

# *Vote Defence*

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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 2026/27 financial year covering the following:

- a total of over \$29 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 \$280 million for the procurement of capabilities for the New Zealand Defence Force and other government agencies.

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	2025/26		2026/27
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Ministry of Defence Outputs (M22) (A18)</b> 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.	27,494	27,419	<b>29,280</b>
<b>Total Departmental Output Expenses</b>	27,494	27,419	29,280
<b>Departmental Capital Expenditure</b>			
<b>Ministry of Defence - Capital Expenditure PLA (M22) (A18)</b> 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	105	50
<b>Total Departmental Capital Expenditure</b>	125	105	50
<b>Multi-Category Expenses and Capital Expenditure</b>			
<b>Defence Capabilities MCA (M22) (A18)</b> The single overarching purpose of this appropriation is to acquire, modify or refurbish capabilities for the New Zealand Defence Force and other government agencies.	384,988	204,932	<b>279,741</b>
<b>Non-Departmental Other Expenses</b>			
<b>Procurement Expenses</b> This category is limited to non-capitalisable costs relating to the acquisition, modification or refurbishment of capabilities for the New Zealand Defence Force and other government agencies.	100	25	100
<b>Non-Departmental Capital Expenditure</b>			
<b>Defence Capability Delivery</b> This category is limited to the acquisition, modification or refurbishment of capabilities for the New Zealand Defence Force and other government agencies.	384,888	204,907	279,641
<b>Total Multi-Category Expenses and Capital Expenditure</b>	384,988	204,932	279,741
<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	412,607	232,456	309,071

## Capital Injection Authorisations

	2025/26		2026/27
	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	2025/26 Final Budgeted \$000	2026/27 Budget \$000	2027/28 Estimated \$000	2028/29 Estimated \$000	2029/30 Estimated \$000
Maritime Fleet Renewal Programme Office	<b>Departmental Output Expense</b> Ministry of Defence Outputs	-	1,415	2,878	3,323	3,018
Supporting New Zealand's Defence Industry and the Delivery of the Defence Capability Plan	<b>Departmental Output Expense</b> Ministry of Defence Outputs	-	1,029	2,058	2,058	2,058
Maritime Helicopter Replacement - Tranche 1	<b>Defence Capabilities MCA</b> Multi-Category Expenses and Capital Expenditure	4,000	2,607	-	-	-
Future Air Mobility Capability - Strategic	<b>Defence Capabilities MCA</b> Multi-Category Expenses and Capital Expenditure	3,621	60,503	122,076	5,358	3,980
Network Enabled Army - Tranche 3: Investment 1	<b>Defence Capabilities MCA</b> Multi-Category Expenses and Capital Expenditure	36,502	24,960	14,322	-	-
Bushmaster Communications	<b>Defence Capabilities MCA</b> Multi-Category Expenses and Capital Expenditure	4,469	13,070	10,166	26,232	273
Cyber Security and Support Capability	<b>Defence Capabilities MCA</b> Multi-Category Expenses and Capital Expenditure	4,126	4,753	3,661	2,794	-
Operational and Regulatory Aviation Compliance Sustainment - Phase 2D	<b>Defence Capabilities MCA</b> Multi-Category Expenses and Capital Expenditure	2,128	2,682	7,923	8,237	14,544
<b>Totals</b>		<b>54,846</b>	<b>111,019</b>	<b>163,084</b>	<b>48,002</b>	<b>23,873</b>

