

Vote Defence

APPROPRIATION MINISTER(S): Minister of Defence (M22)

DEPARTMENT ADMINISTERING THE VOTE: Ministry of Defence (A18)

RESPONSIBLE MINISTER FOR MINISTRY OF DEFENCE: Minister of Defence

Overview of the Vote

The Minister of Defence is responsible for appropriations in the Vote for the 2024/25 financial year covering the following:

- a total of \$25 million for the Ministry of Defence's outputs, comprising:
 - policy advice and management of international defence relations and services to the Minister
 - managing procurement and refurbishment, on behalf of the Crown, of defence capabilities for the New Zealand Defence Force
 - audits and assessments of the New Zealand Defence Force and Ministry of Defence
- a total of \$50,000 for the purchase or development of assets for use by the Ministry of Defence, and
- a total of nearly \$815 million for the procurement of major military capabilities for the New Zealand Defence Force.

Details of these appropriations are set out in Parts 2-4.

Details of Appropriations and Capital Injections

Annual Appropriations and Forecast Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Ministry of Defence Outputs (M22) (A18) This appropriation is limited to the development, procurement and delivery of defence capability for the New Zealand Defence Force, providing defence policy assistance to other countries, and providing policy advice, audit and assessments, and other support to Ministers to discharge their policy decision-making and other portfolio responsibilities relating to defence.	28,760	28,673	25,252
Total Departmental Output Expenses	28,760	28,673	25,252
Departmental Capital Expenditure			
Ministry of Defence - Capital Expenditure PLA (M22) (A18) This appropriation is limited to the purchase or development of assets by and for the use of the Ministry of Defence, as authorised by section 24(1) of the Public Finance Act 1989.	50	25	50
Total Departmental Capital Expenditure	50	25	50
Multi-Category Expenses and Capital Expenditure			
Defence Capabilities MCA (M22) (A18) The single overarching purpose of this appropriation is to purchase, modify or refurbish defence capabilities for the New Zealand Defence Force.	1,297,845	1,101,523	814,518
Non-Departmental Other Expenses			
<i>Procurement Expenses</i> This category is limited to non-capitalisable costs incurred during the purchase, modification or refurbishment of defence capabilities for the New Zealand Defence Force.	-	-	15
Non-Departmental Capital Expenditure			
<i>Defence Capability Delivery</i> This category is limited to the purchase, modification or refurbishment of defence capabilities for the New Zealand Defence Force.	1,297,845	1,101,523	814,503
Total Multi-Category Expenses and Capital Expenditure	1,297,845	1,101,523	814,518
Total Annual Appropriations and Forecast Permanent Appropriations	1,326,655	1,130,221	839,820

Capital Injection Authorisations

	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Ministry of Defence - Capital Injection (M22) (A18)	-	-	-

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2023/24 Final Budgeted \$000	2024/25 Budget \$000	2025/26 Estimated \$000	2026/27 Estimated \$000	2027/28 Estimated \$000
Reduction in Back-Office functions - Ministry of Defence	Ministry of Defence Outputs Department Output Expense	-	(2,000)	(2,000)	(2,000)	(2,000)
Enhanced Engagement in the Pacific	Ministry of Defence Outputs Department Output Expense	465	867	1,022	1,100	1,100
Bushmaster Communications	Defence Capabilities MCA Multi-Category Expenses and Capital Expenditure	27,700	-	-	-	-
Total Initiatives		28,165	(1,133)	(978)	(900)	(900)

1.2 - Trends in the Vote

Summary of Financial Activity

	2019/20	2020/21	2021/22	2022/23	2023/24		2024/25			2025/26	2026/27	2027/28
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Final Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations												
Output Expenses	23,264	21,381	22,577	28,580	28,760	28,673	25,252	-	25,252	24,357	24,445	24,445
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	233	73	18	-	50	25	50	-	50	50	50	50
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other Expenses</i>	-	-	3,933	-	-	-	-	15	15	15	15	15
<i>Capital Expenditure</i>	275,671	515,278	783,963	953,352	1,297,845	1,101,523	N/A	814,503	814,503	312,424	58,894	24,985
Total Appropriations	299,168	536,732	810,491	981,932	1,326,655	1,130,221	25,302	814,518	839,820	336,846	83,404	49,495
Crown Revenue and Capital Receipts												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	2,315	16	4	18	-	-	N/A	-	-	-	-	-
Capital Receipts	195,423	515,278	783,963	953,352	1,297,845	1,101,523	N/A	814,503	814,503	312,424	58,894	24,985
Total Crown Revenue and Capital Receipts	197,738	515,294	783,967	953,370	1,297,845	1,101,523	N/A	814,503	814,503	312,424	58,894	24,985

