

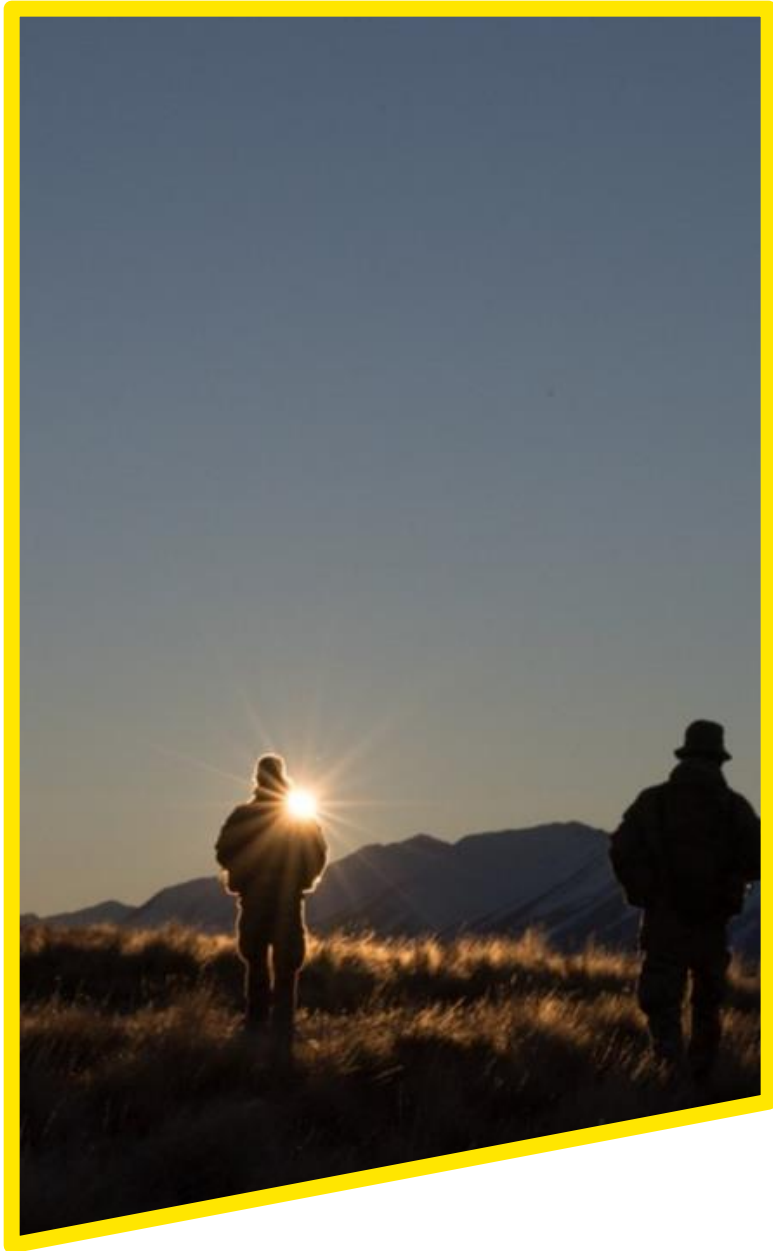
New Zealand Defence Force Headquarters Review

June 2019



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Executive summary

Introduction

1. The New Zealand Defence Force (NZDF) has been operating in an increasingly complex and disruptive environment for the past 15 years. In response to this, the NZDF has been required to constantly evolve and adapt how its headquarters function (HQNZDF) is structured and delivers services to continue delivering its commitments to the government and people of New Zealand.
2. This period has also seen the NZDF attempt to consolidate common functions, create greater alignment and remove duplication. A number of significant reviews and transformation programmes have been undertaken to drive this change as well individual initiatives to respond to specific areas of concern.

Background

3. Through discussion with senior NZDF leadership, we understand they have increasing concerns regarding whether HQNZDF has grown beyond what is required for it to effectively support its operational delivery functions that provide the NZDF's strategic and operational effect. There is also concern that this growth has not been matched by an equivalent increase in outputs or value for money.
4. The NZDF leadership believe that now is an appropriate time to holistically re-evaluate the purpose, function and structure of HQNZDF to determine whether existing arrangements are still the most efficient and effective way for it to operate.

Aim of the report

5. The aim of this report is to provide recommendations to the Chief of Defence Force (CDF) regarding how HQNZDF can better support the delivery of strategic and operational effect, with an emphasis on the orientation of its central Wellington workforce and service delivery model.

CDF direction

6. In providing direction for this Review, CDF indicated that all and any changes to the way HQNZDF is structured and operates that could improve its effectiveness and efficiency should be considered, except for those that would require legislative changes.
7. CDF encouraged us to maintain an independent approach to the execution of our work, with no indicative targets provided regarding anticipated changes to the size, structure or focus of HQNZDF.
8. CDF noted that it was important recommendations made through this Review were structured in a manner that allowed for quick and decisive action to remediate any immediate areas of concern or inefficiency. CDF also noted that it was important a view was provided for "what headquarters will look like" in 1-2 years' time, such that recommendations are implemented in a coordinated way with a clear line of sight to the target state required.

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Review context

9. The Review was completed in the period between 1 April 2019 and 28 June 2019. During this period, there were several concurrent reviews in progress across HQNZDF also related to improving its effectiveness and efficiency, including but not limited to:
 - a) Investment Governance Review
 - b) Definition of the NZDF Operating Model (enterprise wide)
 - c) Capability Branch realignment
 - d) CIS Change Transformation Programme
10. Considering the comparatively more holistic nature of this Review, the scope intersects with a number of these. Where appropriate, we have referenced the need for our recommendations to be carried out in close alignment with recommendations made through these reviews. We also note there have been several similar reviews of the effectiveness of the headquarters function for the NZDF and other militaries in recent years (e.g. Australia and the United Kingdom), as well as a number of transformational initiatives the NZDF has delivered that have directly impacted the size and shape of HQNZDF (e.g. Defence Civilianisation Project 2010/11). To ensure our Review adequately considered the lessons from these, we reviewed all related key documentation. A timeline of the performance of these initiatives is documented in section 1.2.
11. There are a number of historic drivers, decisions and other factors that have led to the current size and arrangement of HQNZDF. The role of this Review was not to assess the validity of or justify the current state. This Review provides the NZDF with a holistic view of the current state of its headquarters and provides an opportunity to consider whether it is best placed to support the NZDF into the future.

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Our approach

11. Prior to commencing our work, we developed six core hypotheses to test, aligned to the direction provided by CDF. These were:



The functions delivered by HQNZDF do not align with the strategic vision outlined in Strategy 25



Growth in HQNZDF staffing levels, in particular at senior levels, has exceeded organisational requirements



There is duplication and misalignment between functions and capabilities across HQNZDF portfolios and the broader organisation



There are inconsistent approaches to resource allocation across the portfolios



There is a lack of clarity across the organisation regarding the purpose of HQNZDF and the functions it should be performing



Increased volume and shorter duration of posting cycles is inhibiting performance of HQNZDF and drawing too many personnel away from their Services

These hypotheses were reviewed and agreed with CDF and a Project Working Group that was established to steer the delivery of the Review. Whilst our work did not focus solely on proving or disproving each of these statements, they provided a sharper focus for our stakeholder interviews and areas to explore in more details through review of documentation and data.

12. Our review methodology comprised of three key workstreams:

- a) Stakeholder interviews with senior personnel from the NZDF and MoD
- b) Workforce data analysis (from 2013 to date)
- c) Case studies of other militaries, public and private sector organisations, to provide context for our recommendations regarding changes to the service delivery model, functions or roles

13. In support of our Review, we were provided with a broad remit to meet with and explore all aspects of the current operations of headquarters with key senior Defence personnel. We developed a broad engagement strategy so that all causal factors and supporting context was adequately considered, including interdependencies between our review and other in-flight initiatives. Over 45 stakeholders have been interviewed, including the Chief of the Defence Force, Vice-Chief of the Defence Force, Service Chiefs and Portfolio Heads. A complete list of stakeholders interviewed is provided at appendix 4.

14. Commodore Ross Smith, recently retired from the NZDF, whose prior experience with the NZDF included performing the role of Chief-of-Staff to CDF was also engaged by the NZDF to bring further insights and partner with us on the delivery of the review. We worked as a single integrated team on the delivery of the Review.

Executive summary

Overarching observations



15. In the early stages of our work, it quickly became apparent there was no clear or widely accepted definition of what constituted HQNZDF that could be applied at a role or function level. Data at a personnel level was also limited in its ability to clarify this.
16. Such that this did not become an impediment to timely completion of our work, for the purpose of our Review we have considered all staff with their primary location in Wellington to be considered part of HQNZDF.

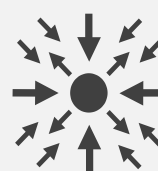


17. Overall, we observe that the NZDF's Wellington workforce, including military, civilian and contractor, has grown by 26% over the last 5 years. The NZDF's operational delivery functions (its Force Generation and Force Integration functions) do not perceive that they have seen a tangible improvement in output delivery or quality.
18. Whilst there has been steady continued growth of the NZDF's "Wellington workforce" over the past 5 years, in broad terms it is comparable to other areas of the NZDF and across government.
19. The key areas of change are more related to the composition of the HQNZDF workforce rather than its overall size. An unintended consequence of Civilianisation has been the comparatively faster growth of civilian roles than military roles. This is caused by a lack of the controls that exist for the management of military roles not being replicated for civilians. Clear caps and periodic monitoring are required to bring civilian numbers back into alignment with organisational requirements.

20. There has been disproportionate growth of roles at senior staff levels. For example, the number of senior staff (REG + CIV) has increased by 28.5% from 2013-2018, more than triple the rate of growth of the broader workforce.



21. Expenditure on contractors has more than doubled during the period 2013-2018. Whilst this is in part driven by a shift in the skills and capabilities required from the HQNZDF workforce driven by an increasingly large technology enabled transformation agenda, there appears to be an institutional over-reliance on the use of contractors that has not led to a corresponding increase in the quantity or quality of outputs delivered.



22. The growth of centralised Foundation Functions, using inconsistent service delivery models, has led to them becoming more inward looking as the need to "self-manage" becomes greater. This has resulted in a perceived weakening of their focus on the requirements of the Single Services and Joint Force Headquarters.

23. Effective prioritisation of key initiatives and the corresponding allocation of resources remains a challenge for the NZDF. More effective management of demand signals from NZDF value chain represents a significant opportunity to better utilise available resources and reduce wasted expenditure.

24. There are several areas across HQNZDF where delivery of services and supporting management roles have been unnecessarily replicated (e.g. Internal Communications, Programme Management / PMO and Risk and Information Security).

Detailed observations, with more supporting context, are documented in section 2 of this report.

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Key recommendations

25. The key recommendations from our Review are summarised below for quick reference, numbered in the order they are presented in the full report. In alignment with CDF's guidance, we have focused on developing recommendations that allow for quick and decisive action. Specifically, we recommend the NZDF:

26. Implement immediate workforce control measures

a. Implement a set of interim measures to establish better control over personnel related expenditure, with all activities that lead to an increase in PERSEX requiring approval through EXCO. These measures may include

- i. Implementation of a temporary headcount cap
- ii. Review of all vacant positions in the establishment to assess validity of business requirements to carry forward
- iii. More stringent governance over the approval of new hires and positions
- iv. More stringent governance over the use of contractors

To reduce the risk of the temporary headcount cap impacting the delivery of outputs, we recommend the NZDF aggressively looks for opportunities to stop or slow demand generation across the business for initiatives that are not of critical strategic importance. We also recommend EXCO maintains responsibility for governance over these measures until more robust policies and procedures are in place to manage this on an ongoing basis.

b. Implement an immediate review of contractor usage across HQNZDF to assess value-for-money and alignment to the NZDF strategic objectives.

To ensure this is completed in a targeted manner, as an initial step we recommend this is governed through EXCO with Portfolio Heads required to report back on:

- i. Contractors with tenure exceeding 18 months duration
- ii. Contracts exceeding a total value of \$1m (note: threshold by contractor type to be agreed through consultation with EXCO)

c. Pause the execution of all planned or in-flight organisational reviews that relate to changes in the structure, functions or roles of HQNZDF, to ensure alignment is maintained with the changes being driven through the HQ Review. Where pausing an initiative may have a more detrimental impact to the organisation, formal exemptions should be required to be sought, governed through EXCO (note: there may be exceptions, such as CISCTP. These should be explicitly agreed by EXCO).

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27. Re-align portfolio functions and supporting senior management roles to align to the NZDF Operating Model

- a. Given the operating model value chain is the core organisational enabler of the NZDF's Strategy and Plan 2025, the NZDF needs to use this as a guiding framework for the re-alignment of HQ functions and supporting senior management roles.
- b. Confirm that all sub-portfolios (and their related functions) are aligned to their primary role in the operating model value chain (e.g. Force Generation or Foundation Functions). The functions that have been identified through this Review that should be more clearly aligned with Force Generation, for example, include Logistics, Health and Military Police. A secondary decision needs to be made for each as to whether they are managed through a joint command, proponentcy or federated model in line with the Force Generation options developed in phase 2 of the operating model.

28. Sharpen focus of service delivery of the Foundation Functions to the needs of Force Generation

- a. Simplify the Foundation Functions structures to ensure there is clear accountability for delivery, for example:
 - i. Bring CIS, KIMD and CISO together under a single CIO.
 - ii. Bring all change delivery capabilities (including Capability delivery, Strategic change management, Business Futures Group) and the NZDF's EPMO accountability together into a single group using a consistent methodology and governance system. Capability Branch is the logical home for this grouping noting that it will require the creation of a third change portfolio in addition to the existing Defence led and NZDF led portfolios.
- b. Implement a more tightly controlled process for strategy development and enterprise level planning and execution. The process needs to centre on demonstrable lifts in operational capabilities through the integration of outcomes and effects, domain mastery, capability development and Foundation Functions.
- c. Align Force Generation objectives with Foundation Functions objectives through the setting and tracking of KPIs, SLAs and individual performance targets.

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29. Establish stronger management controls around investment pathways, recruitment, workforce planning and contractor usage

a. In line with the findings of the Investment Governance Review, implement:

- i. An agreed definition of an investment decision that needs to be made at enterprise level. The definition needs to include the creation of OPEX and/or PERSEX costs to NZDF in out years.
- ii. For the decisions that meet the definition, a single investment pathway that links to the budget process and provides a clear pathway for both approval and funding of new initiatives.
- iii. Clear decision-making accountabilities within the investment pathway that link to organisational performance and strategy execution.

b. Establish firmer organisational targets for staffing levels, ranks and grades linked to the delivery of Strategic and Operational Effects. Based on our analysis of workforce trends from 2013-2019, we recommend this review focuses on the following areas within the Wellington staff where changes have been made that do not appear to have led to increased delivery of outputs or better enabled organisational requirements:

- i. The number of COL (Equiv) and above ranks across all portfolios (COL (Equiv) ranks have increased by 13% from 2013-2019)
- ii. The number of Warrant Officers (Warrant Officer ranks have increased by 11% from 2013-2019)
- iii. Both COL and Warrant Officer growth rates are disproportionately higher than expected to the overall level of growth for NZDF across the 2013-2019 period

Once targets have been set, the workforce needs more effective controls on an ongoing basis. SAB should manage both individual positions and the overarching targets. Positions should only be replaced where they clearly support the NZDF's organisational requirements and align to the enterprise operating model value chain. Any proposed new positions should be offset by a reduction elsewhere. Any decision to create new positions, without an agreed offset, should be treated as investment decisions.

c. Task SAB with enforcing the minimum posting term of 3 years for all HQNZDF postings. Postings within the first 30 months should be managed formally as an exception.

d. Establish and enforce 4-year postings for key strategic roles within the organisation. Primary areas we recommend longer postings are considered include:

- i. CDSM to enable long-term strategic oversight and delivery of Plan 2025
- ii. Single Service Deputy Chiefs - to reduce excessive posting churn and an over reliance on more junior personnel acting in these roles
- iii. Assistant Chief, Capability

In addition, the NZDF should implement formal reporting for key roles that focuses on the position (e.g. percentage of time filled, average tenure of position holders etc.), not just the personnel that fulfil the roles.

Executive summary

29. Establish stronger management controls around investment pathways, recruitment, workforce planning and contractor usage (cont.)

e. Develop a set of policy guidelines regarding where and when a position should be considered to be filled by:

- ▶ Only military staff
- ▶ Only civilian staff
- ▶ Either military or civilian staff

Further, in alignment with the recommended policy changes, NZDF should consider introducing more flexibility into the budgeting process to allow changes between military and civilian personnel funding arrangements to be made more easily.

f. Establish and enforce a consistent set of business rules for the use of contractors and contingent labour, including but not limited to:

- i. The approval process for obtaining contractor support
- ii. When contractors should be engaged, including enforcement of policy that HQ portfolios are not to contract or develop capability that is already a responsibility of Foundation Functions (e.g. legal, communications, finance, commercial services etc.)
- iii. How long contractors should be engaged for (currently there are 217 contractors who have been in the same role for over 5 years and a total of 1,403 contractors in total)

As an initial step, we recommend the following business rules are implemented:

- i. Contractors cannot be extended beyond 12 months on a single engagement
- ii. Contractors cannot be renewed without tier two approval and engagement with defence commercial services

30. Immediate actions related to misaligned or duplicate roles and functions

a. In consultation with the Risk and Assurance Committee, incorporate into the Internal Audit plan the performance review of portfolios which have outsourced functions or service delivery and have not yet derived an equivalent in-house cost saving.

b. Evaluate the need for and strategic alignment of selected postings, and disestablish redundant roles when existing personnel post out, move on or retire. The Ministry of Defence International Branch post is an example area which we recommend is considered as part of this evaluation process.

c. Re-align the delivery of functions and their supporting roles back into centralised, consistent service delivery models to remediate inconsistencies that have arisen over time due to an unclear operating model and/or lack of coordinated decision making across portfolios. Example functions and roles, we have observed through this review which appear to have duplicative and/or inconsistent approaches across portfolios include:

- i. Internal Communications
- ii. Programme Management / PMO
- iii. Risk and Information Security

Executive summary

31. Position for successful implementation

- a. Develop and approve a detailed implementation plan. Form and resource an integrated delivery team to drive the agreed changes across both HQ and the wider Operating Model to provide a coherent approach to change. Ensure portfolio heads are accountable for the successful implementation of recommendations both collectively and in their relevant areas.
- b. Through mobilisation of the integrated delivery team, consider execution of the following actions to support effective delivery of the recommendations:
 - i. More clearly delineating between the roles and functions that lead the Strategic HQ, and the roles and functions that enable the Strategic HQ and broader organisation.
 - ii. Whether the combination of the recommendations from this Review combined with the Future HQ initiative represent a timely opportunity to re-brand HQNZDF to more clearly separate the Strategic Military functions from the Foundation Functions.
 - iii. Investigate where further opportunities exist to streamline the HQ related to reducing replication of “like” roles outside of the boundaries of HQ (e.g. where Single Services have replicated roles and functions due to dissatisfaction of service delivery from HQ), using the enterprise operating model value chain as a driver.
 - iv. More clearly defining where and how military and civilian talent can best be deployed to support HQNZDF in the delivery of outputs whilst maintaining the required domain expertise.
- c. In alignment with the ongoing NZDF Investment Governance Review, evaluate the Terms of References for existing governance bodies and ensure that the membership, meeting frequency, authorities and accountabilities and alignment to original intent to ensure that overlaps in personal accountabilities and those of governance bodies are reduced.