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2021/22	2022/23	2023/24	2024/25	2025/26		2026/27			2027/28	2028/29	2029/30
	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
<b>Appropriations</b>												
Output Expenses	22,577	28,580	28,432	26,706	27,494	27,419	29,280	-	29,280	32,272	32,267	31,462
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	18	-	-	-	125	105	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	-	-	144	100	25	-	100	100	100	100	100
<i>Capital Expenditure</i>	783,963	953,352	901,032	522,287	384,888	204,907	N/A	279,641	279,641	590,918	348,069	46,748
<b>Total Appropriations</b>	<b>810,491</b>	<b>981,932</b>	<b>929,464</b>	<b>549,137</b>	<b>412,607</b>	<b>232,456</b>	<b>29,330</b>	<b>279,741</b>	<b>309,071</b>	<b>623,340</b>	<b>380,486</b>	<b>78,360</b>
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	4	1,431	3,729	3,503	992	992	N/A	-	-	-	-	-
Capital Receipts	783,963	953,352	901,032	522,287	384,888	204,907	N/A	279,641	279,641	590,918	348,069	46,748
<b>Total Crown Revenue and Capital Receipts</b>	<b>783,967</b>	<b>954,783</b>	<b>904,761</b>	<b>525,790</b>	<b>385,880</b>	<b>205,899</b>	<b>N/A</b>	<b>279,641</b>	<b>279,641</b>	<b>590,918</b>	<b>348,069</b>	<b>46,748</b>

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
  - Supporting New Zealand's Defence Industry and the Delivery of the Defence Capability Plan Initiative, which supports development of New Zealand's defence industry and permanent resources to support deliver of the Defence Capability Plan
  - Maritime Fleet Renewal Programme Office initiative, which will fund the Ministry's personnel resources required to deliver renewal of the New Zealand Defence Force's maritime fleet
  - offset by reductions due to the Contributions to Third Parties and Reductions in Back Office Functions Initiatives.
- Increases from 2021/22 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.

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.

Increased capital expenditure in 2025/26 was due to the need to purchase equipment to support staff on secondment to foreign locations.

### *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 project move towards completion.

### *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*

	2025/26		2026/27
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	27,494	27,419	29,280
Revenue from the Crown	24,944	24,944	29,280
Revenue from Others	2,550	2,550	-

##### *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*

	2025/26		2026/27
	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

Assessment of Performance	2025/26		2026/27
	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)	100%	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)	>=20%	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.

### *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	2025/26 Final Budgeted \$000	2026/27 Budget \$000	2027/28 Estimated \$000	2028/29 Estimated \$000	2029/30 Estimated \$000
<b>Current Government</b>						
Maritime Fleet Renewal Programme Office	2026/27	-	1,415	2,878	3,323	3,018
Supporting New Zealand's Defence Industry and the Delivery of the Defence Capability Plan	2026/27	-	1,029	2,058	2,058	2,058
Contributions to Third Parties	2025/26	(70)	(70)	(70)	(70)	(70)
Defence Capability Plan - Defence Capability Development and Acquisition Uplift	2025/26	1,557	2,011	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)
<b>Previous Government</b>						
Enhanced Engagement in the Pacific	2023/24	1,022	1,100	1,100	1,100	1,100

### *Reasons for Change in Appropriation*

The increase in this appropriation for 2026/27 is due to:

- a \$1.415 million increase from the Defence Capability Plan - Maritime Fleet Renewal Programme Office initiative
- a \$1.029 million increase from the Defence Capability Plan - Supporting New Zealand's Defence Industry and the Delivery of the Defence Capability Plan initiative
- \$1 million transferred from 2025/26 to future years due to the timing of costs over the capability management life cycle
- a \$454,000 increase from the Defence Capability Plan - Defence Capability Development and Acquisition Uplift initiative
- transfers of \$350,000 from prior years to 2026/27 due to the timing of costs over the capability management life cycle, and
- increased annual funding of \$88,000 from the Enhanced Engagement in the Pacific initiative.

These were offset by \$2.550 million for cost recoveries from other government agencies included within the appropriation in 2025/26 but not occurring in 2026/27.

## 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*

	2025/26		2026/27
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	125	105	50
Intangibles	-	-	-
Other	-	-	-
<b>Total Appropriation</b>	<b>125</b>	<b>105</b>	<b>50</b>

#### *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*

	2025/26		2026/27
	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	2025/26 Estimated Actual \$000	2026/27 Projected \$000	Explanation of Projected Movements in 2026/27
Opening Balance	2,353	2,353	
Capital Injections	-	-	
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
<b>Closing Balance</b>	<b>2,353</b>	<b>2,353</b>	

*Reasons for Change in Appropriation*

The decrease in this appropriation for 2026/27 is due to 2025/26 including a one-off allowance for equipment 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 acquire, modify or refurbish capabilities for the New Zealand Defence Force and other government agencies.

