

IN CONFIDENCE

Office of the Minister for Social Development and Employment

Chair, Cabinet Government Administration and Expenditure Review Committee

REPLATFORMING MINISTRY OF SOCIAL DEVELOPMENT'S BENEFITS AND PENSION PAYMENT SYSTEM

Proposal

- 1 Cabinet approval is required for all investments with whole of life costs over \$25 million, even if funded from within existing baselines and balance sheets, as set out under Cabinet Office circular (CO (19) 6: Investment Management and Asset Performance in the State Services).
- 2 This paper seeks Cabinet approval to delegate to the Chief Executive of the Ministry of Social Development (the Ministry) the authority to execute the agreement enabling the Ministry to re-platform its business critical systems, SWIFTT and TRACE, and the necessary vendor support arrangement so that they continues to be supported in making benefit and New Zealand superannuation payments to over 1.2 million New Zealanders.

Background

- 3 SWIFTT (client payment system) and TRACE (client debt recovery system) are critical applications in the Ministry's support of New Zealand's Working Age and Superannuation clients. In the 12 months to September 2021, 58 million payment transactions worth \$25.6 billion in main benefit and Superannuation payments to over 1.2 million New Zealanders were processed through SWIFTT. Each business day SWIFTT makes ad hoc payments to over 6,000 vulnerable clients worth over \$4 million.
- 4 The SWIFTT and TRACE systems have been in use by the Ministry since 1991 and over time have undergone a number of upgrades to refresh and renew the hardware and software platform that these systems are run on ensuring their continued availability and support.
- 5 Much of the platform hardware and software is at the end of manufacturer support from 2022 which puts the platform at increased risk of unpatched bugs, security vulnerabilities, increased likelihood of failure and unplanned outages. The current Service Delivery Agreement with the vendor, DXC Enterprise NZ (DXC), to operate and maintain the platform is set to end in July 2022.
- 6 DXC has supported the SWIFTT and TRACE systems since 1991 and is the only vendor with the intellectual knowledge of SWIFTT and TRACE. the Ministry is keen to ensure the Service Delivery Agreement is in place before July 2022 to give certainty to these business critical systems.
- 7 The whole of life costs, including the capital and ongoing operating costs, covering 84 months from 1 July 2022 through to 30 June 2029 will be \$65.7m and can be funded from within the Ministry's existing baseline allocation and balance sheet.
- 8 An exemption from open tender procurement under Government Procurement rules was granted by the Ministry's Procurement Board on the basis that DXC was the only vendor currently able to provide the level of support and maintenance the Ministry requires in order to minimise the risk and ensure uninterrupted continuity of the critical systems.

Alignment with the Ministry's Future Strategic Direction Te Pae Tawhiti

- 9 The Ministry's business critical systems, SWIFTT and TRACE are over 30 years old and have undergone periodic hardware and software refreshes to ensure they remain stable and fit for purpose.

10 s 9(2)(f)(iv)

11 A SWIFTT and TRACE system outage would disrupt the administration of financial assistance to over 1.2 million New Zealanders. Continuing to modernise the Ministry’s technology will help by minimising the risk of sustained system outages and intermittent system failure while improving agility so that new policy settings and changes can be implemented in an efficient and cost-effective manner

12 s 9(2)(f)(iv)

13 s 9(2)(f)(iv)

14 The proposed re-platforming and the ongoing Service Delivery Agreement will help mitigate any system failure risks and ensure a stable operating environment for the next five to seven years. s 9(2)(f)(iv)

Re-platforming and Business Needs Impact Analysis

- 15 The proposed re-platforming will ensure a stable and secure operating environment which is reliable and improves the performance of the SWIFTT and TRACE systems to June 2029.
- 16 Analysis established requirements to ensure the new SWIFTT and TRACE platform will meet forecast future business driven growth and seasonal demand peaks, on a secure, stable and supported platform. The new platform will also improve the ability to reduce scheduled downtime for hardware maintenance and disaster recovery scenarios.
- 17 The Ministry has considered other options including Infrastructure as a Service (IaaS) but due to limitations and issues relating to data sovereignty and privacy, it settled for an onshore private platform service with ongoing support from DXC. The recommended solution will deliver the commercial and operational outcomes the Ministry is seeking to achieve.

Whole of Life costs of \$65.7 million

- 18 The re-platforming including hardware and transition costs will require an initial capital investment of \$7.8 million with implementation scheduled for July 2022 and a further investment of \$1.0 million in 2024/25 for a software refresh. The total capital costs of \$8.8 million will be funded from the Ministry’s existing balance sheet.
- 19 The Service Delivery Agreement from July 2022 through to end of June 2029 with DXC will cost \$56.9 million and funded from within the Ministry’s operating baselines. Table 1 below sets out the total capital and operating costs of re-platforming and the support arrangement.