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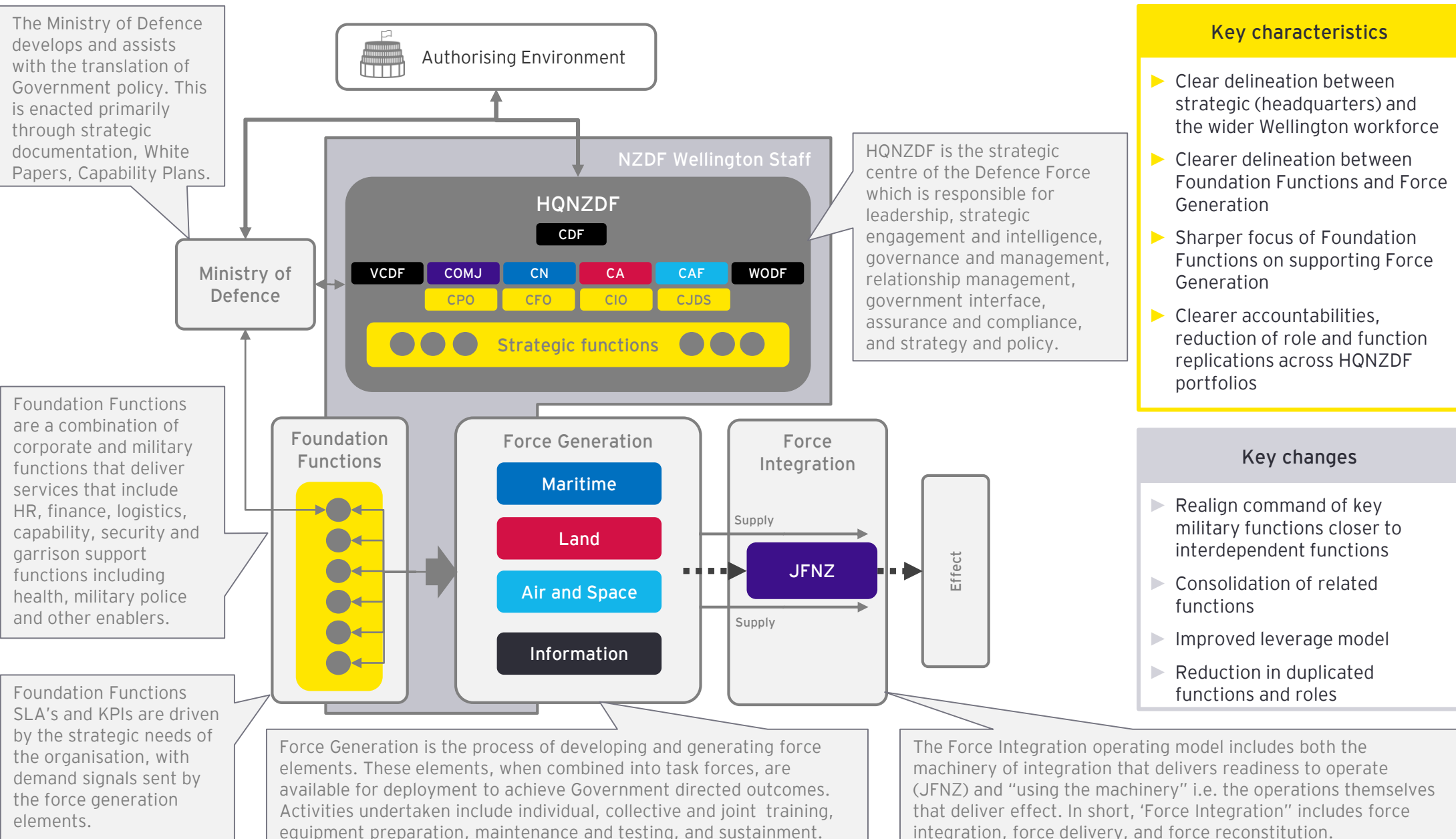
Next steps

32. Whilst well-intended, several prior and ongoing reviews initiated by the NZDF do not appear to have adequately considered whole of organisation impacts of changes to HQNZDF functions and roles, in particular the end-to-end impact on the delivery of Operational and Strategic Effects. This has led to dissatisfaction from the Single Services in having their service delivery requirements met, and a diluted value proposition for HQNZDF.
33. In totality, the recommendations made through this Review represent a significant change to the HQ service delivery model, functions and supporting senior management roles of the NZDF's key Foundation Functions. It is critical that changes made through this review are completed in a consistent and coordinated manner to ensure their full organisational value is realised. As noted in our recommendations, given the operating model value chain is the core organisational delivery mechanism of the NZDF's Strategy and Plan 2025, the NZDF needs to use this as a guiding framework for the re-alignment of HQ functions and supporting senior management roles.
34. We recommend a 3-phased approach to implementation, starting with immediate action to better control personnel related expenditure whilst more complex changes related to roles, ranks and service delivery model are designed in more detail. A overview of the proposed changes the HQ model and proposed implementation approach are also shown on page 15.

Executive summary - supporting context

Figure 1. What will a re-aligned HQNZDF look like?

The recommendations from this review should lead to a leaner, more efficient HQNZDF. Combined with the sharpened focus of Foundation Functions on supporting Force Generation, this should lead to a more effective NZDF.

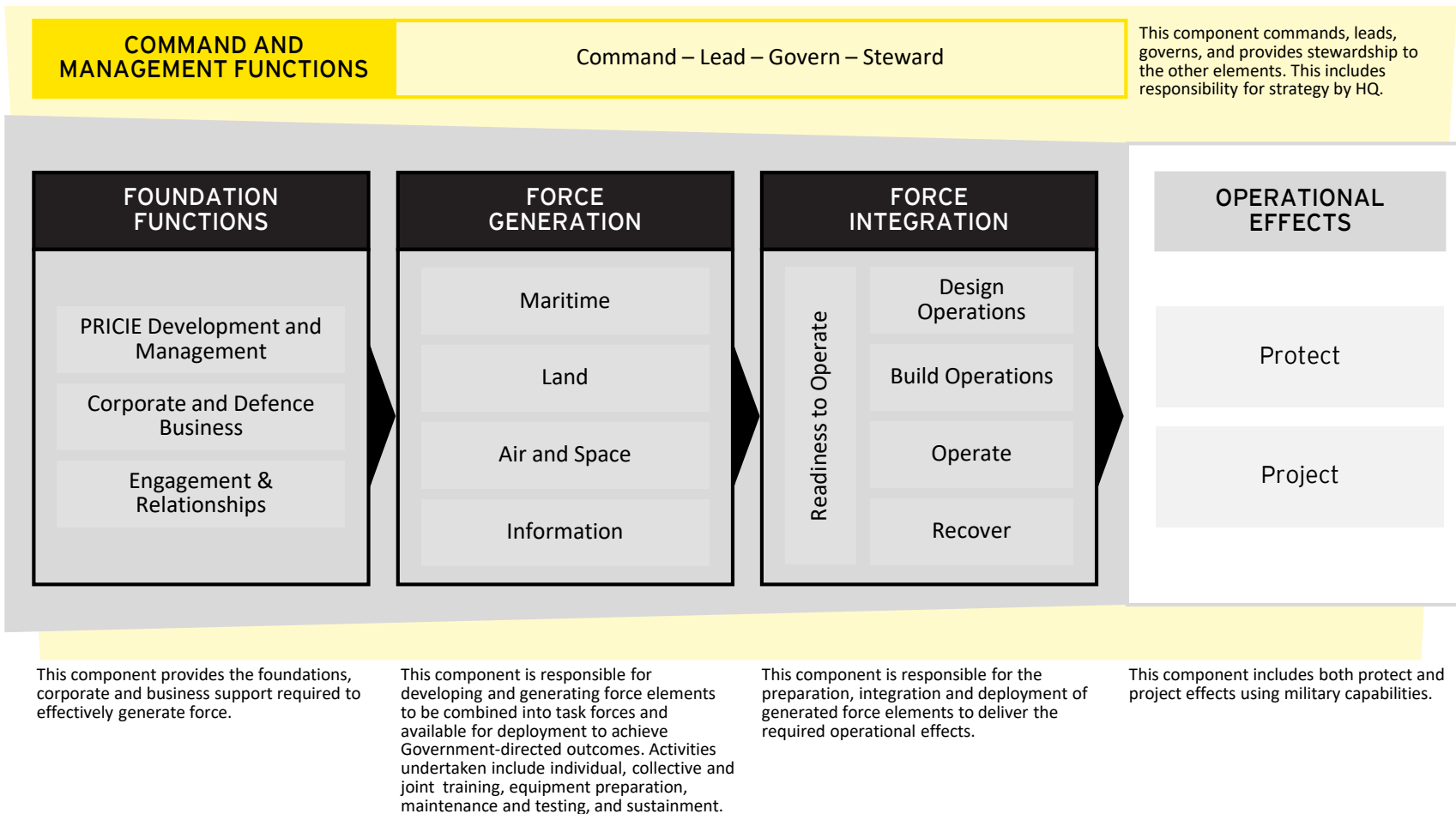


- Key characteristics**
- ▶ Clear delineation between strategic (headquarters) and the wider Wellington workforce
 - ▶ Clearer delineation between Foundation Functions and Force Generation
 - ▶ Sharper focus of Foundation Functions on supporting Force Generation
 - ▶ Clearer accountabilities, reduction of role and function replications across HQNZDF portfolios

- Key changes**
- ▶ Realign command of key military functions closer to interdependent functions
 - ▶ Consolidation of related functions
 - ▶ Improved leverage model
 - ▶ Reduction in duplicated functions and roles

Figure 2. How should it operate?

With closer alignment between the focus and intent of the Strategic Headquarters and Foundation Functions, and their contribution to the NZDF value chain.

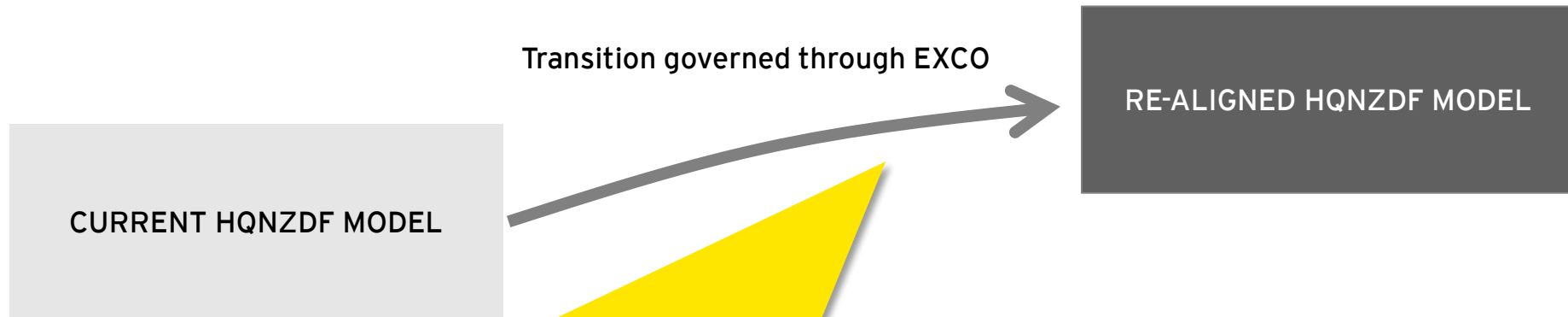


Benefits of alignment of HQNZDF model to the NZDF value chain

- ▶ Closer alignment between strategy setting and operational planning and delivery
- ▶ More efficient service delivery through reduced duplication of functions and misalignment across portfolios
- ▶ Improved sustainability of performance through more consistent execution of delivery and ability to assess continued opportunities for improvement against a common enterprise wide framework
- ▶ More engaged civilian workforce through a stronger understanding of the importance of their role in contributing to the delivery of strategic and operational effects

Figure 3. How to move quickly towards implementing the re-aligned HQNZDF model?

To allow for the recommendations to be implemented in a consistent and coordinated manner, we recommend establishment of a transitional programme of work, integrated with delivery of the Enterprise Operating Model review, governed through EXCO.



TRANSITIONAL PROGRAMME (12-18 MONTHS)

Phase 1 - Immediate actions

- Look for opportunities to stop or slow demand generation across the business for initiatives that are not of critical strategic importance
- Implement a set of interim measures to establish better control over personnel related expenditure
- Implement an immediate review of contractor usage across HQNZDF to assess value-for-money and alignment to the NZDF strategic objectives

Phase 2 - Streamline HQNZDF

- Set and enforce a cap on the number of senior roles within HQNZDF
- Remediate replicated roles and functions
- Re-align the delivery of portfolio functions and their supporting roles back into centralised, consistent service delivery models

Phase 3 - Sharpen focus of service delivery on the needs of Force Generation

- Re-align portfolio functions and supporting senior management roles to align to the NZDF Operating Model
- Establish stronger management controls around investment pathways, recruitment, workforce planning and contractor usage

Figure 4. What are the key actions that need to be taken?

We have prepared an indicative timeline of activities required to implement the recommendations from this review and transition to the re-aligned HQNZDF model, including consideration of how this work could be phased to maximise value realised.

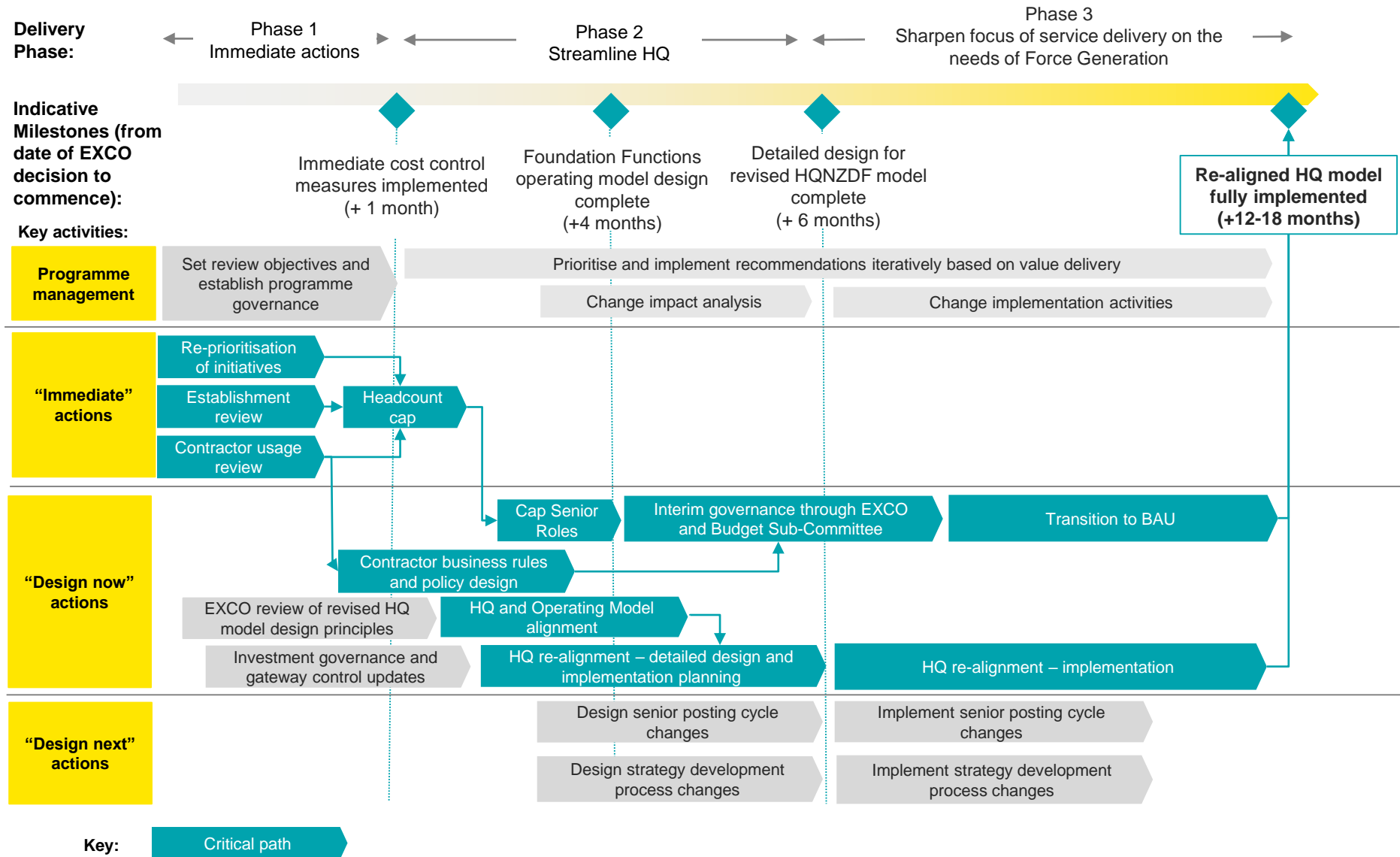








Figure 5. Phase 1 “Immediate actions” - 4 week plan

	1 WEEK 1 - RAPID ESTABLISHMENT	2 WEEK 2 - ANALYSIS & REVIEW	3 WEEK 3 - ANALYSIS & REVIEW	4 WEEK 4 - IMPLEMENTATION & PHASE 1 CLOSURE
DELIVERY TASKS (Proposed Task owner)	<ul style="list-style-type: none"> a) Mobilise delivery team and commence planning activities (e.g. schedule, scope, approach and budget) (Office of CDF) b) Identify, map and engage with all the priority stakeholders (CDSM) c) Establish operational pace (supported by daily and/or weekly meetings as appropriate) (Project Delivery Team) d) Develop scope and approach for review of in-flight initiatives (CDSM) e) Develop scope and approach for review of contractor expenditure (CFO) f) Develop principles for review of outsourcing arrangements and engage Internal Audit function to integrate into their forward plan (CDSM) 	<ul style="list-style-type: none"> a) Commence detailed analysis and stakeholder engagement b) EXCO Weekly Check-in #1 - Hold HQ review implementation kick-off meeting with EXCO to confirm: <ul style="list-style-type: none"> ▶ Review targets and objectives (CDSM) ▶ Prioritisation of recommendations and agreed action plan (CDSM) ▶ Governance arrangements (for holistic delivery of recommendations and individual recommendations) (CDSM) ▶ Individual accountabilities (tasks and outcomes) (CDSM) ▶ Any risks, issues or interdependencies that may impact the delivery of the review (CDSM) 	<ul style="list-style-type: none"> a) Continue detailed analysis and stakeholder engagement b) EXCO Weekly Check-in #2 - Review progress to date including: <ul style="list-style-type: none"> ▶ Initial data analysis on contractor expenditure (Service Chiefs/Portfolio Heads) ▶ Confirmation of Internal Audit approach and timing outsourcing review (IA) ▶ Updated initiative prioritisation list (CDSM) ▶ Initial data analysis on establishment review (CPO) ▶ Risks / benefits of headcount cap (CPO) ▶ Risks, issues and interdependencies (CDSM) 	<ul style="list-style-type: none"> a) Complete detailed analysis and stakeholder engagement b) EXCO Weekly Check-in #3 - Review and calibration of recommendations, analysis and actions including: <ul style="list-style-type: none"> ▶ Stop, pause, continue decisions on in-flight initiatives (CDF) ▶ Contractor arrangements to amend (CJDS) ▶ Establishment and/or position cap decisions (CPO) ▶ Overall financial and organisational impact of changes (CFO) ▶ Carry forward actions for next phase of delivery (e.g. design of contractor business rules) (CDSM)
TARGET OUTCOMES	<ol style="list-style-type: none"> 1. Delivery team mobilised 2. Scope and approach drafted 3. Governance established 4. Priority stakeholders engaged 	<ol style="list-style-type: none"> 1. Scope, approach, plan and accountabilities agreed with EXCO 2. Detailed cost control options analysis commenced 	<ol style="list-style-type: none"> 1. Detailed cost control options analysis complete (draft) 2. Key areas of risk / benefit / financial value identified for further analysis and confirmation 	<ol style="list-style-type: none"> 1. Detailed options analysis complete (final) 2. Agreed immediate workforce cost control measures to implement agreed 3. Plan, task owners and governance for carry forward actions agreed
KEY OUTPUTS	Draft delivery plan  Stakeholder engagement plan 	Agreed delivery plan  Agreed review objectives 	Draft cost control options analysis 	Agreed cost control measures and related actions 

Section 1: Context on the evolution of HQNZDF over the past 15 years



1.1 Context on the definition of HQNZDF

What is HQNZDF?

The NZDF Headquarters (HQNZDF) is the strategic centre of the NZDF (New Zealand Defence Force) with responsibility for a myriad of important functions that span both military and corporate responsibilities. These include supporting government decision making, interpreting and enacting legislation, development of policies to support personnel and veterans, resource allocation and management of Foundation Functions.

HQNZDF is the prime stakeholder and manager of the relationship between the NZDF and the Ministry of Defence. This critical relationship ensures the NZDF and MoD maintains a long-term view of strategic policy and capability requirements.

HQNZDF is responsible for informing government policy, setting both organisational strategic and operating policy, setting priorities, and monitoring performance.