Note - where restructuring of the vote has occurred then, to the extent practicable, prior years information has been restated as if the restructuring had occurred before the beginning of the period covered. In this instance Total Appropriations for the Budgeted and Estimated Actual year may not equal Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations in the Details of Appropriations and Capital Injections.

Adjustments to the Summary of Financial Activity Table Due to Vote Restructuring

There have been no restructuring adjustments to prior year information in the Summary of Financial Activity table.

1.3 - Analysis of Significant Trends

The departmental appropriations in Vote Defence, which are detailed in the Summary of Financial Activity table in Part 1.2 above, show the significant changes discussed below.

Departmental Output Expense Appropriations

Increasing departmental output expense appropriations over the period shown in Part 1.2 above, are due to the following factors:

- Increases from 2019/20 onwards are the result of the additional funding for the Operating Cost Pressures initiative, which provided the funding required to meet the additional costs associated with the Ministry's new permanent location in Defence House.
- Increases from 2020/21 onwards are the result of the:
 - Price Related Cost Pressures initiative, which addressed market driven inflation cost pressures
 - Portfolio Management initiative, for the enhancement of existing systems and processes to improve the portfolio efficiency and risk management for major capability projects
 - Policy Demand initiative, to meet additional policy demand in a changing strategic climate and support increased international defence engagement.
- Decreases from 2024/25 onwards are primarily due to cost savings under the Reduction in Back-Office functions - Ministry of Defence initiative.

Actual expenditure in 2020/21 and 2021/22 is reduced from trend primarily due to COVID-19 related travel restrictions reducing the amount of travel able to be undertaken to support international defence relations and development of defence capability initiatives.

Variations in past annual expenditure from the above trend were primarily due to the fluctuating costs of pre-acquisition activities undertaken by the Ministry.

Departmental Capital Expenditure

In October 2019 the Ministry relocated to its long-term accommodation in the new Defence headquarters in the former Bowen State Building. The sub-lease from the New Zealand Defence Force includes all required building fit-out, equipment and furniture. The low level of capital expenditure reflects the reduced owned asset base.

Non-Departmental Multi-Category Expenses and Capital Appropriation

The movements in capital expenditure incurred under the non-departmental multi-category expense and capital appropriation relate to the volume of capital projects underway in each financial year; changes to the forecast timing in achieving the project milestones; and associated changes in the timing of supplier payments for those milestones. Increased levels over 2022/23 and 2023/24 are primarily due to the Air Surveillance Maritime Patrol and Tactical Future Air Mobility projects progressing through the main production phase of the projects and then declining as projects complete.

Capital Receipts

The Ministry of Defence purchases and develops items of major military capability for the New Zealand Defence Force. The Ministry's capital receipts fluctuates in line with non-departmental capital expenditure, incurred under the non-departmental multi-category expense and capital appropriation, due to the purchase of developed capabilities by the New Zealand Defence Force.

Part 2 - Details of Departmental Appropriations

2.1 - Departmental Output Expenses

Ministry of Defence Outputs (M22) (A18)

Scope of Appropriation

This appropriation is limited to the development, procurement and delivery of defence capability for the New Zealand Defence Force, providing defence policy assistance to other countries, and providing policy advice, audit and assessments, and other support to Ministers to discharge their policy decision-making and other portfolio responsibilities relating to defence.

Expenses and Revenue

	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	28,760	28,673	25,252
Revenue from the Crown	25,760	25,760	25,252
Revenue from Others	3,000	3,000	-

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve:

- the provision of civilian defence advice to the government
- the development and management of international defence relations
- the procurement or repair of major military capabilities for the New Zealand Defence Force in a transparent and fair way, and in accordance with government procurement policies, and
- audits and assessments of the New Zealand Defence Force and the Ministry of Defence undertaken as and when required by the Minister of Defence, or in accordance with a workplan approved by the Minister.

