(a) and email infrastructure and software has a total WOLC s.9(2)(b)(ii), s.9(2)(j)
- 10.1 s.9(2)(b)(ii), s.9(2)(j)
- 10.2 s.9(2)(b)(ii), s.9(2)(j)
- 10.3 s.9(2)(b)(ii), s.9(2)(j)
- 11 **agree** to delegate the authority needed to implement the immediate work to replace s.6(a) and email infrastructure and software to the Chief of Defence Force New Zealand;
- 12 **note** s. 6(a) the need to migrate to new services during December 2021 and January 2022 to minimise disruption to operations;
- 13 **agree** to the option recommended by the SSBC - s.6(a) based on the best combination of cost, benefits and risk;
- 14 **authorise** the Minister of Finance and the Minister of Defence to jointly approve the Project Implementation Business Cases for:
- 14.1 the replacement of s. 6(a) and email infrastructure and software in order for contracts to be completed by the end of October and implementation to be completed over December 2021 - January 2022 period, and
- 14.2 the remaining components of the Enterprise Productivity programme.

Authorised for lodgement

Hon Peeni Henare
Minister of Defence

Annexes:

- A. Enterprise Productivity Single Stage Business Case
- B. NZDF ICT Information Enabled Capability