Defining HQNZDF

Our Review observed that whilst the majority of stakeholders held similar perspectives regarding the purpose and functions of HQNZDF, the co-location of Foundation Functions introduced some confusion. As a result personnel with a primary work location of Central Wellington are considered to be part of HQNZDF. A common definition that clearly separates the Strategic Military functions and Foundation Functions may result in improved clarity and help to align functions within the NZDF operating model value chain.

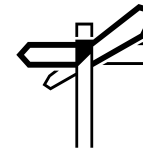


Stakeholders commonly referred to HQNZDF as the strategic centre of the Defence Force with the most common functions that formed HQNZDF being:

- ▶ Leadership, governance and management
- ▶ Relationship management
- ▶ Government interface
- ▶ Assurance and compliance
- ▶ Strategy and policy

Why defining HQNZDF is important

A common definition and understanding of HQNZDF provides clarity of purpose and alignment of organisational cost and performance drivers.



Direction setting

Unifying statements support organisations with establishing and maintaining organisational direction and clarity of purpose.



Decision making

A common understanding and definition of HQNZDF would support decision making and enable better prioritisation and allocation of resources.



Employee engagement

Aligned to purpose, a clear definition of HQNZDF would also improve employee engagement and provide personnel with clear guidance regarding their contribution to performance.

1.2 Context on key HQNZDF change drivers over the last 15 years

Changing landscape of Defence

The NZDF has been operating in a highly changing and disruptive landscape for the past 15 years, highlighted by the number of reviews and programmes undertaken. HQNZDF has been a key area of focus throughout the changes.

The changes have been in response to:



The desire to deliver more value to government and the people of New Zealand through cost savings and operating more effectively



The unique geopolitical environment in which the NZDF operates, which is becoming increasingly connected and technologically complex

In addition to the external factors described above, the NZDF has also been driving change internally in order to create:

- ▶ Greater accountability
- ▶ Clearer purpose
- ▶ Stronger financial management
- ▶ To better balance the needs of the Services with the NZDF
- ▶ Increasing the capability of the NZDF as a whole

Key HQNZDF change drivers

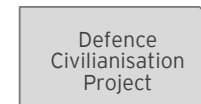
Since 2007, there have been a multitude of major programmes, reviews, papers and natural disasters which have driven change throughout HQNZDF. Of these, 3 have been the most influential in shaping the current state HQNZDF.



The DTP was established in 2007 to make savings through transformational change. The programme led to the consolidation and centralisation of key functions including logistics and human resources. This was followed by the HQ Future State Options Report in 2011.

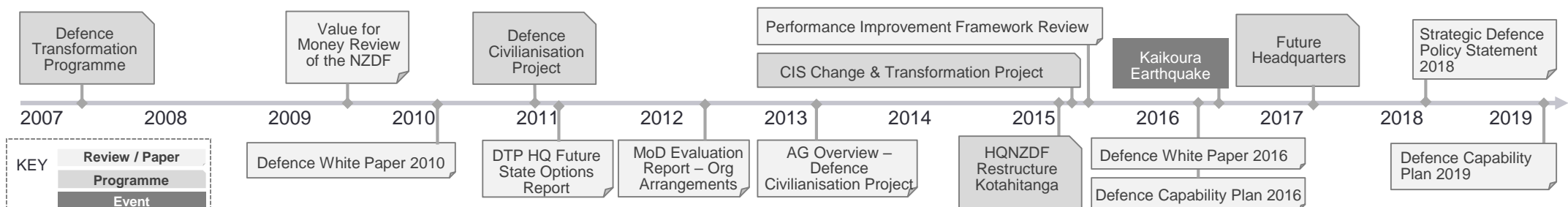


Among other recommendations, the VfM Review led to the creation of a COO function to manage Finance, Procurement, Logistics, HR and IT functions. It also recommended a significant shift towards the civilianisation of non-frontline roles, aiming to ensure greater expertise across the support functions listed above.



Following the VfM Review, the Defence Civilianisation Project aimed to convert 1400 military positions in Logistics, Training, Administrative and similar functions to civilian roles, enabling a higher proportion of military staff to undertake deployable military roles. The NZDF did not however account for the subsequent "drop in morale and an increase in attrition, resulting in reduced capability" - Auditor General Overview of Defence Civilianisation Project.

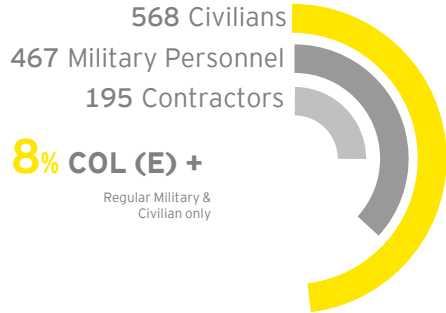
Transformation & Review Timeline 2007 - 2019



1.3 Size and shape of the HQNZDF workforce

HQNZDF snapshot - 2013

Employment Type



Following the Value for Money Review (VfM) and the Defence Civilianisation Project (DCP), there was a significant increase in the number of non-frontline roles moving from Military to Civilian status.

The impact that this had on Military personnel was not fully considered, and attrition rates increased.

Through both the DTP and the VfM Review core functions were centralised to realise efficiency gains by reducing duplication. This included realising savings through reducing organisational spend on contractors.

Initially, this had some success, as between 2009 and 2013, contractor spend decreased by over 21% from \$42M to \$33M. This trend has however reversed since then.

Portfolios	Count
VCDF	343
COO	249
CAF	157
CA	154
CFO	63
CN	34
VANZ	33
COMJFNZ	2

Following the DTP, a number of corporate functions were centralised. The COO portfolio was established to encompass Personnel Executive, IT and Logistics, whilst VCDF maintained responsibility for Capability, Intelligence, Medical and Legal services.

1035 Size of Headquarters

Contractors

821 contractors employed

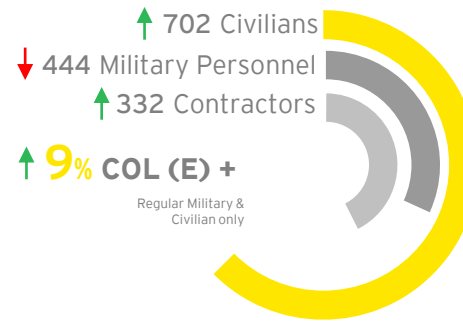
\$33M

OPEX expenditure on contractors

Includes contractors outside central Wellington

HQNZDF snapshot - 2019

Employment Type



In 2019, the relative numbers of civilians have increased significantly, as well as the reliance on the use of contractors. Noting this is a complex area, a lack of strong management controls to periodically monitor growth may have contributed to this.

In 2016 there was a directive from the CPO to provide functions with greater flexibility and autonomy over their workforce.

In combinations with several other factors including the Defence Civilianisation project, this may have contributed factors to the large increases in contractor headcount and expenditure.

Portfolios	Count
CJDS	284
VCDF	241
CPO	192
CAF	116
COS	109
CA	66
CN	52
CFO	50
CDSM	36

In 2015, the COO portfolio was disbanded and the JDS portfolio established to oversee all IT, Logistics and Health related services. As JDS and other Foundation Functions have grown, they have become more inward looking as the need to 'self manage' becomes greater, resulting in a weakened focus on requirements of the Single Services and inconsistent delivery models. In addition, co-location of functions into the Freyberg Building following the decision to relocate certain functions to Wellington has inflated the number of Central Wellington based staff.

↑1146 Size of Headquarters

Contractors

↑ **1,403** contractors employed

\$80M

OPEX expenditure on contractors

Includes contractors outside central Wellington

Section 2: Key observations



2.1 Observations

Prior to commencing our Review we developed and agreed six core hypotheses to test with key NZDF stakeholders. These were used to align our thinking, inform question sets to stakeholders and data we required to perform quantitative analysis. This section of the report uses these six core hypotheses to group our observations from the review and provide further context on the key emerging themes.

In broad terms, there was strong alignment between our initial hypotheses, the key observations made and stakeholder views on areas where the performance of HQNZDF could be improved. There was also wide ranging acceptance that this Review was needed and that a more holistic view of HQNZDF was required in order for it to be more effective in the future.

Problem Statement: How could HQNZDF better enable and support the delivery of military effect?

Answer: By improving the organisational alignment and effectiveness of the functions, structure and resources of HQNZDF

From improving organisational alignment between execution of HQNZDF functions and strategic requirements

Hypotheses

The functions delivered by HQNZDF do not align with the strategic vision outlined in Strategy 25

There is duplication and misalignment between functions and capabilities across HQNZDF portfolios and the broader organisation

There is a lack of clarity across the organisation regarding the purpose of HQNZDF and the functions it should be performing

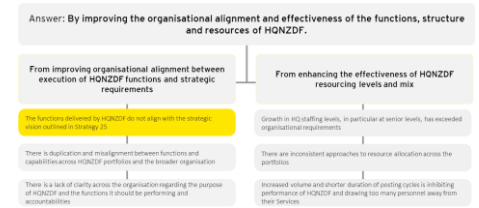
From enhancing the effectiveness of HQNZDF resourcing levels and mix

Growth in HQNZDF staffing levels, in particular at senior levels, has exceeded organisational requirements

There are inconsistent approaches to resource allocation across the portfolios

Increased volume and shorter duration of posting cycles is inhibiting performance of HQNZDF and drawing too many personnel away from their Services

2.2 Hypothesis #1: “The functions delivered by HQNZDF do not align with the strategic vision outlined in Strategy 25”



Summary of observations

Since 2007 the NZDF has moved towards a greater level of centralisation of management and service delivery functions. Strategic policy has reinforced this drive with the goal of becoming an “integrated Defence Force” by 2025. Strategy 2025, which follows Future35 but with a shortened time horizon to make it more tangible for NZDF personnel, is focused on integrating and aligning initiatives around people, information, relationships and capabilities.

Through our Review we have observed that the functions performed by headquarters could be further enhanced through implementation of a sharper focus on the strategic objectives of Strategy 2025. We have also observed that strategy appears to be used passively rather than proactively to drive decision-making around investment governance.

Key observations



1.1 The connection between the functions of portfolios, service delivery models and the objectives of Strategy 2025 is not always clear

- ▶ Noting the relatively high-level nature of Strategy 2025, it is challenging to link the priorities of portfolios and functions to the NZDF’s strategic objectives. We noted that there was some work underway through the development of Plan 25 to address this.
- ▶ The lack of a central, empowered enterprise level PMO to drive oversight and alignment between these areas makes it difficult to draw comparisons across portfolios and functions.



1.2 Decision-making regarding the allocation of funding and resources is not consistently strategy-led

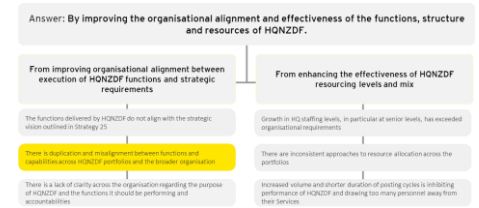
- ▶ It was observed that Strategy 2025 is not being used effectively by all part of the headquarters for prioritising work, or reprioritising in-flight initiatives.
- ▶ On occasion, investment decisions seem to be retrofitted to align to Strategy 2025 rather than being used to inform and guide these decisions.
- ▶ The prioritisation framework for investment decisions does not appear to be consistently used or executed effectively.



1.3 Foundation Function portfolios have developed their own strategic initiatives, underpinning strategies and programmes of work which are creating their own demand

- ▶ As they have grown in size, Foundation Function portfolios appear to have grown increasingly insular, as the demands to manage their day-to-day operations have grown.
- ▶ We observed several examples where individual portfolios and sub-portfolios had advanced initiatives or programmes of work that had cross-organisation impacts which were not adequately identified or consulted upon prior to commencement (e.g. KIMD, Recruitment and DE&I). Lack of alignment to the broader NZDF operating model value chain was also a recurring theme.

2.3 Hypothesis #2: "There is duplication and misalignment between functions and capabilities across HQNZDF portfolios and the broader organisation"



Summary of observations

Over the past decade the NZDF has undergone a number of organisational changes in response to both internal and external factors. These changes have resulted in the creation of new roles, functions and portfolios to meet the growing expectations of the NZDF to government and the people of New Zealand. These incremental changes have compounded over time and resulted in a headquarters function that is challenging for stakeholders to navigate, and is unlikely to be an optimal configuration for the current requirements of Defence.

Through our Review we have identified several key areas, (e.g. the JDS portfolio), where the structure of functions and roles could be further enhanced to reduce replication and improve alignment with organisational objectives. Making changes in these areas represents a significant opportunity to more clearly focus their service delivery models on the needs of Force Generators, and drive value through alignment to the broader NZDF Operating Model.

Key observations



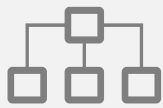
2.1 Several key functions and roles have been replicated across Foundation Function portfolios

- ▶ We observed several examples where delivery of Foundation Functions appear to have been replicated across the organisation (e.g. internal communications contractors were reported in Defence Health, Defence Security, CIS, KIMD, VANZ D&I and DEI).
- ▶ There appear to be a number of functions that perform a similar and connected role (e.g. KIMD, BFG, CIS etc.) that are not working collaboratively in the delivery of outputs and managing significant organisation dependencies.



2.2 There is lack of understanding and misalignment between Foundation Functions and the requirements of the Single Services

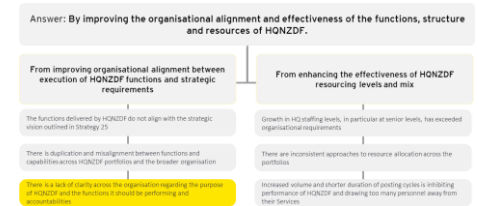
- ▶ Relationships are frequently relied upon to "get things done" rather than formal governance.
- ▶ The full scope of services of large Foundation Functions (e.g. JDS portfolio) is not well understood by HQNZDF due to their large size and lack of clear roles and responsibilities.
- ▶ We observed a small number of examples (e.g. Finance, Recruitment) where Single Services have replicated functions that should have been delivered by Foundation Functions within their own domain due to frustrations with the quality of service delivery.



2.3 There is an opportunity to more closely align Foundation Functions and senior management roles to the NZDF Operating Model

- ▶ A closer alignment between Foundation Functions and related enterprise operating model functions would improve the effectiveness of their service delivery to force generation and force integration.
- ▶ A number of Foundation Functions are carrying high levels of enterprise risk that is not being appropriately captured and reported. Greater alignment could better allow for the management and distribution of this risk (i.e. projects that are being funded and delivered by sub-portfolios using OPEX but have enterprise level output).

2.4 Hypothesis #3: “There is a lack of clarity across the organisation regarding the purpose of HQNZDF and the functions it should be performing and accountabilities”



Summary of observations

As the NZDF has progressed to working in a more integrated way, the development of larger portfolios and related functions has resulted in a reduction in the clarity of their responsibilities and accountabilities. Further, through our stakeholder interviews we observed strong sentiment that the centralisation of Foundation Functions had not created the service delivery efficiencies that were originally targeted. The combination of these factors has contributed to a growing perception across the NZDF that HQNZDF has grown too quickly and in an uncontrolled manner.

Regarding the purpose of HQNZDF, whilst there was broad consensus among the senior stakeholders we interviewed, this same shared understanding does not appear to have penetrated lower levels of the organisation and out into the Services. In some respects, this does not appear to have been helped by the term “headquarters” becoming a pseudonym for all staff primarily located in Wellington. Further, several stakeholders also reported frustrations with governance arrangements that are perceived to be over burdensome and not effective in delivering outcomes.

Key observations



3.1 The purpose of HQNZDF is not well understood outside Wellington

- ▶ The current perception is that all personnel posted to Wellington are considered to be part of the headquarters, however this did not fit the definition of “headquarters” that the majority of stakeholders we interviewed provided. Several of the stakeholders suggested the use of different language to describe the workforce that is focused on the delivery of Foundation Functions, and the workforce that is focused on what are considered to be more “strategic” headquarters functions.



3.2 The centralisation of Foundation Functions has led to a perceived weakened focus on the needs of Single Services in certain areas

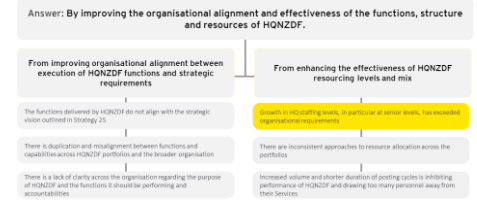
- ▶ Approaches to the identification and prioritisation of Single Service requirements delivered through Foundation Functions are inconsistent.
- ▶ Growth in Foundation Functions over time has led to increased management overheads associated with day-to-day operations of the portfolios. This has contributed to a perceived weakening in the focus on Single Services. Where their requirements have not been adequately met, we have observed examples of Single Services increasing their own resourcing levels to mitigate risk related to this.



3.3 Current governance arrangements are not consistently aligned to their intent, resulting in overlaps and gaps in personal and organisational accountabilities

- ▶ Several stakeholders frustrations related to inefficient governance across HQNZDF. A key recurring theme we observed was decisions being unnecessarily escalated through governance committees which should have been directly managed at an individual level.
- ▶ Many senior HQNZDF employees are members on upwards of 10 formal governance bodies, limiting their ability to focus on the day-to-day responsibilities of their job role and appropriately represent their function at these governance bodies.
- ▶ There is an inconsistent approach to how the organisation manages accountability and responsibility, with some capability 'owners' retaining accountability, while other 'owners' are not responsible or accountable.

2.5 Hypothesis #4: "Growth in HQNZDF staffing levels, in particular at senior levels, has exceeded organisational requirements"



Summary of observations

There has been relatively steady growth in HQNZDF staffing levels over the past 5 years. This has been both the result of natural growth and changes to the operating environment of the NZDF, specifically related to the need to respond to legislative changes and increased focus on the information domain.

However, whilst overall growth rates appear unremarkable, growth at senior levels has significantly outpaced growth in the middle and lower levels. For example, there has been a considerable increase in the senior civilian (COL (E) +) workforce, with a 69% increase since 2013. The increase in senior rankings has resulted in an organisation that has significantly higher operating costs with limited change to the outputs delivered.

Key observations



4.1 There has been relatively steady growth to the overall HQNZDF headcount over the past 5 years

- ▶ Wellington-based workforce growth has been most significant in the JDS and VCDF portfolios.
- ▶ Stakeholders reported that growth in selected areas is often the result of movement as opposed to new positions however this does not account for all growth
- ▶ There are a significant number of open positions listed within NZDF systems that are not filled



4.2 The number of civilian senior executive equivalents has grown significantly over the past 5 years

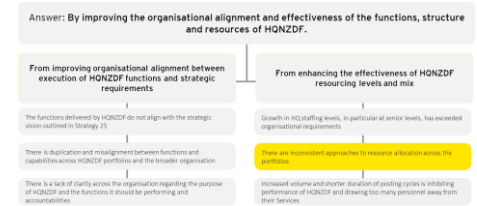
- ▶ The senior civilian workforce has experienced 69% growth since 2013, whilst the senior military workforce has decreased by 4% over the same time period.
- ▶ Portfolios with highest senior civilian growth (CDSM: 0 in 2015 to 7 in 2019; JDS: 8 in 2015, 19 in 2019).
- ▶ A strong contributing factor in senior civilian growth is the linkage between rank and pay, with civilians in highly paid technical roles allocated senior rank equivalents, despite having less responsibility than their military counterparts.



4.3 The growth percentage of HQNZDF senior executives is significantly higher than the growth rate of the non-executive workforce

- ▶ Since 2013 the senior workforce has grown by 28.5%, compared to the non-executive workforce which has only grown by 8.5%.
- ▶ Stakeholders reported that the disproportionate growth of executives has been at the cost of analysts and 'doers' within the organisation.
- ▶ There has been a 277% increase to JDS executive since the establishment of the portfolio in 2015. Contributing to this is the growth in services and the underway transformation programmes.

2.6 Hypothesis #5: "There are inconsistent approaches to resource allocation across the portfolios"



Summary of observations

The allocation, control and oversight of resources within an organisation the size and complexity of the NZDF is critical to consistently deliver a strong value-for-money proposition to government. To support this, resource allocation needs to be tightly managed in close alignment with workforce planning delivery.

Through our Review we observed several examples of inconsistent approaches to resource management, in particular regarding the use of contractors across HQNZDF. The over-reliance and subsequent spend on contractors has seen an increase of 135% since 2013, with contractors spending more time in positions on average than posted military personnel. Furthermore, portfolios have been able to repurpose their budgets and deliver new initiatives or projects outside governance approval, resulting in increased long-term operating costs.