How Performance will be Assessed and End of Year Reporting Requirements

	2023/24		2024/25
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Quality of Ministerial Support Papers: as assessed by the percentage of first draft all correspondence accepted by the Minister	>=90%	Measured at end of period	>=90%
Timeliness of Ministerial Support: assessed by the percentage of papers that were submitted by the timeframe set in legislation, or otherwise agreed with the Minister	>=95%	Measured at end of period	>=95%
Technical Quality of Policy Advice: as assessed by independent review of a sample of policy papers (see Note 1)	>=3.5 / 5	Measured at end of period	>=3.5 / 5

	2023/24		2024/25
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Minister's Satisfaction with Quality of Policy Advice: as assessed by survey (see Note 2)	>=3.5 / 5	Measured at end of period	>=3.5 / 5
Minister's Satisfaction with Quality of Policy Support: as assessed by survey	>=70%	Measured at end of period	>=70%
Minister's Satisfaction with Quality of Audits and Assessments: as assessed by survey	>=70%	Measured at end of period	>=70%
Quality of Capability Advice: options presented to the Minister for each refurbishment or procurement project up to the preferred tenderer stage will meet the high-level user requirements and will be affordable within the Defence Capital Plan	100%	100%	100%
Schedule of Capability Advice: each refurbishment or procurement project up to the identification of the preferred tenderer will be managed to the agreed schedule, except when there are circumstances beyond the control of the Ministry	100%	100%	100%

Note 1 - Using the all-of-government methodology for technical review of policy advice.

Note 2 - Using the all-of-government Ministerial Policy Satisfaction Survey, which is available from the Department of the Prime Minister and Cabinet website.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the Ministry of Defence in its Annual Report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2023/24 Final Budgeted \$000	2024/25 Budget \$000	2025/26 Estimated \$000	2026/27 Estimated \$000	2027/28 Estimated \$000
Current Government						
Reduction in Back-Office functions - Ministry of Defence	2024/25	-	(2,000)	(2,000)	(2,000)	(2,000)
Previous Government						
Enhanced Engagement in the Pacific	2023/24	465	867	1,022	1,100	1,100
Public Sector Pay Adjustment - Vote Defence Remuneration Cost Pressure	2023/24	500	800	800	800	800

Reasons for Change in Appropriation

The decrease in this appropriation for 2024/25 is mainly due to:

- the following items were included within the appropriation in 2023/24 but are not carrying over to 2024/25:
 - \$3 million for cost recoveries from other government agencies
 - \$1.745 million of expense transfers from prior years.
- a decrease of \$2 million from 2024/25 onwards from the Reduction in Back-Office functions - Ministry of Defence initiative.

These were offset by:

- a non-recurring contribution of \$1.500 million in 2023/24 to New Zealand's International Fund for Ukraine
- \$1.050 million transferred from prior years due to the timing of costs over the capability management life cycle
- increased annual funding of \$402,000 from the Pacific Priority initiative
- increased annual funding of \$300,000 from the Public Sector Pay Adjustment - Vote Defence Remuneration Cost Pressure initiative.

2.3 - Departmental Capital Expenditure and Capital Injections

Ministry of Defence - Capital Expenditure PLA (M22) (A18)

Scope of Appropriation

This appropriation is limited to the purchase or development of assets by and for the use of the Ministry of Defence, as authorised by section 24(1) of the Public Finance Act 1989.

Capital Expenditure

	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	50	25	50
Intangibles	-	-	-
Other	-	-	-
Total Appropriation	50	25	50

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the purchase and development of assets by and for the use of the Ministry of Defence in its day-to-day operations.

How Performance will be Assessed and End of Year Reporting Requirements

	2023/24		2024/25
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Capital expenditure is within Capital Plan	Within Capital Plan	Within Capital Plan	Within Capital Plan

End of Year Performance Reporting

Performance information for this appropriation will be reported by the Ministry of Defence in its Annual Report.

*Capital Injections and Movements in Departmental Net Assets***Ministry of Defence**

Details of Net Asset Schedule	2023/24 Estimated Actual \$000	2024/25 Projected \$000	Explanation of Projected Movements in 2024/25
Opening Balance	2,353	2,353	
Capital Injections	-	-	
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	2,353	2,353	

Part 4 - Details of Multi-Category Expenses and Capital Expenditure

4 - Multi-Category Expenses and Capital Expenditure

Defence Capabilities (M22) (A18)

Overarching Purpose Statement

The single overarching purpose of this appropriation is to purchase, modify or refurbish defence capabilities for the New Zealand Defence Force.