Table 1: Total Operating and Capital Costs									
	Amounts in \$ million								
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Totals
Operating	-	7.970	7.960	7.960	7.960	8.292	8.359	8.359	56.857
Capital	7.800	-		1.000	-	-	-	-	8.800
Total	7.800	7.970	7.960	8.960	7.960	8.323	8.356	8.356	65.657

- 20 Under the existing Service Delivery Agreement with DXC which expires in July 2022, the Ministry's current annual support and maintenance costs are \$7.3 million per year.
- 21 The new Service Delivery Agreement will cover 84 months giving the Ministry certainty and provide stability of the SWIFTT and TRACE systems over that period. It will also allow enough time to transition the functions to the new technology which will form an integral part of the Ministry's future state roadmap to modernise its technology platform.

A business case for the SWIFTT and TRACE Re-Platforming has been developed

- 22 A business case (Appendix One) has been developed by the Ministry using Treasury's Better Business Case Model. As an initial step the Ministry completed a Risk Profile Assessment using the Treasury's Risk Profile Assessment tool and moderation process which confirmed a risk rating of medium. Based on the risk rating of medium, a Gateway review was not required.
- 23 The project approach fully refreshes all hardware and software mitigating the failure risk for all components and giving the Ministry confidence that essential main benefits and superannuation payments averaging over \$500 million per week will continue to be paid.
- 24 The new platform will use more modern hardware that is faster and with more resources. This is expected to provide the transactional and processing capacity required for the next seven years of growth, deliver dedicated disaster recovery and the ability to move to fully virtualised servers which will reduce the operational complexity of supporting the platform

Business Case confirms the Implementation timelines and planned support services

- 25 The business case confirms the implementation timelines and the planned support services arrangement for the next seven years from July 2022.
- 26 The new platform implementation work with a planned release date of July 2022 will be carried out by DXC under the existing Master Services Agreement (MSA). The nature of the upgrade will ensure there is minimal disruption to clients or frontline the Ministry staff as there are no functional changes for either SWIFTT or TRACE.
- 27 A new MSA is being negotiated with DXC that refreshes agreement clauses and terms to meet the Ministry standards such as adding in a "money laundering" clause. The new MSA will extend to 2029 with an underlying DXC Service Delivery Agreement to provide operational support for five years with provision for two one-year extensions to June 2029.

s 9(2)(f)(iv)

Financial Implications

- 28 The Ministry is not seeking any new funding for the upgrade and the ongoing support costs as it will be funded from the Ministry's balance sheet and from within its existing baseline allocation.

Consultation

- 29 The following agencies were consulted in the development of this paper: The Treasury and the Government Chief Digital Officer.
- 30 The feedback from the consultation with the agencies have been supportive and where relevant, incorporated in the development of this paper.
- 31 The Cabinet Paper and Business Case were circulated for Ministerial Consultation from 18 October to 1 November and no feedback was received.

Regulatory Impact Analysis

- 32 Regulatory Impact Analysis is not required for this paper.

Legislative Implications

33 The proposals in this paper do not require any legislative change.

Human Rights

34 There are no human rights implications resulting from the proposals made in this paper.

Gender Implications

35 There are no gender implications associated with this paper.

Disability Perspective

36 There are no disability implications associated with this paper.

Proactive Release

37 This paper will be proactively released with any relevant redactions as appropriate, consistent with the Official Information Act 1982.

Recommendations

The Minister for Social Development and Employment recommends that Cabinet:

- 1 **note** that the Ministry of Social Development business critical systems, SWIFTT and TRACE requires re-platforming including hardware refresh and extension of the vendor support arrangement so that it remains available and supported for the next 5 to 7 years
- 2 **note** that DXC have been maintaining and supporting SWIFTT and TRACE systems for over 30 years and are the only vendor with the technological knowledge, expertise and capability required to continue providing the level of support and maintain these legacy systems
- 3 **note** that the existing Master Services Agreement with DXC will end in July 2022 and a new extend agreement is required to continue support from July 2022 through to June 2029.
- 4 **note** that a SWIFTT and TRACE platform upgrade is required to be completed by July 2022
- 5 **note** that the whole of life cost for the platform upgrade and the vendor Service Delivery Agreement from July 2022 to June 2029 will be \$65.7 million, made up of capital costs of \$8.8 million and annual maintenance and support costs of approximately \$8.1 million per year. These costs will be funded from the Ministry's existing balance sheet and operating baselines
- 6 **s 9(2)(f)(iv)** [REDACTED]
- 7 **note** that Cabinet approval is required for all investments with whole of life costs over \$25 million, even if funded from within existing baselines and balance sheets, as set out under Cabinet Office circular (CO (19) 6: Investment Management and Asset Performance in the State Services)
- 8 **delegate** to the Chief Executive of the Ministry of Social Development authority to execute the agreements enabling the Ministry to re-platform its business critical systems, SWIFTT and TRACE, and enter into a \$56.9m Service Delivery Agreement with DXC so that the SWIFTT and TRACE platform continues to be supported in making benefit and New Zealand superannuation payments to over 1.2 million New Zealanders.

Authorised for lodgement

Hon Carmel Sepuloni
Minister for Social Development and Employment