The multiple streams of investment and lack of a clearly defined gateway process has also resulted in an organisation that is adept at starting, approving and funding initiatives, but not as forceful in stopping or re-prioritising them.

Key observations



5.1 There has been a significant increase in contractor usage and expenditure over the past 5 years

- ▶ The number of known contractors employed by the NZDF has increased by 71% since 2013, however, gaps in the data available indicate this figure could be higher.
- ▶ Expenditure on contractors has increased by 135% over the same time period from \$34M in 2013 to \$80M in 2018.
- ▶ There does not appear to be a consistent process for the procurement, management and extension of contractors.



5.2 On average a contractor spends more time in their position than posted military personnel.

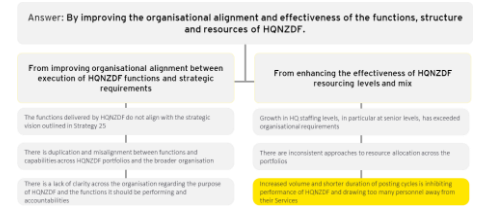
- ▶ Over 70% of known contractors have been in their position for over 1 year, longer than the average for military postings.
- ▶ Whilst military personnel have trended towards shorter posting cycles, the current contractor workforce have occupied their positions for an average of 2.3 years.
- ▶ Stakeholders have expressed concerns that organisational knowledge has been lost due to the long-term reliance on contractors rather than permanent staff.



5.3 There are multiple investment streams available across the organisation and portfolio shopping has become common practice to finance initiatives

- ▶ There are a number of different investment pathways to secure funding for initiatives and no formal gateway process to assess and prioritise initiatives.
- ▶ Portfolios have been given increased accountability for the management of their budget without a corresponding increase to management controls.
- ▶ Portfolios have the ability to repurpose their budgets for new initiatives rather than the original budgeted intent. Examples include KIMD funding enterprise level projects using OPEX.

2.7 Hypothesis #6 - "Increased volume and shorter duration of posting cycles is inhibiting performance of HQNZDF and drawing too many personnel away from their Services"



Summary of observations

Balancing the development and career needs of individuals with the broader needs of the NZDF as an organisation is a complex endeavour. Whilst we understand this is a continued challenge that is inherent for the NZDF, through our Review we observed growing resource requirements outside of the direct responsibilities of the Single Services has led to challenges with filling positions across the NZDF and within HQNZDF. A number of positions within HQNZDF remain vacant and there is high number of personnel posted to non-service groups. The increase in number of non-serviced tied and relation to military capabilities has also increased the requirement that service personnel are posted to positions for the full 3 years posting.

There are currently 2103 service personnel posted to non-service groups within NZDF, representing 17% of the active military force. With these postings being used for three main purposes; to bring military knowledge and experience to Foundation Functions, to train staff and support career development, and to provide respite from active offshore service.

The typical NZDF posting is intended to last for 3 years, with the first year designed to learn the role, the next 18 months designed to deliver, and the final 6 months transitioning from the current posting to the next. We have found while there is convergence around how and when a posting should be used, the current reality of postings is not consistent. With significantly shortened postings among senior staff in HQNZDF, including a median for COL (E) personnel of 9 months, and BRIG (E) personnel of 7 months.

Key observations



6.1 The median posting length for COL (E) personnel is 9 months, whilst for BRIG (E) personnel the median is 7 months

- ▶ Stakeholders reported that the current posting length of 3 years is seen as the "right" length, however our analysis showed that most personnel don't complete their full posting.
- ▶ Our analysis showed a high churn in senior, strategic roles and it was reported that this causes significant disruption to consistent portfolio delivery (e.g. CDSM which was identified as a high churn role where stability is required).
- ▶ Stakeholders reported the NZDF places a high emphasis on providing service personnel with a wide range of experiences and opportunities across a range of functions however this comes at the expense of the performance of functions achieving their organisational outcomes.



6.2 Handovers of roles are completed in an informal and inconsistent manner

- ▶ Stakeholders reported that there is often no handover process between postings resulting in a significant amount of time required to first understand the role before delivering.
- ▶ Stakeholders suggested the implementation of a minimum posting term for HQ postings with approval required to terminate a posting within the minimum term.
- ▶ Stakeholders reported that ad hoc posting times impact workforce planning attempts and sometimes inhibit the organisation in getting the right person into the right role at the right time.



6.3 Approximately 17% of NZDF military personnel are posted to non-service groups within the organisation, compared to the ADF's 5%

- ▶ Stakeholders reported that the use of service personnel in non-service roles has reduced the outputs of these roles as service personnel have a number of additional commitment including military training and ceremonial activities.
- ▶ Service personnel have been posted to roles that could be filled with civilian talent, resulting in additional cost to the organisation in the provision of military benefits to staff fulfilling a corporate role.
- ▶ Stakeholders reported that non-service groups are able to create new roles (purple plots) relatively easily with limited organisational oversight and workforce planning.

2.8 Other observations

Through the course of our Review we also made several observations related to the efficiency and effectiveness of HQNZDF that were not related to our core hypotheses. We have summarised these in the table below to provide additional context.



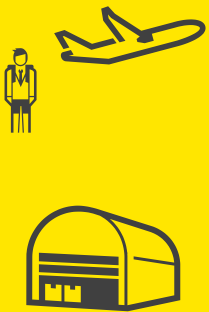
Sequencing of strategy development activities

The process for the development and delivery of key strategic objectives appears to be out of sequence, which feeds the NZDF's continued challenges in driving better organisational alignment. For example, concurrent with our Review and continued design of the NZDF enterprise operating model, similar "sub-operating" model reviews were being performed within HQNZDF portfolios. Noting the inherent challenges around coordinating this work centrally, a more efficient approach would have been to complete the design and definition of the full NZDF enterprise operating model, prior to defining related sub-operating models and related changes to functions, roles and ranks in more detail.



Reviews

The combination of mandatory external reviews triggered by government and voluntary internal reviews driven by the NZDF's strong desire to continuously improve the efficiency of its operations had led to a considerable strain being placed on business resources to support these around their day-to-day responsibilities. Whilst this challenge is not unique to the NZDF, the volume of other reviews in progress at the time we completed our work was significantly greater than we typically encounter in organisations of a similar nature.



Supporting examples for service delivery misalignment

Our stakeholder interviews highlighted identified several scenarios where the interaction between functions appears to be ineffective, driving duplication of efforts and creating service delivery inefficiencies. Two examples include:

1. School to skies. The school to skies project is seen as a widely successful outcome for the NZDF and in particular the Air Force, however underlying this is a pertinent example of a function not fully delivering on its responsibilities to the customer. Specifically, recruitment was either unable, or unwilling, to respond to a fundamental need of their customer in the NZDF value chain (in this case the Air Force) to grow the number of female STEM recruits coming into the NZDF.
2. Defence Estate and Infrastructure. An early design for a base revitalisation project was presented to the key base stakeholders. Though the planners had attempted to understand the needs of the base they did not appear to fully appreciate the domain specific and military requirements. This resulted in wasted effort and the subsequent requirement for Single Services to provide more resources to support this function, taking additional resources away from their primary work duties.

2.9 Technology observations

Through the course of our Review we also made several observations related to the technology function of the NZDF. The importance of technology and information was a consistent theme across stakeholder interviews, as was the corresponding confusion regarding the intended engagement model, delivery model and overall performance given the distributed model that the NZDF currently operates.



Data availability & quality

We encountered several challenges in sourcing the data required to perform our review across several areas, including Human Resources, Finance and Commercial Services. This appears to be indicative of a broader data quality and availability issues across the NZDF, where data governance is ineffective and data in core applications is not managed strategically as an asset.



Distributed model

The current distributed model that separates the CIO, CDO, CISO and BFG (including emerging technology) is not delivering the performance and outcomes required by the NZDF. This model has created silos, disjointed decision making and a lack of alignment. Recent technology acquisitions such as the Safety Event Management Tool (SEMT) are an example of this.



Information

Information was identified in multiple reviews, including the most recent Performance Improvement Framework (PIF) and Value for Money reviews, as critical to the NZDF's future performance. The ultimate accountability and responsibility holder of this needs to both have the authority and means in order to deliver for the NZDF. The current arrangement where these functions reside and the tier three nature of these distributed accountability holders is leading to suboptimal outcomes.

Section 3: Recommendations

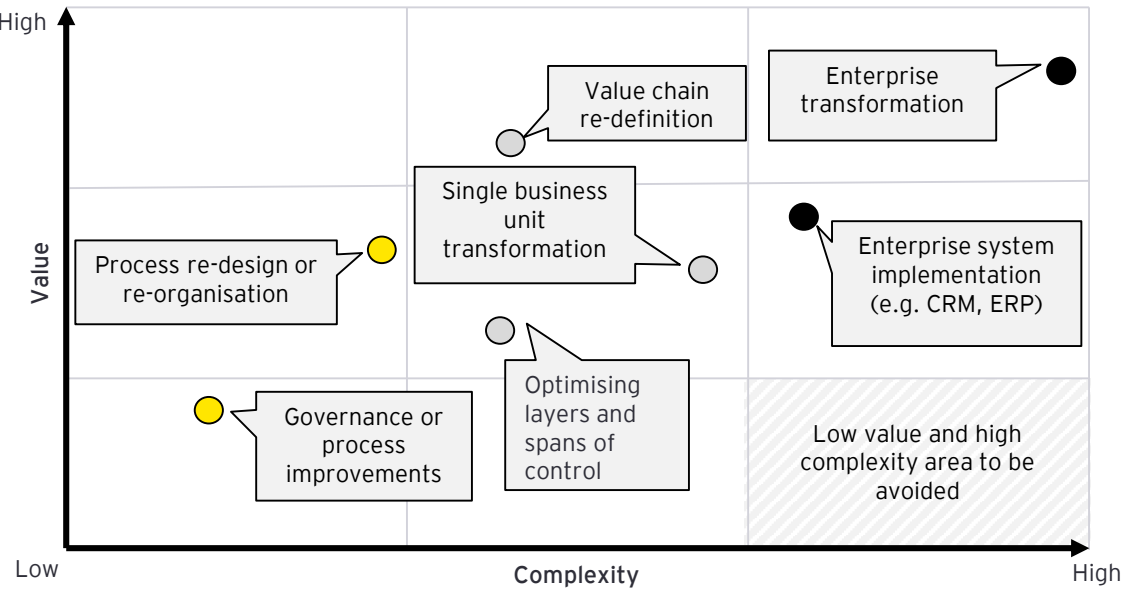


3.1 Recommendation prioritisation framework

The recommendations made through this Review primarily relate to organisational re-alignment of HQNZDF. To support their effective and efficient implementation, we have developed a tailored prioritisation framework based on EY's Organisational Change Framework. The diagram below provides context regarding how recommendations of this nature are typically prioritised, and the supporting criteria definitions for HQNZDF specifically.

EY Organisational Change Framework - illustrative example of recommendation prioritisation

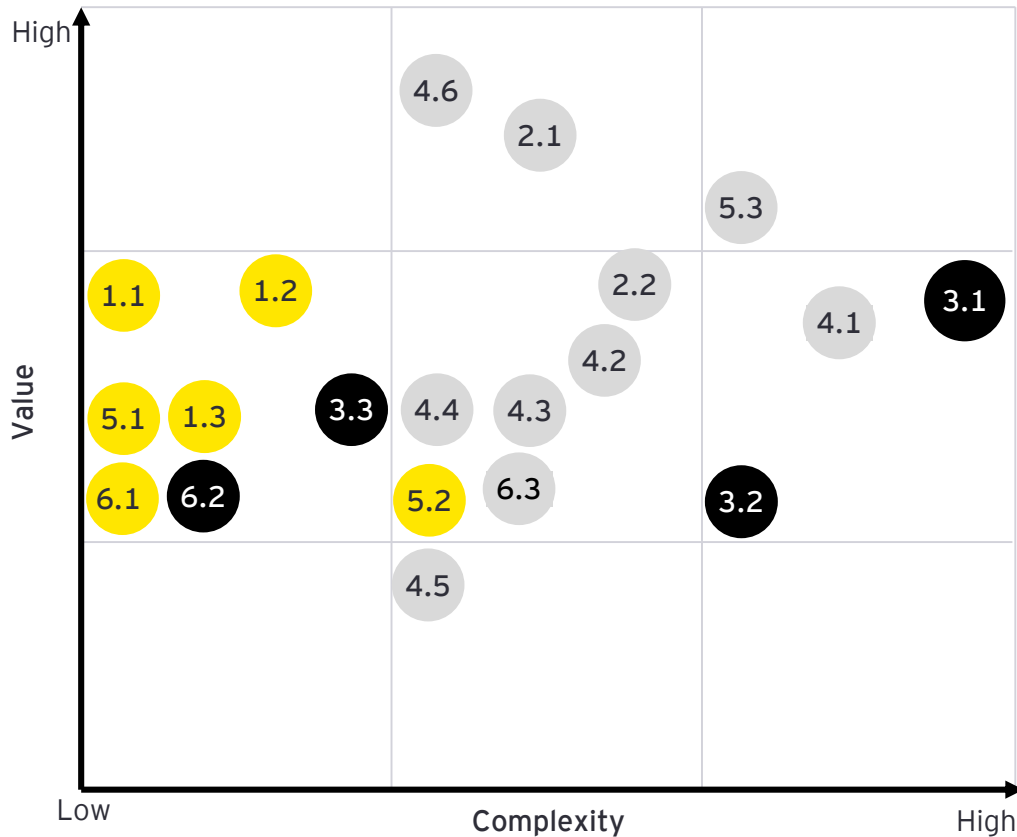
- Example organisational alignment changes:
- Enterprise transformation
 - Multi-function transformation
 - Single business unit transformation (e.g. Finance, HR, IT)
 - Value chain re-definition
 - Optimising layers and spans of control
 - Governance or process improvements



Urgency	Value	Complexity
<p>High</p> <p>Implement immediately</p>	<p>Low</p> <p>Anticipated financial value is largely intangible or realised over an extended timeframe.</p>	<p>Changes can be managed and implemented by Portfolios or centrally. Typically relates to a change in policy, process or procedure.</p>
<p>Moderate</p> <p>Design now - implement within 1-12 months</p>	<p>Anticipated financial value is largely tangible and related to the realisation of minor organisational efficiencies (e.g. cost reductions) rather than value creation (e.g. service delivery transformation).</p>	<p>Changes can be managed and implemented by Portfolios or centrally. Typically relates to changes in functions and roles, and will require deeper analysis on related impacts to people, process and technology prior to proceeding.</p>
<p>Low</p> <p>Design next - implement within 12-18 months</p>	<p>Anticipated financial value is largely tangible and relates to the realisation of major organisational efficiencies and/or value creation.</p>	<p>Changes must be managed centrally due to high levels of complexity involving multiple stakeholders, interdependencies and high risk in implementation. Typically relates to changes which transform how the broader organisation operates.</p>

3.2 Recommendation prioritisation assessment




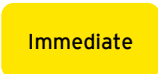





Through our Review we have identified a total of 20 recommendations, 6 of which require immediate attention from NZDF. These primarily relate to the implementation of interim PERSEX cost control measures whilst detailed analysis and planning for more complex changes is completed in parallel.



Rec. #	Short description
1.1	Implement interim PERSEX cost controls
1.2	Value-for-money review of contractor expenditure
1.3	Pause delivery of interdependent organisational reviews
2.1	Re-align senior roles and supporting structures to NZDF value chain
2.2	Re-align sub-portfolios delivery models to NZDF value chain
3.1	Consolidate and simplify Foundation Functions structures
3.2	Strengthen enterprise strategy, planning and execution
3.3	Closer alignment of Foundation Function performance measurement to Force Generation requirements
4.1	Improve consistency and rigour of investment governance
4.2	Review senior workforce requirements and implement ongoing controls
4.3	Enforce minimum posting durations for HQNZDF
4.4	Establish and enforce longer minimum posting durations for select senior strategic roles
4.5	Enhance policy guidelines and organisational disciplines regarding allocation of military vs. civilian staff to positions
4.6	Define and implement clearer business rules regarding the appropriate use of contractors
5.1	Review outsourcing arrangements to assess whether planned benefits have been realised
5.2	Confirm ongoing strategic need for select postings and disestablish redundant roles
5.3	Remediate inconsistency of service delivery models for functions which have been replicated across multiple portfolios
6.1	Develop recommendation implementation plan and establish executive accountabilities for delivery
6.2	Establish a workstream to continuously evaluate additional opportunities that may arise through recommendation implementation
6.3	Improve effectiveness and alignment of key governance bodies and related responsibilities and accountabilities of individual parties

3.2 Detailed recommendations

1. Implement immediate workforce control measures

Recommendation	Related observations	Urgency	Value	Complexity
<p>1.1 Implement a set of interim measures to establish better control over personnel related expenditure, with all activities that lead to an increase in PERSEX requiring approval through EXCO. These measures may include:</p> <ul style="list-style-type: none"> i. Implementation of a temporary headcount cap ii. Review of all vacant positions in the establishment to assess validity of business requirements to carry forward iii. More stringent governance over the approval of new hires and positions iv. More stringent governance over the use of contractors <p>To reduce the risk of the temporary headcount cap impacting the delivery of outputs, we recommend the NZDF aggressively looks for opportunities to stop or slow demand generation across the business for initiatives that are not of critical strategic importance. We also recommend EXCO maintains responsibility for governance over these measures until more robust policies and procedures are in place to manage this on an ongoing basis.</p>	4.1, 4.2, 4.3, 5.1	<div style="text-align: center;">  </div>	<div style="text-align: center;">  </div>	<div style="text-align: center;">  </div>
<p>1.2 Implement an immediate review of contractor usage across HQNZDF to assess value-for-money and alignment to the NZDF strategic objectives.</p> <p>To ensure this is completed in a targeted manner, as an initial step we recommend this is governed through EXCO with Portfolio Heads required to report back on:</p> <ul style="list-style-type: none"> i. Contractors with tenure exceeding 18 months duration ii. Contracts exceeding a total value of \$1m (note: threshold by contractor type to be agreed through consultation with EXCO) 	5.1, 5.2, 5.3	<div style="text-align: center;">  </div>	<div style="text-align: center;">  </div>	<div style="text-align: center;">  </div>
<p>1.3 Pause the execution of all planned or in-flight organisational reviews that relate to changes in the structure, functions or roles of HQNZDF, to ensure alignment is maintained with the changes being driven through the HQ Review. Where pausing an initiative may have a more detrimental impact to the organisation, formal exemptions should be required to be sought, governed through EXCO (note: there may be exceptions, such as CISCTP. These should be explicitly agreed by EXCO).</p>	7.3	<div style="text-align: center;">  </div>	<div style="text-align: center;">  </div>	<div style="text-align: center;">  </div>

3.3 Detailed recommendations

2. Re-align portfolio functions and supporting senior management roles to align to the NZDF Operating Model

Recommendation		Related Observations	Urgency	Value	Complexity
2.1	Given the operating model value chain is the core organisational enabler of the NZDF's Strategy and Plan 2025, the NZDF needs to use this as a guiding framework for the re-alignment of HQNZDF functions and supporting senior management roles.	1.1, 1.2, 1.3, 2.1, 2.2, 2.3	Design now	High	Moderate
2.2	Ensure that all sub-portfolios (and their related functions) are aligned to their primary role in the operating model value chain (e.g. Force Generation or Foundation Functions). The functions that have been identified through this Review that should be more clearly aligned with Force Generation, for example, include Logistics, Health and Military Police. A secondary decision needs to be made for each as to whether they are managed through a joint command, propensity or federated model in line with the Force Generation options developed in phase 2 of the operating model.	1.1, 1.3, 2.1, 2.2, 2.3	Design now	Moderate	Moderate

3. Sharpen focus of service delivery of the Foundation Functions to the needs of Force Generation

Recommendation		Related Observations	Urgency	Value	Complexity
3.1	Simplify the Foundation Functions structures, for example: i. Bring CIS, KIMD and CISO together under a single CIO. ii. Bring all change delivery capabilities (including Capability deliver, Strategic change management, Business Futures Group) and the NZDF's EPMO accountability together into a single group using a consistent methodology and governance system. Capability Branch is the logical home for this grouping noting that it will require the creation of a third change portfolio in addition to the existing Defence led and NZDF led portfolios.	2.1, 2.2, 2.3	Design next	Moderate	High
3.2	Implement a more tightly controlled process for strategy development and enterprise level planning and execution. The process needs to centre on demonstrable lifts in operational capabilities through the integration of outcomes and effects, domain mastery, capability development and Foundation Functions.	2.1, 2.2, 2.3, 3.2, 3.3	Design next	Moderate	Moderate
3.3	Align Force Generation objectives with Foundation Functions objectives through the setting and tracking of KPIs, SLAs and individual performance targets.	2.1, 2.2, 2.3, 3.2	Design next	Moderate	Low