Scope of Appropriation

Non-Departmental Other Expenses

Procurement Expenses

This category is limited to non-capitalisable costs incurred during the purchase, modification or refurbishment of defence capabilities for the New Zealand Defence Force.

Non-Departmental Capital Expenditure

Defence Capability Delivery

This category is limited to the purchase, modification or refurbishment of defence capabilities for the New Zealand Defence Force.

Expenses, Revenue and Capital Expenditure

	2023/24		2024/25
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,297,845	1,101,523	814,518
Non-Departmental Other Expenses			
Procurement Expenses	-	-	15
Non-Departmental Capital Expenditure			
Defence Capability Delivery	1,297,845	1,101,523	814,503

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the procurement of major military capabilities for the New Zealand Defence Force in a transparent and fair way, and in accordance with government procurement policies.

How Performance will be Assessed for this Appropriation

	2023/24		2024/25
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
The performance of the MCA as a whole will be assessed by the aggregate percentage of planned benefits expected to have been realised by quarter, as set out in approved project benefits realisation plans	>=80%	>=80%	>=80%

What is Intended to be Achieved with each Category and How Performance will be Assessed

	2023/24		2024/25
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Non-Departmental Other Expenses			
Procurement Expenses			
This category is intended to achieve the procurement of major military capabilities for the New Zealand Defence Force			
Cost: Each procurement or refurbishment project will be managed within its approved budget, inclusive of approved variations to the contract price and project budget (see Note 1)	100%	100%	100%
Non-Departmental Capital Expenditure			
Defence Capability Delivery			
This category is intended to achieve the procurement of major military capabilities for the New Zealand Defence Force			
Cost: each procurement or refurbishment project will be managed within its approved budget, inclusive of approved variations to the contract price and project budget (see Note 1)	100%	100%	100%
Quality of Deliverable: Each procurement or refurbishment project will achieve on delivery the agreed/contracted specifications that are critical to acceptance (see Note 2)	100%	100%	100%
Schedule: Each procurement or refurbishment project will be managed to schedule, without avoidable schedule over-run (see Note 3)	>=80%	>=80%	>=80%
Cost forecasting: The aggregate capital expenditure on procurement and refurbishment projects compared to the forecast capital expenditure (see Note 4)	Within +/- 10% of forecast	Within +/- 10% of forecast	Within +/- 10% of forecast

Note 1 - Measured by the percentage of all projects that have project-related expenditure incurred in the year within the approved project expenditure budget.

Note 2 - Measured by the percentage of all projects in the delivery phase that meet all specifications that are critical to acceptance.

Note 3 - Measured by the percentage of all projects in the delivery phase progressed within agreed schedule.

Note 4 - Measured by comparing actual expenditure in the year with the most recent Crown forecast. It is calculated at hedged exchange rates to remove the impact of movements in exchange rates.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the Minister of Defence and included in the Ministry of Defence's Annual Report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2023/24 Final Budgeted \$000	2024/25 Budget \$000	2025/26 Estimated \$000	2026/27 Estimated \$000	2027/28 Estimated \$000
Previous Government						
Bushmaster Communications	2023/24	27,700	-	-	-	-
Frigate Sustainment Programme - Phase 1	2023/24	25,217	14,623	17,160	-	-
Frigate Sustainment - Communications (Build and Install Phase)	2022/23	29,089	9,247	9,221	14,937	-
Land Force Protection Electronic Countermeasures	2022/23	2,662	-	-	-	-
Operational and Regulatory Aviation Compliance Sustainment: Phase Two	2021/22	2,439	180	-	-	-
Tactical Future Air Mobility Capability	2020/21	665,560	463,366	97,661	25,225	-
Operational and Regulatory Aviation Compliance Sustainment: NH90 Upgrade	2020/21	3,230	-	-	-	-
HMNZS Canterbury, Offshore Patrol Vessels Communications Upgrade	2020/21	4,515	-	-	-	-

Reasons for Change in Appropriation

The decrease in this appropriation for 2024/25 is mainly due to the Tactical Future Air Mobility Capability project progressing in the main production phase of the project. Aircraft production largely occurred in 2023/24 with delivery scheduled in 2024/25.