

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 2025/26 financial year covering the following:

- a total of nearly \$26 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 \$470 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	2024/25		2025/26
	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.	27,652	27,652	25,944
Total Departmental Output Expenses	27,652	27,652	25,944
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.	125	125	50
Total Departmental Capital Expenditure	125	125	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.	938,220	688,136	469,412
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.	100	100	100
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.	938,120	688,036	469,312
Total Multi-Category Expenses and Capital Expenditure	938,220	688,136	469,412
Total Annual Appropriations and Forecast Permanent Appropriations	965,997	715,913	495,406

Capital Injection Authorisations

	2024/25		2025/26
	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	2024/25 Final Budgeted \$000	2025/26 Budget \$000	2026/27 Estimated \$000	2027/28 Estimated \$000	2028/29 Estimated \$000
Contributions to Third Parties	Departmental Output Expenses Ministry of Defence Outputs	-	(70)	(70)	(70)	(70)
Defence Capability Plan - Defence Capability Development and Acquisition Uplift	Departmental Output Expenses Ministry of Defence Outputs	-	1,557	2,011	2,011	2,011
Operational and Regulatory Aviation Compliance Sustainment: Phase Two C	Defence Capabilities MCA Multi-Category Expenses and Capital Expenditure	8,841	15,746	15,518	10,870	12,580
Updating Classified Digital Services Phase 1	Defence Capabilities MCA Multi-Category Expenses and Capital Expenditure	2,960	14,850	4,210	-	-
Utility Vehicle Replacement - Tranche One	Defence Capabilities MCA Multi-Category Expenses and Capital Expenditure	19,124	6,878	25,615	41,893	3,818
Total Initiatives		30,925	38,961	47,284	54,704	18,339

1.2 - Trends in the Vote

Summary of Financial Activity

	2020/21	2021/22	2022/23	2023/24	2024/25		2025/26			2026/27	2027/28	2028/29
	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	21,381	22,577	28,580	28,432	27,652	27,652	25,944	-	25,944	26,836	26,836	26,386
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	73	18	-	-	125	125	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	-	-	100	100	-	100	100	100	100	-
<i>Capital Expenditure</i>	515,278	783,963	953,352	901,032	938,120	688,036	N/A	469,312	469,312	243,281	118,548	9,283
Total Appropriations	536,732	810,491	981,932	929,464	965,997	715,913	25,994	469,412	495,406	270,267	145,534	35,719
Crown Revenue and Capital Receipts												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	16	4	1,431	3,729	1,537	1,537	N/A	-	-	-	-	-
Capital Receipts	515,278	783,963	953,352	901,032	938,120	688,036	N/A	469,312	469,312	243,281	118,548	9,283
Total Crown Revenue and Capital Receipts	515,294	783,967	954,783	904,761	939,657	689,573	N/A	469,312	469,312	243,281	118,548	9,283

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 2025/26 onwards are the result of the Defence Capability Plan - Defence Capability Development and Acquisition Uplift initiative, which enhances the Ministry's ability to deliver the Defence Capability Plan, offset by the Contributions to Third Parties initiative.
- Increases from 2020/21 to 2024/25 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

	2024/25		2025/26
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	27,652	27,652	25,944
Revenue from the Crown	24,252	24,252	25,944
Revenue from Others	3,400	3,400	-

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

	2024/25		2025/26
	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

	2024/25		2025/26
Assessment of Performance	Final Budgeted Standard	Estimated Actual	Budget Standard
Technical Quality of Policy Advice: percentage of policy papers that score 3 or higher out of 5 (see Note 1)	New performance indicator (see Note 3)	Measured at end of period	100%
Technical Quality of Policy Advice: percentage of policy papers that score 4 or higher out of 5 (see Note 1)	New performance indicator (see Note 3)	Measured at end of period	20%
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.

Note 3 - The new performance measure for 2025/26 was selected as it reflects the distribution of scores from the technical review and provides a better reflection of the Ministry's performance.