3.4 Detailed recommendations

4. Establish stronger management controls around investment pathways, recruitment, workforce planning and contractor usage

Recommendation		Related Observations	Urgency	Value	Complexity
4.1	<p>In line with the findings of the Investment Governance Review, implement:</p> <ul style="list-style-type: none"> i. An agreed definition of an investment decision that needs to be made at enterprise level. The definition needs to include the creation of OPEX and/or PERSEX costs to NZDF in out years. ii. For the decisions that meet the definition, a single investment pathway that links to the budget process and provides a clear pathway for both approval and funding of new initiatives. iii. Clear decision-making accountabilities within the investment pathway that link to organisation performance and strategy execution. 	3.3, 4.1, 5.3	Design now	Moderate	High
4.2	<p>Establish firmer organisational targets for staffing levels, ranks and grades linked to the delivery of Strategic and Operational Effects. Based on our analysis of workforce trends from 2013-2019, we recommend this review focuses on the following areas within the Wellington staff where changes have been made that do not appear to have led to increased delivery of outputs or better enabled organisational requirements:</p> <ul style="list-style-type: none"> i. The number of COL (Equiv - military and civilian) and above ranks across all portfolios ii. The number of Warrant Officers <p>Once targets have been set, the workforce needs more effective controls on an ongoing basis. SAB should manage both individual positions and the overarching targets. Positions should only be replaced where they clearly support the NZDF's organisational requirements and align to the enterprise operating model value chain. Any proposed new positions should be offset by a reduction elsewhere. Any decision to create new positions, without an agreed offset, should be treated as investment decisions.</p>	4.2, 4.3	Design now	Moderate	Moderate
4.3	<p>Task SAB with enforcing the minimum posting term of 3 years for all HQNZDF postings. Postings within the first 30 months should be managed formally as an exception.</p>	6.1	Design now	Moderate	Moderate

3.4 Detailed recommendations

4. Establish stronger management controls around investment pathways, recruitment, workforce planning and contractor usage

Recommendation	Related observations	Urgency	Value	Complexity
<p>4.4 Establish and enforce 4-year postings for key strategic roles within the organisation. Primary areas we recommend longer postings are considered include:</p> <ul style="list-style-type: none"> i. CDSM to enable long-term strategic oversight and delivery of Plan 2025 ii. Single Service Deputy Chiefs - to reduce excessive posting churn and an over reliance on more junior personnel acting in these roles iii. Assistant Chief, Capability <p>In addition, the NZDF should implement formal reporting for key roles that focuses on the position (e.g. percentage of time filled, average tenure of position holders etc.), not just the personnel that fulfil the roles.</p>	6.1, 6.2	Design now	Moderate	Moderate
<p>4.5 Develop a set of policy guidelines regarding where and when a position should be considered to be filled by:</p> <ul style="list-style-type: none"> ▶ Only military staff ▶ Only civilian staff ▶ Either military or civilian staff <p>Further, in alignment with the recommended policy changes, NZDF should consider introducing more flexibility into the budgeting process to allow changes between military and civilian personnel funding arrangements to be made more easily.</p>	6.3	Design now	Low	Moderate
<p>4.6 Establish and enforce a consistent set of business rules for the use of contractors and contingent labour, including but not limited to:</p> <ul style="list-style-type: none"> i. The approval process for obtaining contractor support ii. When contractors should be engaged, including enforcement of policy that HQ portfolios are not to contract or develop capability that is already a responsibility of Foundation Functions (e.g. legal, communications, finance, commercial services etc.) iii. How long contractors should be engaged for <p>As an initial step, we recommend the following business rules are implemented:</p> <ul style="list-style-type: none"> ▶ Contractors cannot be extended beyond 12 months on a single engagement ▶ Contractors cannot be renewed without tier two approval and engagement with defence commercial services 	5.1, 5.2, 5.3	Design now	High	Moderate

3.5 Detailed recommendations

5. Trim the waste related misaligned or duplicate roles and functions

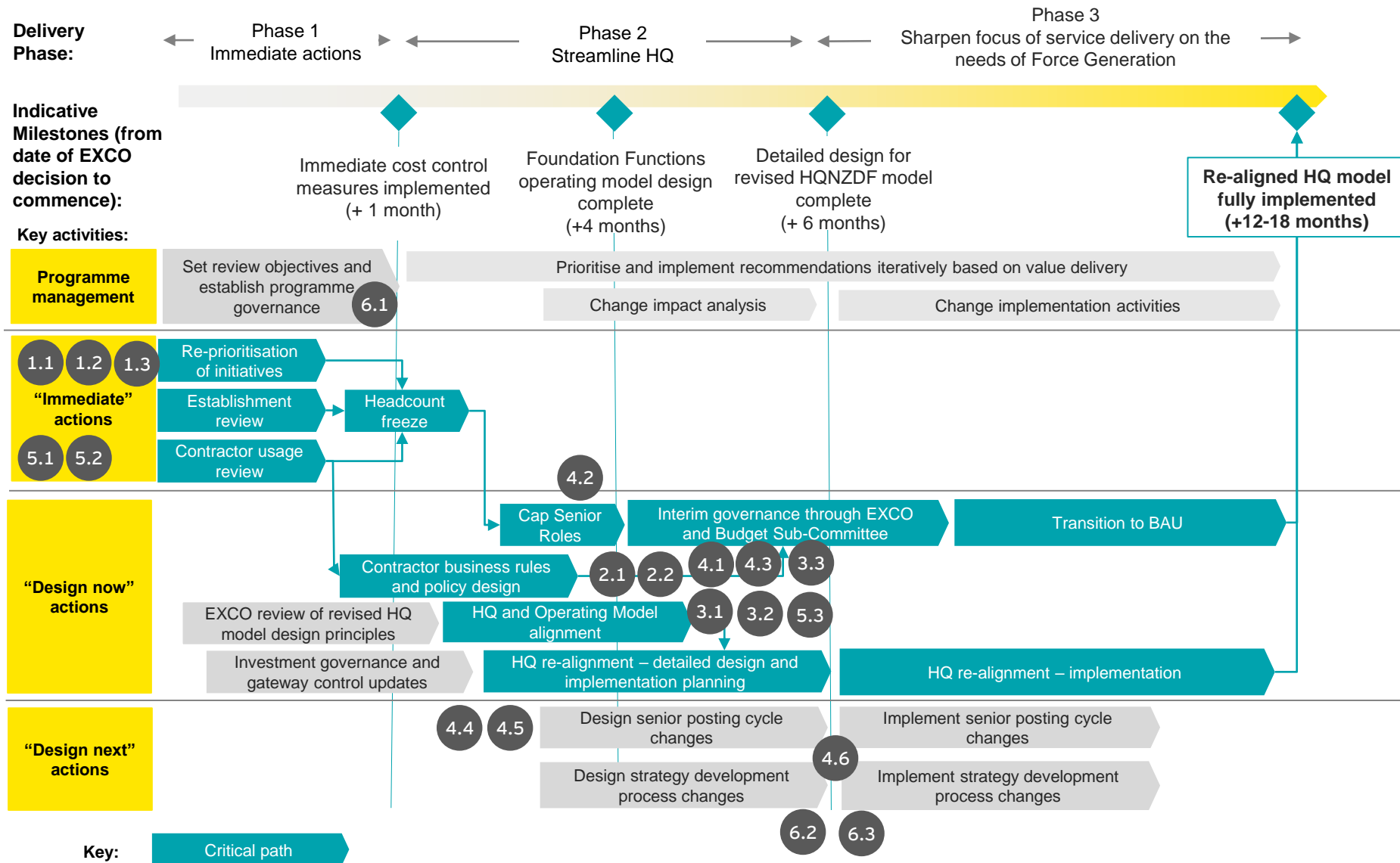
Recommendation		Related observations	Urgency	Value	Complexity
5.1	In consultation with the Risk and Assurance Committee, incorporate into the Internal Audit plan the performance review of portfolios which have outsourced functions or service delivery and have not yet derived an equivalent in-house cost saving.	5.1, 5.3	Immediate	Moderate	Low
5.2	Evaluate the need for and strategic alignment of selected postings, and disestablish redundant roles when existing personnel post out, move on or retire. The Ministry of Defence International Branch post is an example area which we recommend is considered as part of this evaluation process.	2.1, 2.2, 2.3, 3.3, 4.1	Immediate	Moderate	Moderate
5.3	Re-align the delivery of functions and their supporting roles back into centralised, consistent service delivery models to remediate inconsistencies that have arisen over time due to an unclear operating model and/or lack of coordinated decision making across portfolios. Example functions and roles we have observed through this review which appear to have duplicative and/or inconsistent approaches across portfolios include: <ul style="list-style-type: none"> i. Internal Communications ii. Programme Management / PMO iii. Risk and Information Security 	1.1, 2.1, 2.2, 2.3, 3.3	Design now	High	High

3.7 Detailed recommendations

6. Position for successful implementation

Recommendation		Related Observations	Urgency	Value	Complexity
6.1	Develop and approve a detailed implementation plan. Form and resource an integrated delivery team to drive the agreed changes across both HQNZDF and the wider Operating Model to ensure a coherent approach to change. Ensure portfolio heads are accountable for the successful implementation of recommendations both collectively and in their relevant areas.	2.1, 2.3	Immediate	Moderate	Low
6.2	Through mobilisation of the integrated delivery team, consider execution of the following actions to support effective delivery of the recommendations: <ol style="list-style-type: none"> More clearly delineating between the roles and functions that lead the Strategic HQ, and the roles and functions that enable the Strategic HQ and broader organisation. Whether the combination of the recommendations from this Review combined with the Future HQ initiative represent a timely opportunity to re-brand HQNZDF to more clearly separate the Strategic Military functions from the Foundation Functions. Investigate where further opportunities exist to streamline the HQ related to reducing replication of "like" roles outside of the boundaries of HQNZDF (e.g. where Single Services have replicated roles and functions due to dissatisfaction of service delivery from HQNZDF), using the enterprise operating model value chain as a driver. More clearly defining where and how military and civilian talent can best be deployed to support HQNZDF in the delivery of outputs whilst maintaining the required domain expertise. 	2.1, 2.2, 2.3, 3.1	Design next	Moderate	Low
6.3	In alignment with the ongoing NZDF Investment Governance Review, evaluate the Terms of References for existing governance bodies and ensure that the membership, meeting frequency, authorities and accountabilities and alignment to original intent to ensure that overlaps in personal accountabilities and those of governance bodies are reduced.	3.3	Design now	Moderate	Moderate

3.8 Recommendation mapping to the indicative timeline



Appendix



Appendix 1: Workforce analysis

Appendix 1.1 - Data challenges and key assumptions

Data challenges

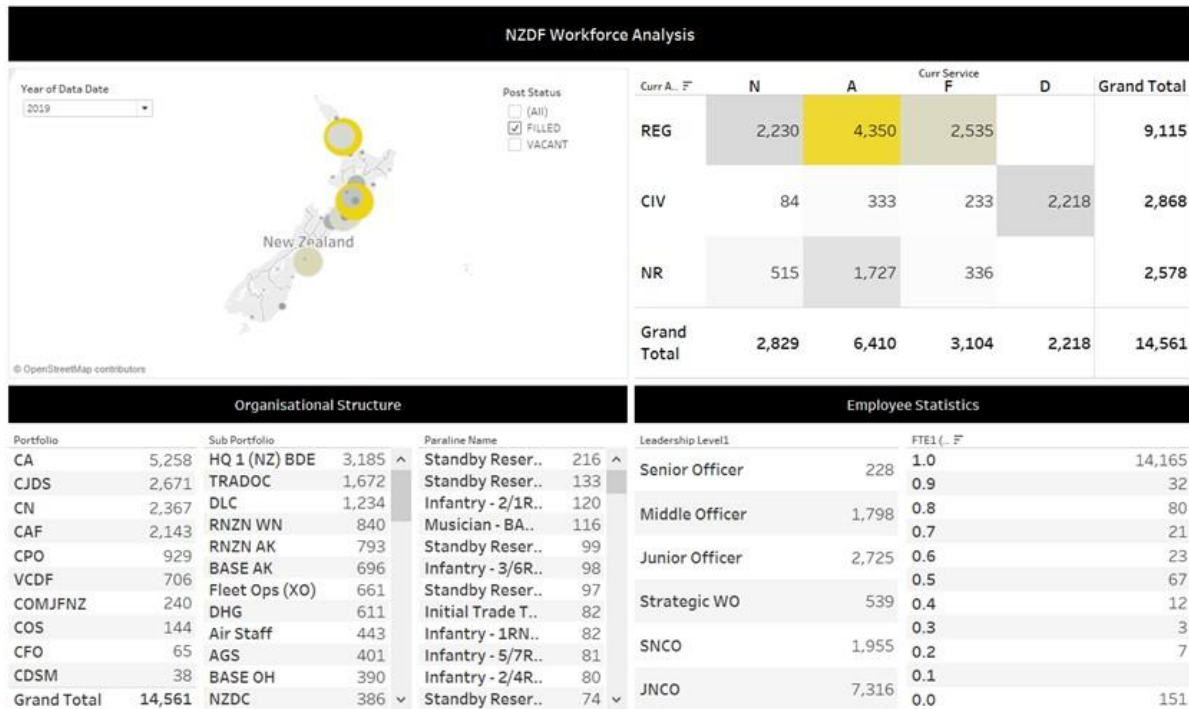
1. The accuracy of location data provided is inconsistent
2. Not all data was available from a single source, resulting in significant time and consultation to gather all requisite information
3. A number of records in the HR data extract are missing key fields, such as location, rank, rank (E), cost centre, etc.
4. Postcodes were not included in the HR data extract
 - ▶ Overcome by researching Base Locations online and manually inputting postcodes
5. Posting cycle data was not included in the HR data extract
 - ▶ Alternative dataset was used to calculate posting cycles for BRIG (E) and COL (E) personnel
6. No information was available in the data set outlining the number of direct reports held by individuals
 - ▶ As a result, it was not possible to analyse spans of control
7. Remuneration data was not included in the HR data extract
 - ▶ As a result, the Regular Force and Civilian Remuneration tables (2019 only) were used as a reference, and Pay Step 7 (100%) in the Sector A pay table was the primary reference used to estimate pay
8. Due to the fragmented nature of contractor data provided, it was not possible to accurately delineate between payments made for consulting, contractor and professional services. As a result, all 3 categories were grouped for ease of analysis.

Key data assumptions

1. For the purpose of analysis, only Military (REG) and Civilian (CIV) numbers should be used to reflect establishment
2. Positions listed as 'Vacant' should be excluded from analysis
3. The data provided is a point in time snapshot of the NZDF establishment. It is assumed that the data extractions provided reflect the full establishment of Defence personnel
4. Personnel holding positions which have to be withheld for security purposes represent a small proportion of the NZDF and as such, exclusions will not significantly impact the quality of the analysis
5. Staff located within the 6011 postcode provide an indicative depiction of the number of staff currently classed as 'HQNZDF'
6. Senior leadership equates to staff who fall into the following Rank (E)s
 - ▶ LTGEN
 - ▶ MAJGEN
 - ▶ BRIG
 - ▶ COL

Appendix 1.2 - Current state: overall NZDF workforce

Snapshot of current state - 17 April 2019



Insights

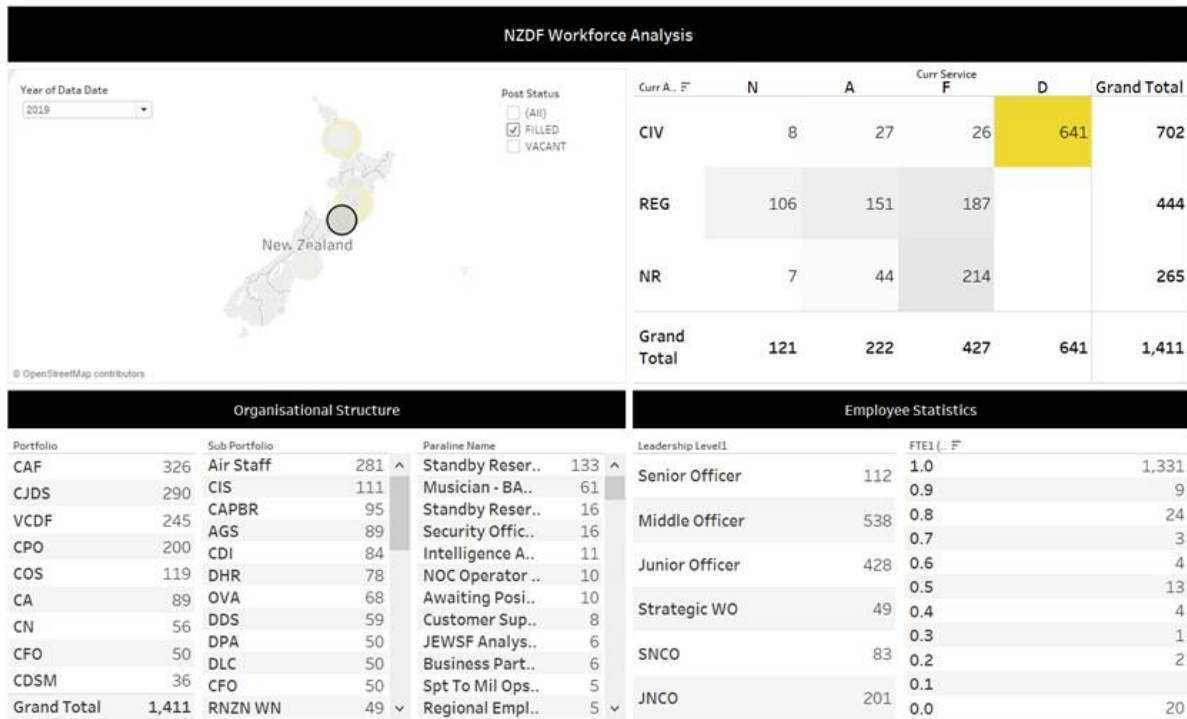
- ▶ As at 17 April 2019, there were approximately 14,561 New Zealand-based staff employed by the NZDF (plus exclusions)
- ▶ Approximately 20% of the NZDF workforce are civilians
- ▶ Approximately 1.5% of Defence personnel are ranked as Senior Officer (equivalent) - COL (E) +
- ▶ Navy, Army, Air Force and COMJFNZ portfolios make up 69% of the NZDF workforce.
- ▶ Among the Foundation portfolios, Chief Joint Defence Services (CJDS) Portfolio is the largest with 2,671 personnel
- ▶ The largest sub-portfolios within CJDS are:
 - ▶ Defence Logistics Command: 1,234 personnel
 - ▶ Defence Health Group: 611 personnel
 - ▶ Communication Information Systems: 339 personnel

Exclusions

- ▶ Contractors
- ▶ Casual Workers
- ▶ Foreign Military Personnel
- ▶ Locally employed civilians (overseas)
- ▶ Staff posted overseas
- ▶ Ministry of Defence
- ▶ Military Cadet Forces
- ▶ Vacant positions
- ▶ Persons withheld

Appendix 1.3 - Current state: Wellington-based NZDF workforce

Snapshot of current state - 17 April 2019



Insights

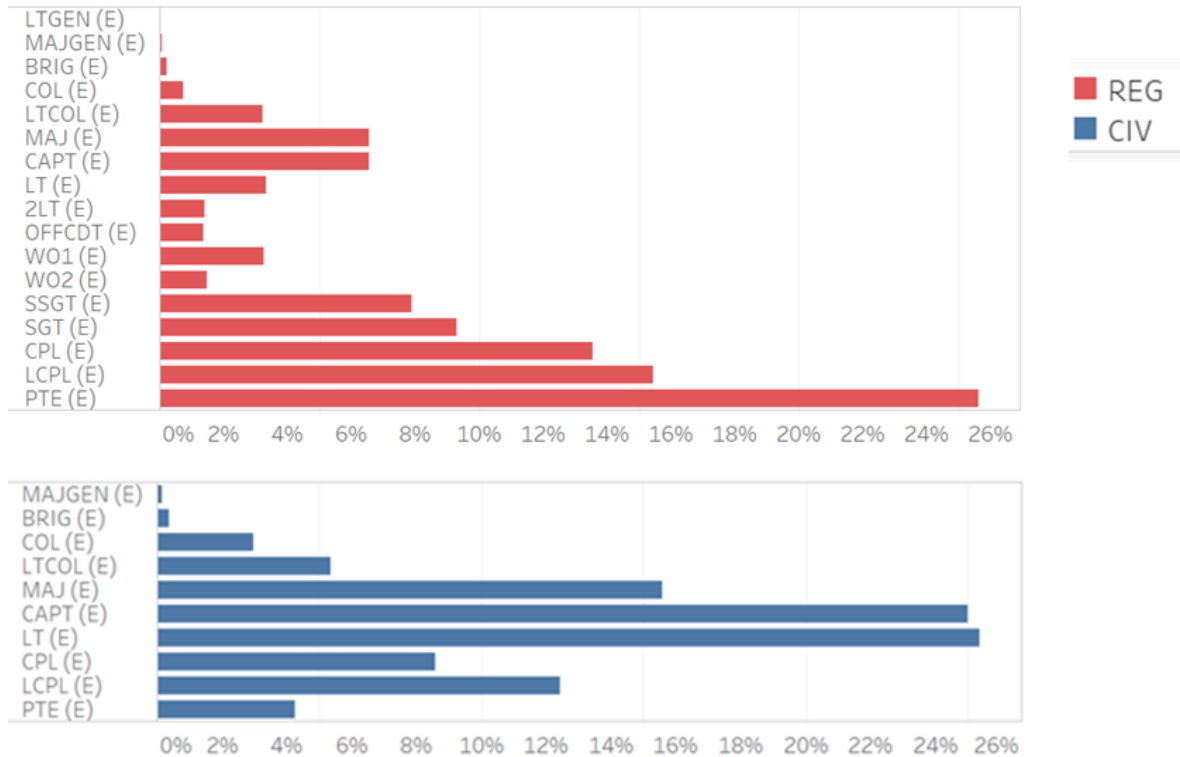
- ▶ As at 17 April 2019, there were approximately 1,411 Wellington-based staff employed by the NZDF (plus exclusions)
- ▶ Approximately 50% of the Wellington-based Defence workforce is Civilian
- ▶ Approximately 8% of Wellington-based personnel are COL (E) +
- ▶ Approximately 33% of the Wellington-based workforce are based in the Navy, Army, Air Force or COMJFNZ portfolios.
- ▶ The Air Force has 326 Wellington-based personnel (note: this may be an anomaly as Army and Navy have a combined 145 personnel)
- ▶ Among the Foundation Function portfolios, Joint Defence Services (JDS) Portfolio and Vice Chief of the Defence Force (VCDF) Portfolio are the largest with 290 and 245 personnel respectively

Exclusions

- ▶ Contractors
- ▶ Locally employed civilians (overseas)
- ▶ Military Cadet Forces
- ▶ Casual Workers
- ▶ Vacant positions
- ▶ Foreign Military Personnel
- ▶ Staff posted overseas
- ▶ Persons withheld
- ▶ Ministry of Defence

Appendix 1.4 - Current state: overall NZDF workforce distribution

Workforce distribution by rank (E)

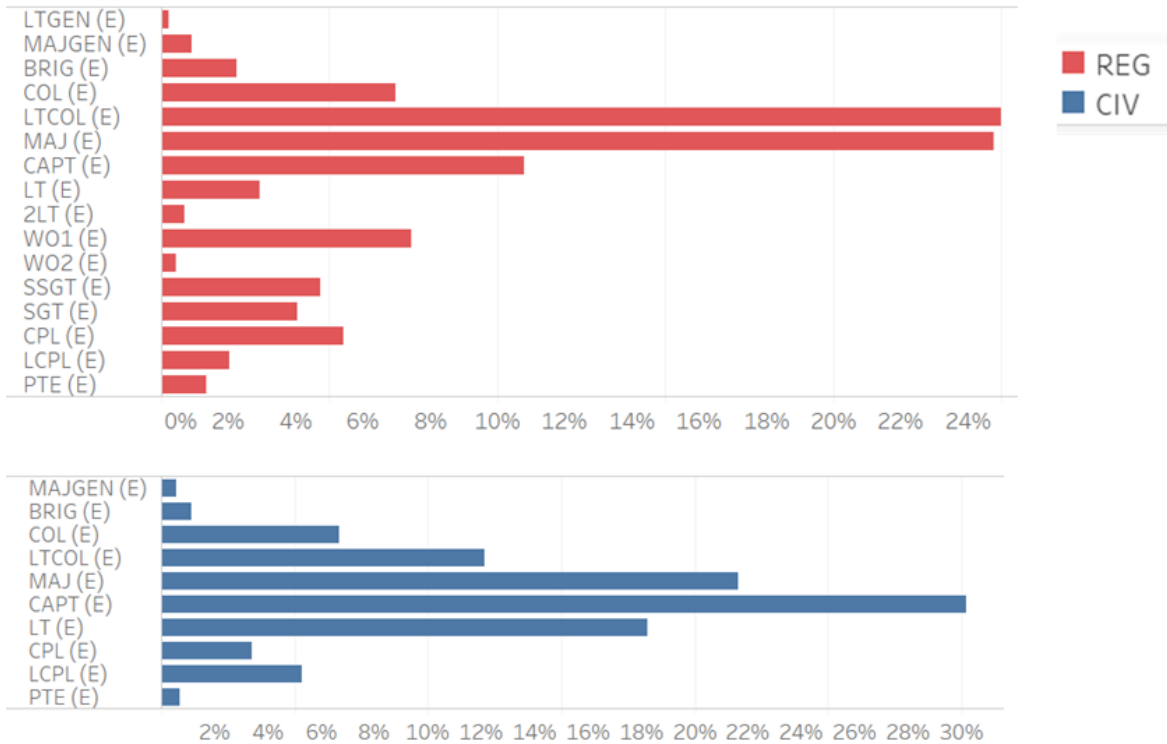


Insights

- ▶ Within Military ranks, a large proportion of the workforce falls within the Junior non-commissioned officer ranks. There is also a large proportion of the workforce at the CAPT and MAJ ranks, relative to more junior ranks
- ▶ Within the Civilian workforce, almost 50% are LT or CAPT equivalent. This may indicate an imbalanced workforce, noting the relative scarcity of more junior ranked employees by comparison
- ▶ Approximately 1% of Military personnel ranked COL (E)+, whilst approximately 3.5% of Civilians are COL (E)+

Appendix 1.5 - Current state: Wellington-based NZDF workforce distribution

Workforce distribution by rank (E)

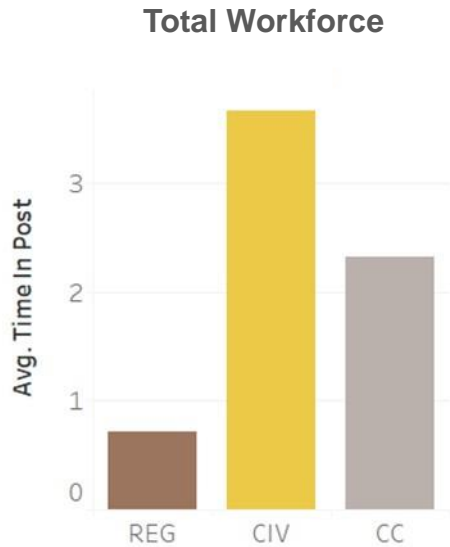


Insights

- ▶ Within Military ranks, almost 50% of the Wellington-based workforce is within the middle officer ranks (MAJ and LTCOL)
- ▶ Approximately 58% of the Civilian workforce based in Wellington have a Rank (E) of Junior Officer or below, whereas only 40% of Military personnel are in the same categories
- ▶ In addition, approximately 10% of Wellington-based Military personnel are ranked COL (E)+, compared to approximately 8% of Civilians based in Wellington

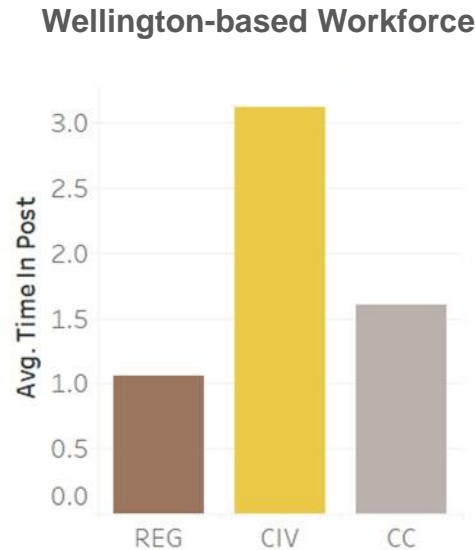
Appendix 1.6 - Current state: Workforce tenure

Snapshot of current state - 17 April 2019



The average tenure of current personnel employed by the NZDF are:

- ▶ Military: 0.7 yrs
- ▶ Civilian: 3.7 yrs
- ▶ Contractor: 2.3 yrs



The average tenure of current Wellington-based staff by Arm are:

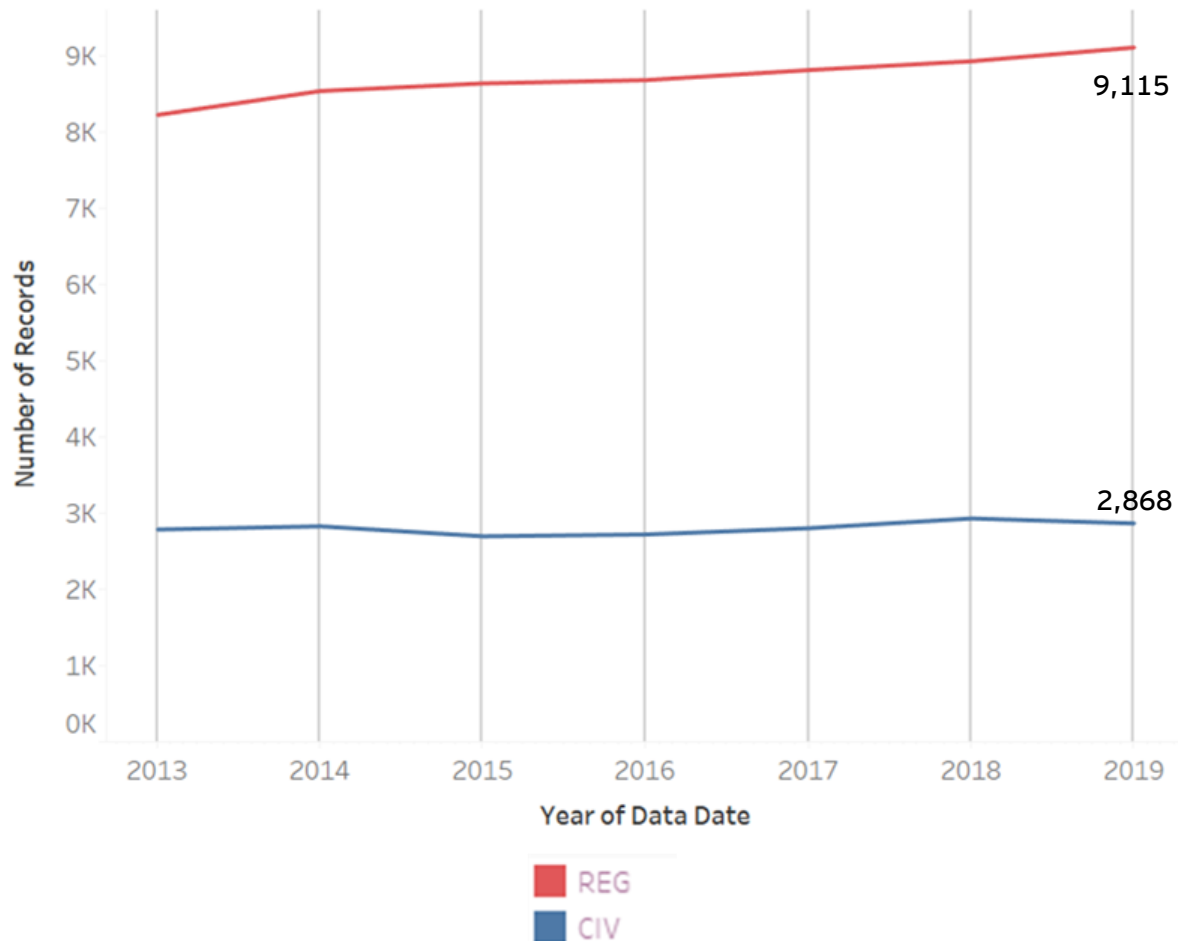
- ▶ Military: 1.1 yrs
- ▶ Civilian: 3.1 yrs
- ▶ Contractor: 1.6 yrs

Insights

- ▶ Across the Civilian and Contractor workforces, the average tenure of current staff is considerably higher outside Wellington and considerably higher than Military personnel.
- ▶ Across the whole Defence workforce, the average tenure of known Contractors is 2.3 years, with 71% of contractors having been in their position for more than 1 year
- ▶ The average tenure of Military personnel is higher in Wellington than outside Wellington, suggesting that they spend more time in positions in central and enabling portfolios than they do in the services

Appendix 1.7 - Trend analysis: Overall NZDF workforce

Workforce trends (headcount)

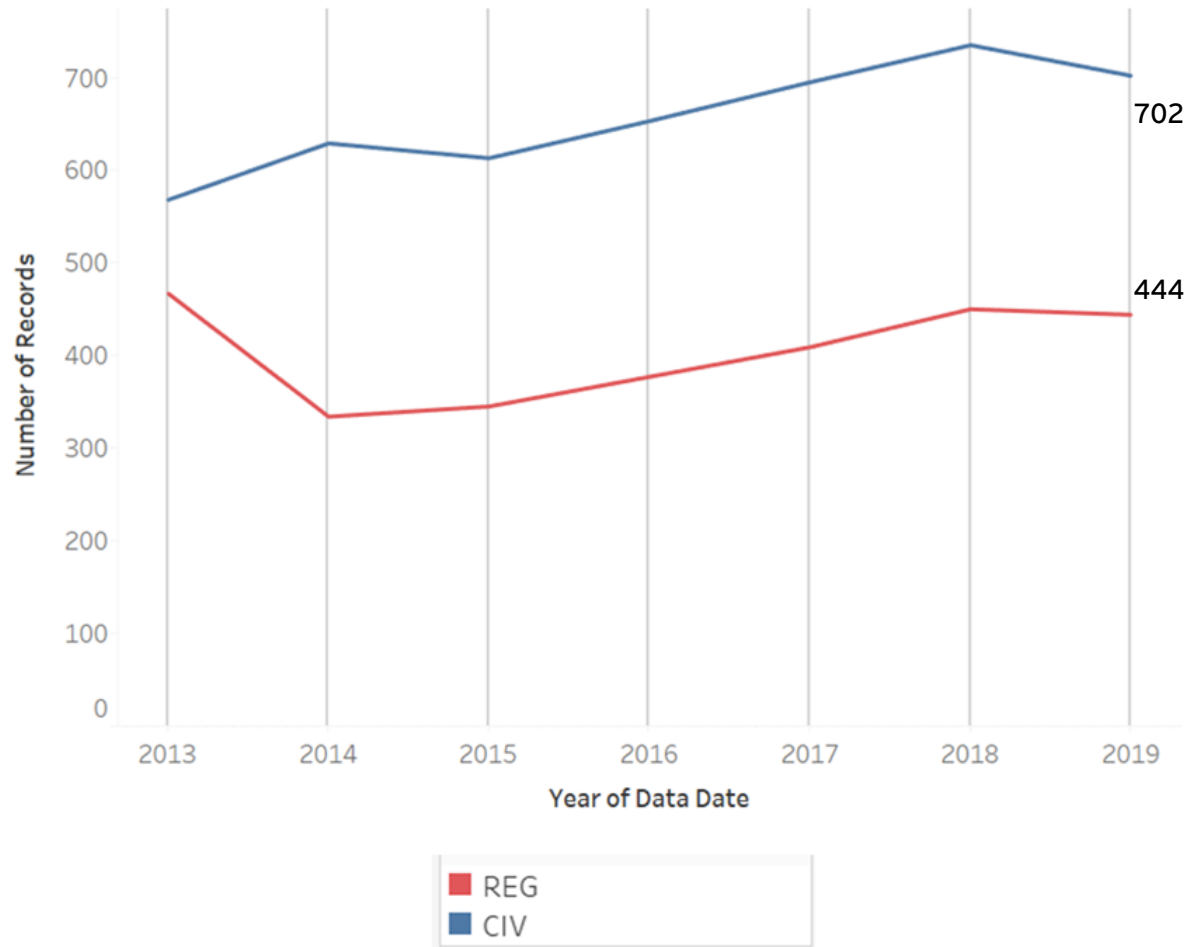


Insights

- ▶ The overall Military (REG) workforce has experienced relatively consistent year-on-year growth of between 0.5% and 3.82% since 2013
- ▶ The overall civilian workforce has remained relatively stable over the seven year period (in particular when drawing comparisons to the significant growth at the COL (E) level)
- ▶ Overall, the growth in headcount since 2013 is 2.87%

Appendix 1.8 - Trend analysis: Wellington-based NZDF workforce

Workforce trends (headcount)

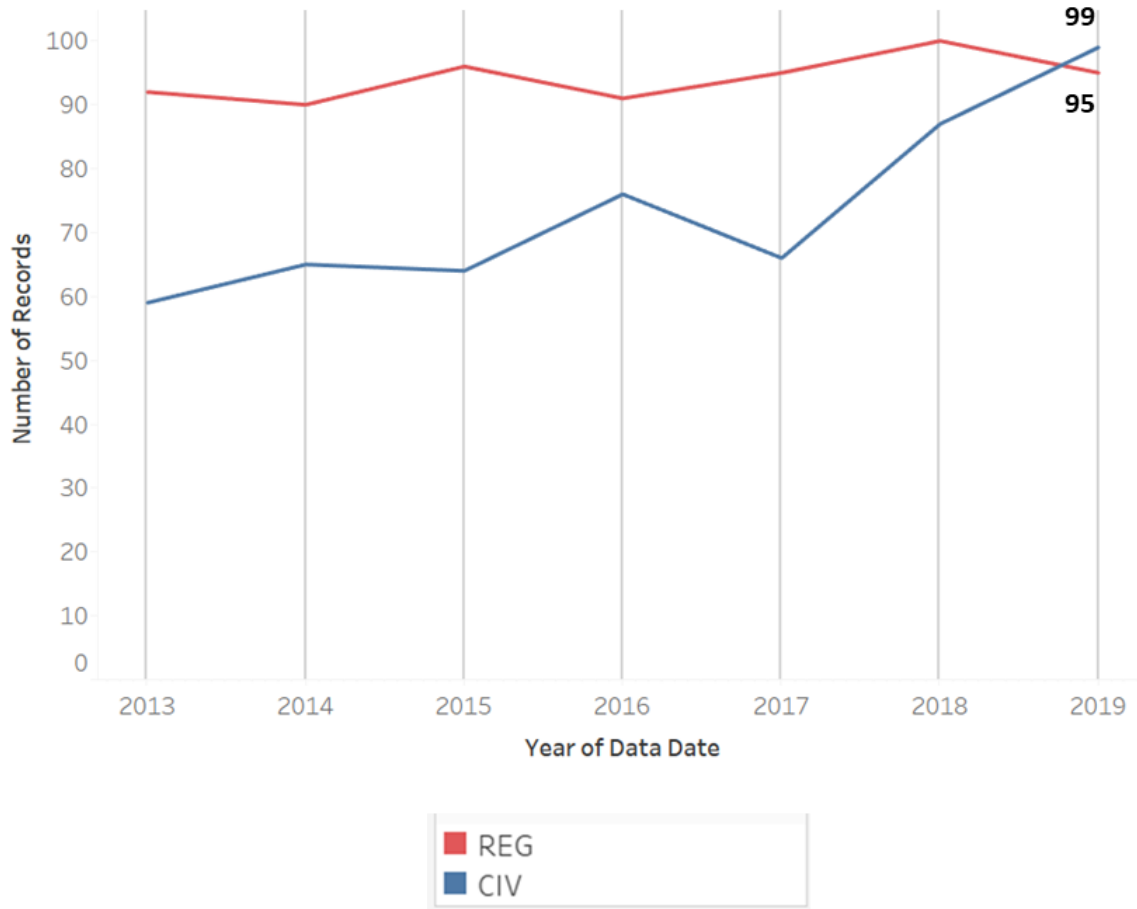


Insights

- ▶ Between 2013 and 2014, there was a steep decline in the number of Wellington-based Military personnel, largely due to Army and Air Force moving core functions out of Wellington
- ▶ Since 2015, there has been a strong correlation between trends in Military and Civilian personnel, peaking in 2018 before decreases of 1.3% and 4.5% respectively
- ▶ Change since 2013:
 - ▶ REG: -4.93%
 - ▶ CIV: 23.59%