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	2024/25 Final Budgeted \$000	2025/26 Budget \$000	2026/27 Estimated \$000	2027/28 Estimated \$000	2028/29 Estimated \$000
Current Government						
Contributions to Third Parties	2025/26	-	(70)	(70)	(70)	(70)
Defence Capability Plan - Defence Capability Development and Acquisition Uplift	2025/26	-	1,557	2,011	2,011	2,011
Reduction in Back-Office functions - Ministry of Defence	2024/25	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Previous Government						
Enhanced Engagement in the Pacific	2023/24	867	1,022	1,100	1,100	1,100
Public Sector Pay Adjustment - Vote Defence Remuneration Cost Pressure	2023/24	800	800	800	800	800

Reasons for Change in Appropriation

The decrease in this appropriation for 2025/26 is due to:

- the following items were included within the appropriation in 2024/25 but are not carrying over to 2025/26:
 - \$3.400 million for cost recoveries from other government agencies
 - \$1.050 million of expense transfers from prior years
- a \$70,000 reduction from the Contributions to Third parties initiative.

These were offset by:

- a \$1.557 million increase from the Defence Capability Plan - Defence Capability Development and Acquisition Uplift initiative
- \$1 million transferred from 2024/25 to future years due to the timing of costs over the capability management life cycle
- a further \$100,000 transferred from 2024/25 to 2025/26 due to the timing of costs over the capability management life cycle
- increased annual funding of \$155,000 from the Enhanced Engagement in the Pacific 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

	2024/25		2025/26
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	125	125	50
Intangibles	-	-	-
Other	-	-	-
Total Appropriation	125	125	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

	2024/25		2025/26
	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	2024/25 Estimated Actual \$000	2025/26 Projected \$000	Explanation of Projected Movements in 2025/26
Opening Balance	2,353	2,353	
Capital Injections	-	-	
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	2,353	2,353	

Reasons for Change in Appropriation

The decrease in this appropriation for 2025/26 is due to 2024/25 including a one-off allowance for assets required to support Ministry staff seconded to offshore locations.

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

	2024/25		2025/26
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	938,220	688,136	469,412
Non-Departmental Other Expenses			
Procurement Expenses	100	100	100
Non-Departmental Capital Expenditure			
Defence Capability Delivery	938,120	688,036	469,312

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

	2024/25		2025/26
Assessment of Performance	Final Budgeted Standard	Estimated Actual	Budget Standard
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

	2024/25		2025/26
Assessment of Performance	Final Budgeted Standard	Estimated Actual	Budget Standard
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	2024/25 Final Budgeted \$000	2025/26 Budget \$000	2026/27 Estimated \$000	2027/28 Estimated \$000	2028/29 Estimated \$000
Current Government						
Operational and Regulatory Aviation Compliance Sustainment: Phase Two C	2024/25	8,841	15,746	15,518	10,870	12,580
Updating Classified Digital Services Phase 1	2024/25	2,960	14,850	4,210	-	-
Utility Vehicle Replacement - Tranche One	2024/25	19,124	6,878	25,615	41,893	3,818
Previous Government						
Frigate Sustainment Programme - Phase 1	2023/24	14,623	17,160	-	-	-
Frigate Sustainment - Communications (Build and Install Phase)	2022/23	9,247	9,221	14,937	-	-

Reasons for Change in Appropriation

The decrease in this appropriation for 2025/26 is mainly due to the Tactical Future Air Mobility Capability project progressing through the main production phase and then declining as it nears completion, resulting in a \$147 million reduction in the appropriation in 2025/26.

The 2024/25 appropriation also includes headroom for changes in the reported New Zealand dollar equivalent value of foreign currency capital expenditure, plus an allowance for higher than forecast recognised capital expenditure under the United States Foreign Military Sales program. Neither of these affect the New Zealand dollar cash required as foreign currency expenditure is fully hedged and the Foreign Military Sales capital expenditure represents utilisation of pre-paid funds for contracted purchases of assets and services. This headroom reduces by \$250 million in 2025/26.