Appendix 1.9 - Trend analysis: Overall NZDF senior officers

Senior officer workforce trends (COL E +)

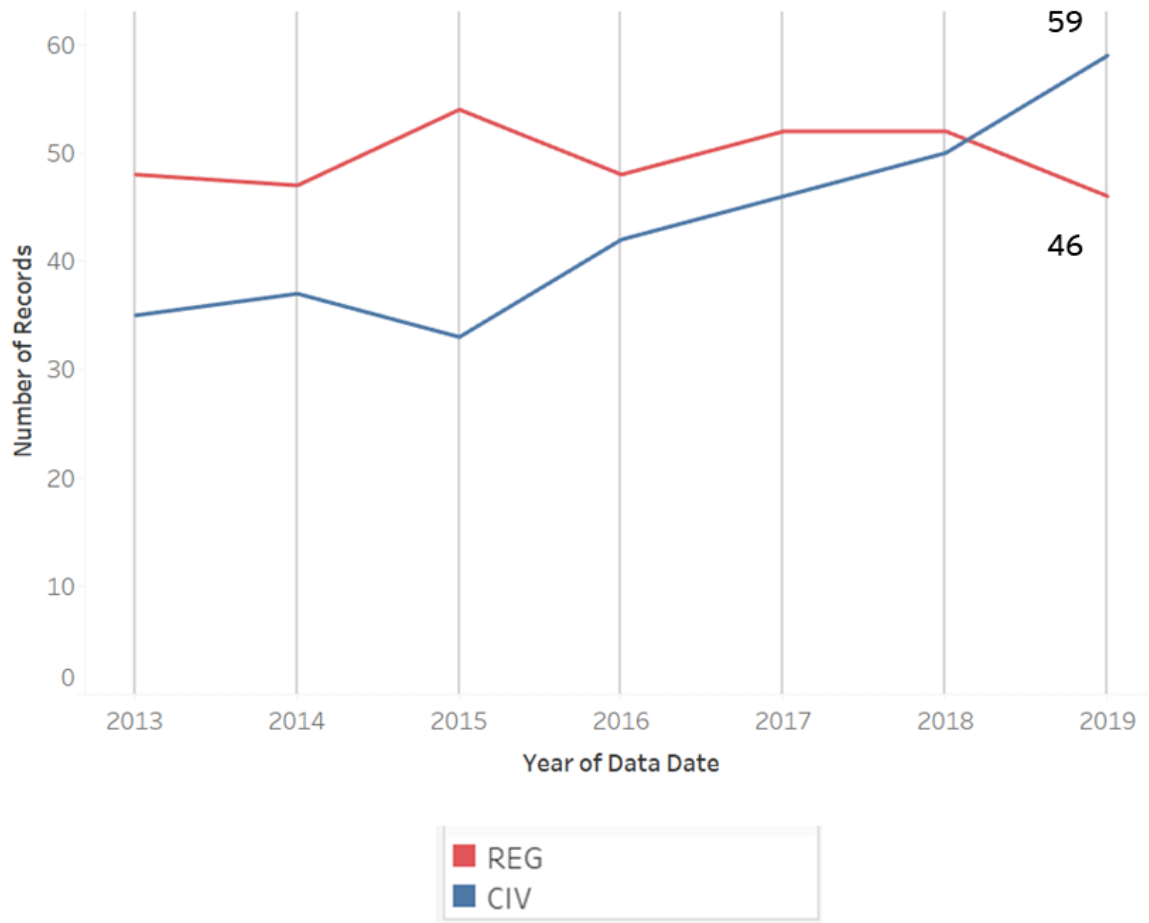


Insights

- ▶ In contrast to the overall workforce trends, the Civilian senior workforce has increased sharply since 2013, whilst the Military (REG) Workforce has remained relatively steady
- ▶ The number of senior Civilians surpassed the number of senior Military personnel in 2019
- ▶ The portfolio with the largest increase in senior Civilians is CJDS
 - ▶ Since CJDS was established in 2015, the number of COL (E) + Civilians has increased from 13 to 46
- ▶ Change since 2013:
 - ▶ REG: 3.26%
 - ▶ CIV: 67.80%

Appendix 1.10 - Trend analysis: Wellington-based NZDF senior officers

Senior officer workforce trends (COL E +)

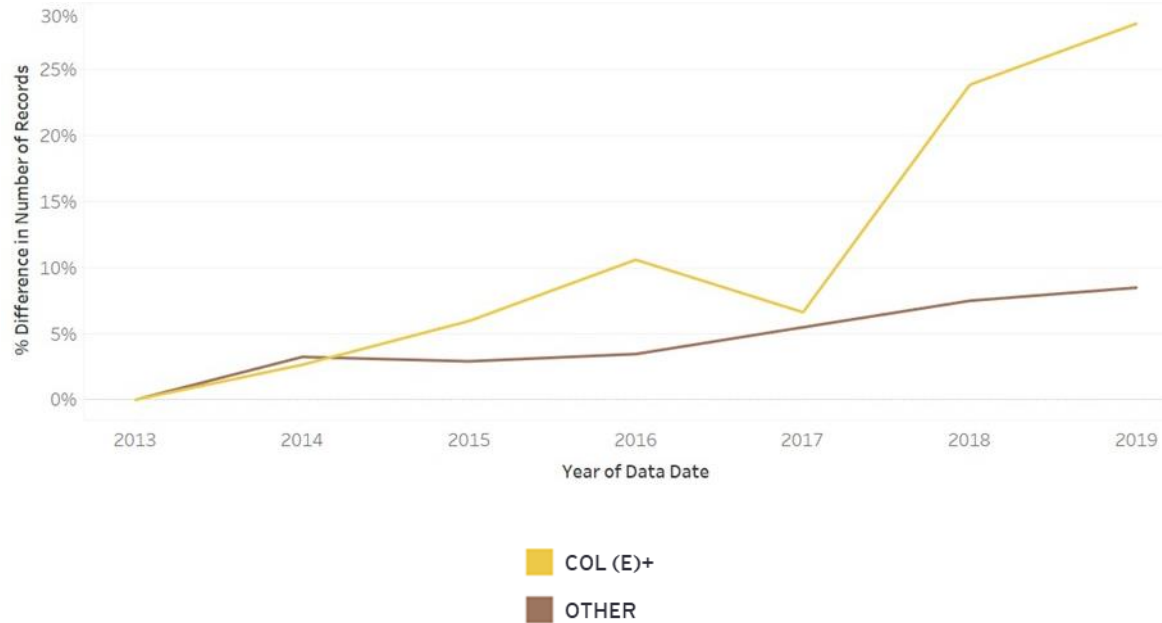


Insights

- ▶ There is a strong inverse relationship between growth in Wellington-based senior Civilian staff and growth in Wellington-based senior Military staff
- ▶ The number of senior Civilian staff have risen by 69% since 2013, whilst senior Military personnel have decreased by 4%
- ▶ Portfolios with the largest increase in senior Civilians based in Wellington include:
 - ▶ CDSM: increased from 0 in 2015 to 7 in 2019
 - ▶ CJDS: increased from 8 in 2015 to 19 in 2019

Appendix 1.11 - Trend analysis: Overall NZDF senior officer growth rate

Senior officer growth (COL E +)

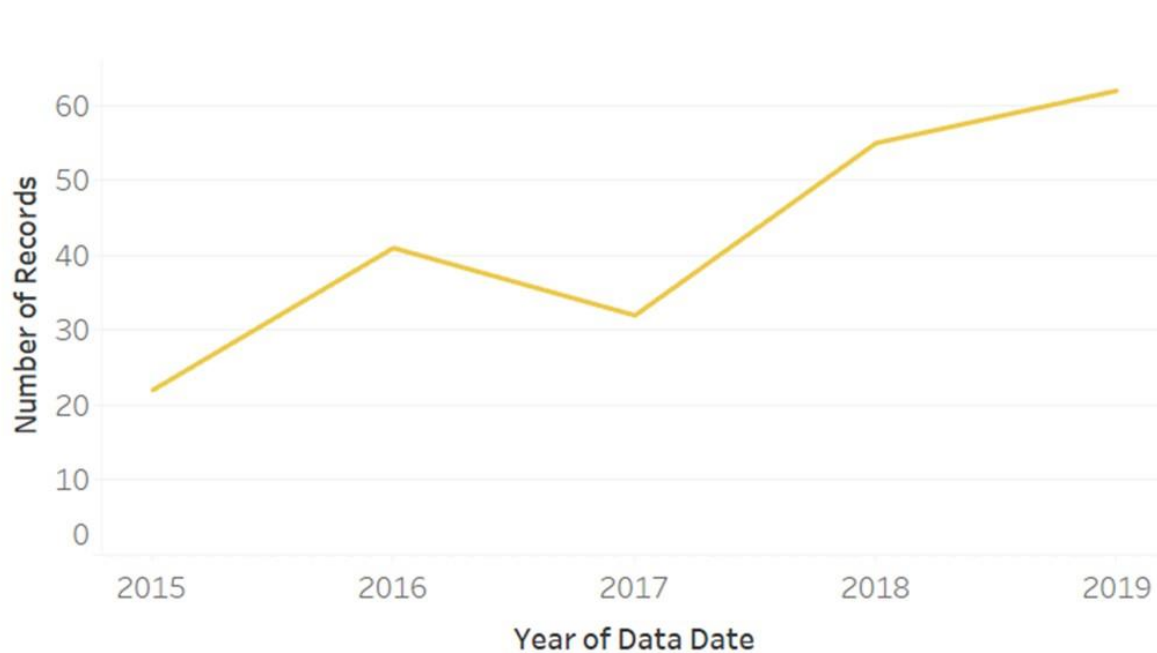


Insights

- ▶ Since 2013, headcount has grown at a much higher pace for senior staff than in lower ranks
- ▶ Growth in COL (E)+ headcount accelerated significantly in 2017
- ▶ Of the portfolios, JDS has experienced the highest growth in senior officers, with a 177% increase since 2015
- ▶ Growth since 2013:
 - ▶ COL (E)+: 28.5%
 - ▶ Other ranks: 8.5%

Appendix 1.12 - Trend analysis: JDS senior officers

JDS senior officer workforce trends (COL E +)

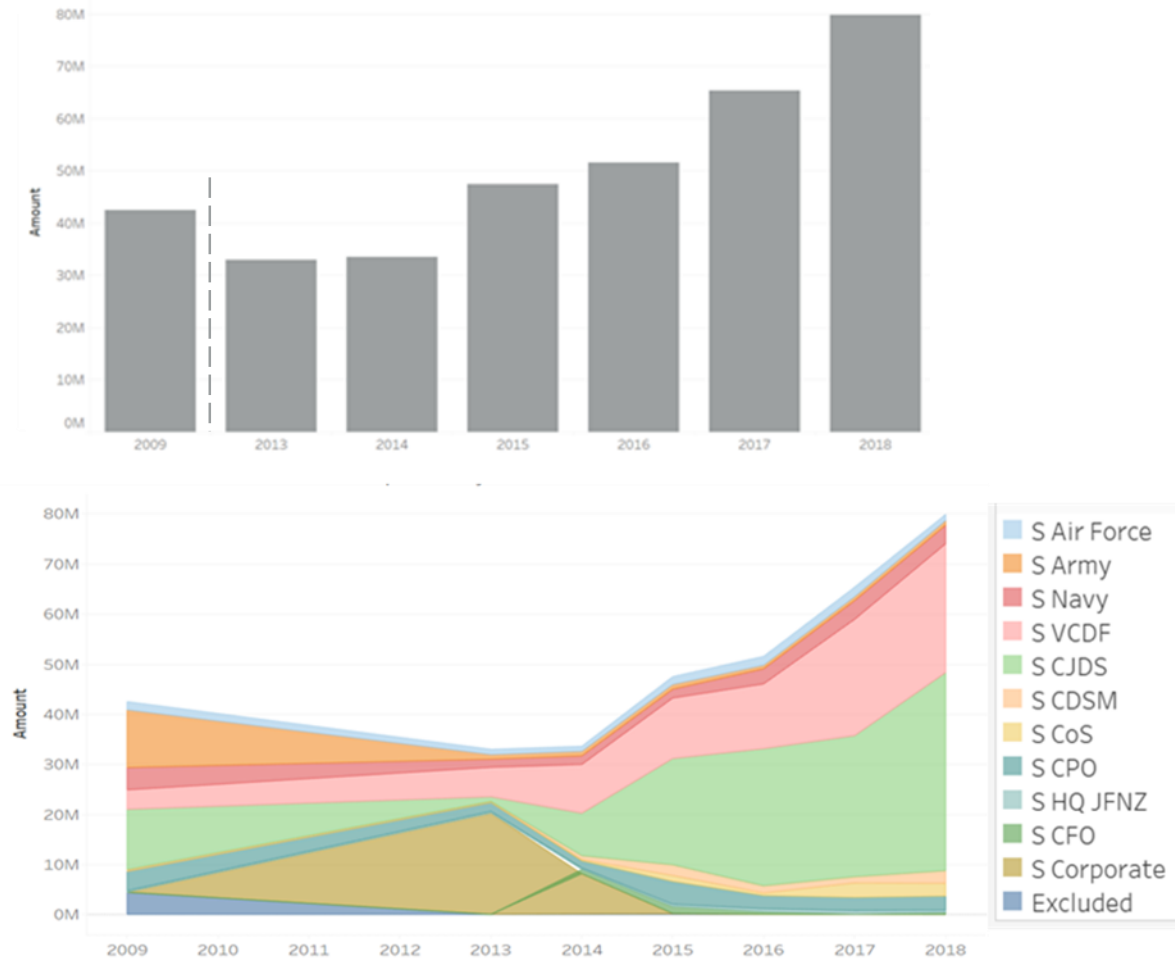


Insights

- ▶ Since its inception in 2015, there has been a 177% increase in the number of Military and Civilian senior officers within the JDS portfolio, moving from 22 in 2015 to 61 in 2019.
- ▶ The increase has been driven primarily by the Civilian workforce. Civilians have increased from 13 senior officers in 2015 to 46 in 2019 (254%)
- ▶ Over the same time period, military senior officers have increased from 9 to 15 (67%)
- ▶ In 2017, the number of civilian senior officers appears to have dropped from 33 to 20 (39%). Further analysis is required to determine whether this is a genuine decrease, or an anomaly stemming from changes in data classifications

Appendix 1.13 - Contractor expenditure trends

Expenditure on contractors (2009-2018)

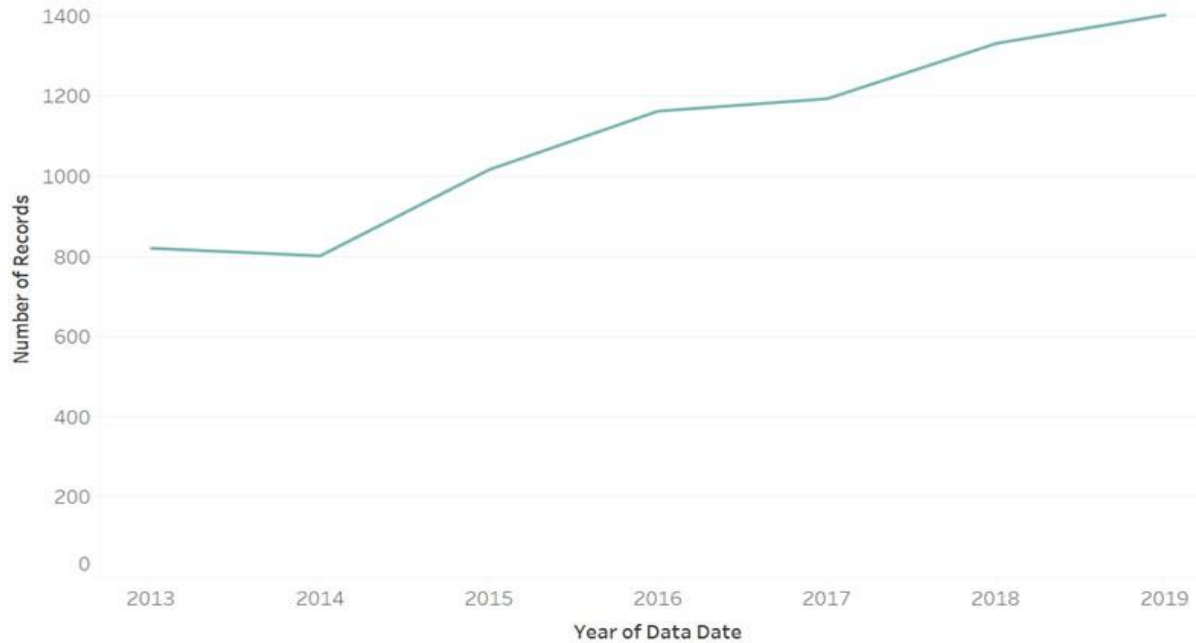


Insights

- ▶ Expenditure on contractors (inclusive of contractors, consultancies and professional services) has increased annually since 2013, from \$34M to \$80M in 2018
- ▶ In 2018, JDS accounted for 50% of contractor spend (\$40M). Given the nature of the services that sit within the JDS this is not unexpected
- ▶ In 2018, VCDF accounted for 32% of contractor spend (\$26M)
- ▶ Approximately 76% of listed contractors in the NZDF fit within the JDS portfolio, the majority of whom are within the DLC and CIS sub-portfolios
- ▶ Approximately 332 (24%) of listed contractors are based in Wellington. Of whom, 137 (41%) are in the CIS sub-portfolio
- ▶ Time in post data suggests 100+ contractors have been in their positions for 5 or more years

Appendix 1.14 - Contractor headcount trends

Contractor headcount (2013 - 2019)

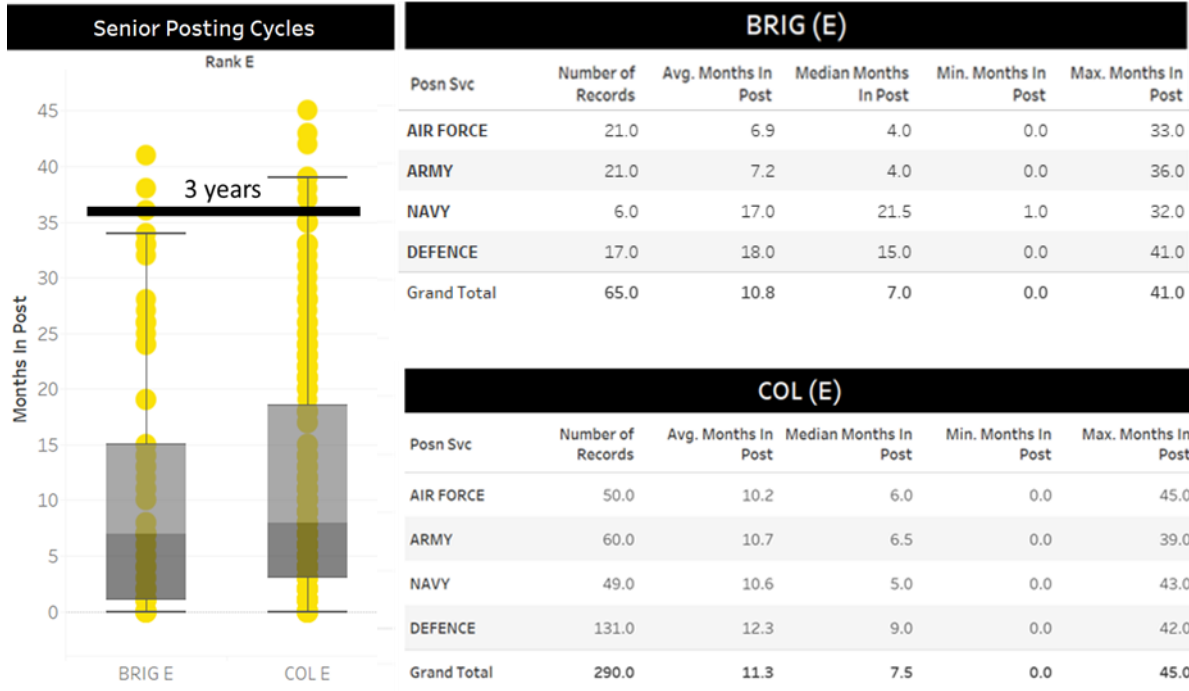


Insights

- ▶ Since 2013, contractor headcount has grown from 821 to 1,403 in 2019, representing a 71% increase over the 6 year period
- ▶ While the increase in contractor headcount is high, it shows that expenditure on contractors has increased at a higher rate than contractor headcount

Appendix 1.15 - Posting cycle data

BRIG (E) and COL (E) posting cycles



Exclusions

- ▶ Defence Attaches
- ▶ Officers on Operation
- ▶ Staff currently in their position
- ▶ War College Students
- ▶ Staff on paid leave

Insights

- ▶ BRIG (E) and COL (E) posting cycles are significantly less than the standard three year cycle
- ▶ Having removed the exclusions, only 3 (5%) BRIG (E) postings were for three or more years, compared to 11 (4%) COL (E) postings
- ▶ With regard to BRIG (E) personnel, the statistics by service show that Air Force (average: 6.9 months, median: 4 months) and Army (average: 7.2 months, median: 4 months) spend significantly less time in post than Navy (mean: 17 months, median: 21.5 months) and Defence (mean: 18 months, median: 15 months)
- ▶ With regard to COL (E) personnel, Navy have the lowest mean and median time in post, with 9.7 months and 5 months respectively

Appendix 1.16 - Rank descriptors and mapping to civilian equivalents

Military rank descriptors

Rank (E)	Leadership Level
LTGEN	Senior Officer
MAJGEN	Senior Officer
BRIG	Senior Officer
COL	Senior Officer
LTCOL	Middle Officer
MAJ	Middle Officer
CAPT	Junior Officer
LT	Junior Officer
2LT	Junior Officer
OFFCDT	Junior Officer
WO1	Warrant Officer
WO2	Warrant Officer
SSGT	SNCO
SGT	SNCO
CPL	JNCO
LCPL	JNCO
PTE	JNCO

Civilian pay grade mapping to ranks

Civ Pay Grade	Rank (E)
SM7	LTGEN
SM6	MAJGEN
SM5	MAJGEN
SM4	BRIG
SM3	BRIG
SM2	COL
SM1	COL
Grade 24	LTCOL
Grade 23	LTCOL
Grade 22	LTCOL
Grade 21	LTCOL
Grade 20	MAJ

Civ Pay Grade	Rank (E)
Grade 19	MAJ
Grade 18	MAJ
Grade 17	CAPT
Grade 16	CAPT
Grade 15	CAPT
Grade 14	LT
Grade 13	LT
Grade 12	LT
Grade 11	CPL
Grade 10	CPL
Grade 9	LCPL
Grade 8	LCPL

► **Note:** The Civilian pay grade mapping reflects the majority of Civilian records in the raw data. In instances where a Rank (E) is provided that does not map perfectly to the table above, the Rank (E) provided is used as the reference.

Appendix 2 - Key quotes from stakeholder interviews

Appendix 3.1 - Quotes related to the purpose of HQNZDF

At the commencement of each interview we asked each stakeholder to explain to us in simple terms what they considered the purpose of "Headquarters" to be. Below is what we heard:



"The purpose of HQNZDF is to set the strategic direction of the organisation"



"HQNZDF is designed to deliver assurance and advice at the right time to the right people"

"The purpose of HQNZDF is to lead the translation of government expectations and policy into military effect and engage inter-agency at a strategic level across the NZ government"



"The purpose of HQNZDF is to provide CDF and VCDF with the strategic functions / capabilities they need to run the NZDF and meet the Defence objectives of government, with a focus on managing the military-political interface and providing strategic direction for the organisation"

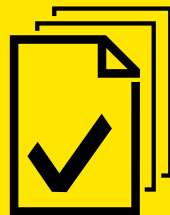


"HQNZDF should support and enable services to manage people and achieve operational outcomes by providing strategy, governance and risk assurance"



"The purpose of the HQNZDF is to translate government policy into action, control and manage the allocation of budgets and resources in alignment with the government's objective and organise and provide direction to the run side of the NZDF"

"The purpose of HQNZDF is to align policy and strategy directives provided by government into a coherent plan for the NZDF to operate against"



"The role of HQNZDF is to translate Government's ideas on Defence into tangible outcomes, control and manage budgets and resources, and provide direction"

Appendix 3.2 - Quotes related to the size, structure and effectiveness of HQNZDF

During each interview we sought each stakeholders perspective on the current size, structure and effectiveness of "Headquarters", including their key pain points and opportunities for improvement

1. HQNZDF structure and organisational alignment

Key pain points

- ▶ *"It has become really difficult to navigate the NZDF"*
- ▶ *"Current arrangement of portfolios is complicated and difficult to understand intuitively"*
- ▶ *"What does portfolio mean? Everyone seems to have a different definition"*
- ▶ *"Services feel they have lost control - shared services are unable to manage outside the box requirements"*

Opportunities for improvement

- ▶ *"We need to simplify the structure of the NZDF"*
- ▶ *"People in Wellington seem to have no understanding of the 2nd and 3rd order impacts at bases"*
- ▶ *"The NZDF has changed overtime (isolated decision making and organic portfolio growth) but now needs to have a holistic look at the way it is structured (including the HQ)"*
- ▶ *"COMLOG could work better if it was in CAPBR - leveraging a capability lifecycle approach"*

2. HQNZDF size

Key pain points

- ▶ *" There are too many COL (E) positions"*
- ▶ *"Ranks have crept up over time and aimed at building power and influence in enabling functions"*
- ▶ *"An unintended consequence of the Civilianisation program was that the shift from uniform to civilian staff has given management more scope to grow their own teams than was available previously"*
- ▶ *"There needs to be a balance between capability and depth of knowledge, as well as organisational knowledge"*
- ▶ *"Contractors have been used to fill expanding and growing number of projects around the NZDF"*

Opportunities for improvement

- ▶ *"We need civilian doer's "*
- ▶ *"The military role should be an SME that provides in depth organisational knowledge"*
- ▶ *"Money should be reinvested to boost more junior ranks"*

3. HQNZDF effectiveness

Key pain points

- ▶ *"Posting churn and instability (negatively) impacts the organisation"*
- ▶ *"The authorising environment is not clear"*
- ▶ *"Relationships are important but not an effective way of operating "*
- ▶ *"3 year postings are good in principle, however we rarely deliver the full posting cycle"*

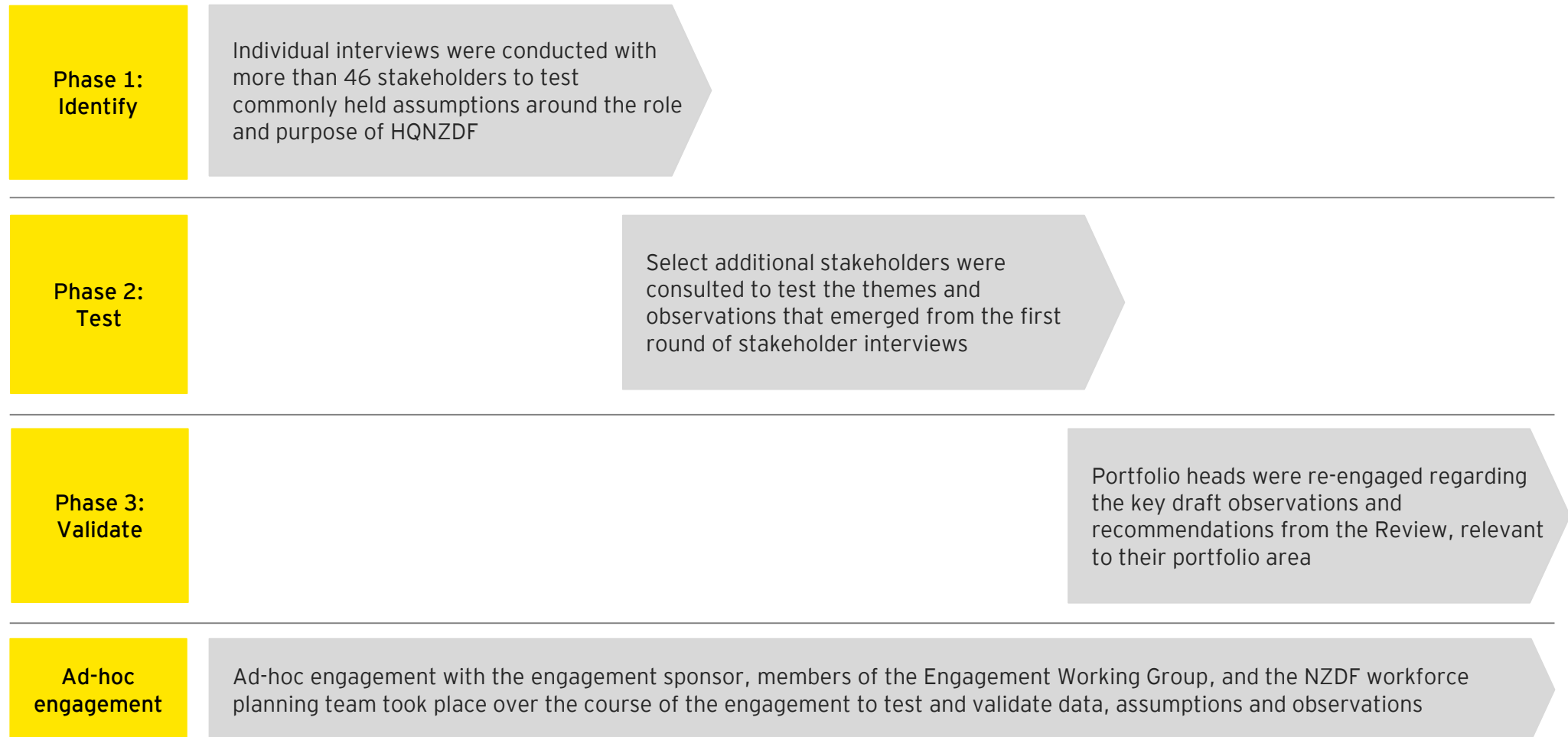
Opportunities for improvement

- ▶ *"We are great at starting things but not at stopping them"*
- ▶ *"Accountabilities are not the same as in the corporate world. When initiatives go wrong individuals rarely seem to get any blame or performance management"*
- ▶ *"Senior level postings should be longer allowing more time for delivery and hold them accountable"*
- ▶ *"Governance needs to be in the right place at the right time"*
- ▶ *"Outputs should be the primary committee"*

Appendix 3 - Stakeholder consultation

Appendix 4.1 - Stakeholder consultation approach

More than 50 stakeholders were engaged in the completion of the Review across 3 delivery phases



Appendix 4.2 - List of stakeholders consulted

In completing this Review, we have consulted a broad range of senior stakeholders across Defence. The list of stakeholders and the dates they were interviewed is provided below.

Name	Role
AM Kevin Short	Chief of Defence Force
MR Paul Jordan	Chief Information Officer
AIRCDRE Andrew Woods	Chief of Staff
CAPT Sean Stewart	Director, Capability Portfolio Planning
COL Stefan Michie	Chief Defence Strategy Management
MS Max Harriss	Director, Workforce Planning Systems Analytics
MR Simon George	Assistance Chief Organisational Development
MR Jared Licht	Chief Information Security Officer
MS Bridget Musker	Chief Financial Officer
MS Meipara Poata	Chief of Staff to Chief Joint Defence Services
AIRCDRE Mark Brunton	Deputy Chief of Air Force
COL Grant Motley	Deputy Chief of Defence Intelligence
CDRE Mat Williams	Deputy Chief of Navy
GPCAPT Jackie Ward	Assistant Chief Directorate of Human Resources
MR David Sutherland	Principal Risk Advisor
MR Phil Gurnsey	Acting Head Defence Estate & Infrastructure
LTCOL Roger Earp	Executive Officer Defence Estate & Infrastructure
BRIG Evan Williams	Assistant Chief Strategic Commitments & Engagements
GPCAPT Nick Olney	Chief of Staff to Chief People Officer
MR Morgan Proctor	Director Supply Chain Management
MS Ingrid Harder	Director Governance & Policy
BRIG Andrew Gray	Director Defence Health
MR Tony Lynch	Deputy Secretary Defence (MoD)

Name	Role
BRIG Lisa Ferris	Director Defence Legal Services
LTCOL Tim Tuatini	Director Defence Public Affairs
MR Derek Burfield	Inspector General Air
BRIG Hugh McAslan	Chief of Defence Intelligence
COL Helen Cooper	Deputy Chief of Army
MR Kevin Taylor	Chief Advisor Public Affairs
MR Paul Howard	Assistant Chief Joint Defence Services - Commercial
RADM David Proctor	Chief of Navy
COL Peter Wood	Director Career and Talent Management
MR Charlie Lott	Chief of Joint Defence Services
MS Liz Huckerby	Chief People Officer
CAPT Maxine Lawes	Director of Safety
MS Helen Rayner	Chief Data Officer
WO1 Mark Mortiboy	Warrant Officer of the Defence Force
AVM Andrew Clark	Chief of Air Force
AVM Tony Davies	Vice Chief of Defence Force
AIRCDRE Carol Abraham	Deputy Chief of Air Force
MR Jeremy Cox	Director Defence Excellence
MR Mike Yardley	Deputy Secretary Capability Delivery (MoD)
CAPT Karl Woodhead	Project Officer INSOM
MAJGEN John Boswell	Chief of Army
AIRCDRE Darryn Webb	Assistant Chief Capability
Ms Helene Quilter	Secretary of Defence (MoD)

Appendix 4 - Documentation reviewed

Appendix 5.1 - Documentation reviewed

A. Contextual NZDF documents
A1. Key Messages - Getting the HQ Right - CDF Email
A2. NZ Defence White Paper 2010
A3. NZ Strategic Defence Policy Statement 2018
A4. NZDF Annual Report 2018 - 2008
A5. NZDF Capability Plan 2016
A6. NZ Defence White Paper 2016
A7. NZDF Civilian Total Remuneration Tables
A8. NZDF CJDS 'Story by 2020'
A9. NZDF Defence Estate Regeneration 2016 - 2030
A10. NZDF Doctrine (Fourth Edition)
A11. NZDF Draft Report on Military Bases, 2019
A12. NZDF Enabling Force Integration, Information and Communication Services 2025 Campaign Plan
A13. NZDF Finance Purpose and Pillars, 2019
A14. NZDF Finance Strategic Vision
A15. NZDF Four Year Plan 2018 - 21
A16. NZDF Future Joint Operating Concept 2035, 2012
A17. NZDF Future State Options, HQ Change Programme, 2009
A18. NZDF Goals Plan 25
A19. NZDF Governance System
A20. NZDF Higher-level Organisational Arrangements Report, 2012
A21. NZDF Integrated Workforce Planning and Management Framework, 2017
A22. NZDF JDS Directive 19/2016
A23. NZDF JDS Treasury Presentation, Joint Military Enablers, 2018
A24. NZDF Networked Combat Force Definition
A25. NZDF New Governance Framework Briefing Pack, 2015
A26. NZDF Operating Model (Phase 1 Booklet)
A27. NZDF Our New Governance System, 2016
A28. NZDF Plan 25 Strategic Objectives
A29. NZDF Regular Force Remuneration Tables
A30. NZDF Strategy 25 Blueprint
A31. NZDF Unifying the Force for New Zealand, 2015

Appendix 5.1 - Documentation reviewed (continued)

B. Documents related to prior NZDF reviews

B1. NZDF Benefits from the Defence Transformation Programme, 2012
B2. NZDF Defence Estate and Infrastructure Review, 2018
B3. NZDF Performance Improvement Framework Review, 2015
B4. NZDF Progress with the Defence Sustainability Initiative, Auditor General Report, 2009
B5. NZDF Review of Defence Procurement Policies and Practices for Major Capability Projects, 2018
B6. NZDF The civilianisation project, Auditor General Report, 2013

C. Documents related to foreign militaries

C1. ADF Defences Implementation of the First Principles Review, 2018
C2. ADF First Principles Review, 2014
C3. ADF Plan Aurora, Integrated Capability Realisation Approach for the ADF
C4. ADF Plan to Reform Support Ship Repair and Management Practices, 2011
C5. ADF Simplified Defence Business Model
C6. Canadian Armed Forces, Report on Transformation, 2011
C7. Review of the Australian Defence Force Strategic and Operational level Command and Control Arrangements, 2003
C8. UK Defence Reform, An independent report into the structure and management of the Ministry of Defence, 2011
C9. UK Ministry of Defence, How Defence Works, 2015
C10. UK Ministry of Defence, Streamlining Report, 2007
C11. UK Ministry of Defence, The New Operating Model, 2012

D. Other documents related to case study analysis

D1. Australian Department of Home Affairs Executive Remuneration Reporting 2017-18
D2. Australian Department of Home Affairs Org Structure (May 2019)
D3. Australian Department of Home Affairs Org Structure (Oct 2018)
D4. NZ Fire and Emergency Services Annual Reports (2016 - 2018)

Appendix 5 - Acronyms

Appendix 6.1 - Acronyms

The tables below include a list of the acronyms used in the documentation of this report

Acronyms	Meaning
ABF	Australian Border Force
ABF	Australian Borer Force
AC	Assistant Chief
ADF	Australian Defence Force
AG	Attorney General
BAU	Business As Usual
CAPBR	Capability Branch
CC	Contractor Personnel
CDF	Chief of Defence Force
CDSM	Chief Defence Strategy Management
CE	Chief Executive
CFO	Chief Financial Officer
CIO	Chief Information Officer
CIS	Communication and Information Systems
CISO	Chief Information Security Officer
CISCTP	Communication and Information Systems Change Transformation Programme
CIV	Civilian Personnel
CJDS	Chief of Joint Defence Services
COMJFNZ	Commander Joint Forces New Zealand
COMLOG	Commander Logistics
COO	Chief Operating Officer
CoS	Chief of Staff
CPO	Chief People Officer
D&I	Diversity and Inclusion
DEI	Defence Estate and Infrastructure
DERP	Defence Estate Regeneration Programme
DI	Defence Intelligence
DLC	Defence Logistics Command
DPA	Defence Public Affairs
DSM	Directorate of Strategy Management
DTP	Defence Transformation Programme
EPMO	Enterprise Programme Management Office

Acronyms	Meaning
EXCO	Executive Committee
EY	Ernst & Young
FENZ	Fire and Emergency New Zealand
FTE	Full Time Equivalent
FY	Financial Year
HQ	Headquarters
HQNZDF	Headquarters, New Zealand Defence Force
HR	Human Resources
ICT	Information and Communication Technology
IT	Information Technology
JDS	Joint Defence Services
KIMD	Knowledge and Information Management Directorate
KPI	Key Performance Indicator
M	Million
MoD	Ministry of Defence
NZD	New Zealand Dollars
NZDF	New Zealand Defence Force
OCDF	Office of Chief of Defence Force
OPEX	Operational Expenditure
OPV	Off-shore Patrol Vessel
PERSEX	Personnel Expenditure
PIF	Performance Improvement Framework
PMO	Portfolio Management Office
REG	Regular Military Personnel
SAB	Senior Appointments Board
SCE	Strategic Commitments & Engagements
SLA	Service Level Agreement
SME	Subject Matter Expert
STEM	Science Technology Engineering & Mathematics
VANZ	Veteran Affairs New Zealand
VCDF	Vice Chief of Defence Force
VfM	Value for Money
WLG	Wellington
XO	Executive Officer

Col(E) + includes the following: Colonel (E) , Brigadier (E) , Major General (E) Lieutenant General (E)

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Note that the procedures summarised in our report do not constitute an audit, a review or other form of assurance in accordance with any generally accepted auditing, review or other assurance standards, and accordingly we do not express any form of assurance. Note also that our work has been limited in scope and time and we stress that more detailed procedures may reveal issues that this engagement has not.