#### *Scope of Appropriation*

##### **Non-Departmental Other Expenses**

###### *Procurement Expenses*

This category is limited to non-capitalisable costs relating to the acquisition, modification or refurbishment of capabilities for the New Zealand Defence Force and other government agencies.

##### **Non-Departmental Capital Expenditure**

###### *Defence Capability Delivery*

This category is limited to the acquisition, modification or refurbishment of capabilities for the New Zealand Defence Force and other government agencies.

#### *Expenses, Revenue and Capital Expenditure*

	2025/26		2026/27
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Total Appropriation</b>	<b>384,988</b>	<b>204,932</b>	<b>279,741</b>
<b>Non-Departmental Other Expenses</b>			
Procurement Expenses	100	25	100
<b>Non-Departmental Capital Expenditure</b>			
Defence Capability Delivery	384,888	204,907	279,641

#### *What is Intended to be Achieved with this Appropriation*

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

### *How Performance will be Assessed for this Appropriation*

	2025/26		2026/27
	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*

	2025/26		2026/27
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
<b>Non-Departmental Other Expenses</b>			
<b>Procurement Expenses</b>			
This category is intended to achieve the procurement of major capabilities for the New Zealand Defence Force and other government agencies.			
Cost: Each capability project or programme in delivery will be managed within its approved budget, inclusive of approved variations to the contract price and project budget (see Note 1, 5, 6)	100%	100%	100%
<b>Non-Departmental Capital Expenditure</b>			
<b>Defence Capability Delivery</b>			
This category is intended to achieve the procurement of major capabilities for the New Zealand Defence Force and other government agencies.			
Cost: each capability project or programme in delivery will be managed within its approved budget, inclusive of approved variations to the contract price and project budget (see Note 1, 5, 6)	100%	100%	100%
Quality of Deliverable: Each capability project or programme in delivery will achieve on delivery the agreed/contracted specifications that are critical to acceptance (see Note 2, 5, 6)	100%	100%	100%
Schedule: Each capability project or programme in delivery will be managed to schedule, without avoidable schedule over-run (see Note 3, 5, 6)	>=80%	>=80%	>=80%
Cost forecasting: The aggregate capital expenditure on capability projects and programmes in delivery compared to the forecast capital expenditure (see Note 4, 5, 6)	Within +/- 10% of forecast	Within +/- 10% of forecast	Within +/- 10% of forecast

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

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

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

Note 4 - Measured by comparing actual expenditure in the year on all capability projects and programmes in delivery against the most recent Crown forecast. It is calculated at hedged exchange rates to remove the impact of movements in exchange rates.

Note 5 - "In delivery" refers to the period up to the capability obtaining Interim Operational Release. Interim Operational Release represents the point in the capability management system where capabilities enter the In Service phase. At this point the capability is inherently understood and can be effectively employed in operations.

Note 6 - The measures have been reworded to make explicit that the measure includes capability programmes managed by the Ministry, as well as projects, and to define the project stage where the measure ends.

### *End of Year Performance Reporting*

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

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2025/26 Final Budgeted \$000	2026/27 Budget \$000	2027/28 Estimated \$000	2028/29 Estimated \$000	2029/30 Estimated \$000
<b>Current Government</b>						
Maritime Helicopter Replacement - Tranche 1	2025/26	4,000	2,607	-	-	-
Future Air Mobility Capability - Strategic	2025/26	3,621	60,503	122,076	5,358	3,980
Network Enabled Army - Tranche 3: Investment 1	2025/26	36,502	24,960	14,322	-	-
Bushmaster Communications	2025/26	4,469	13,070	10,166	26,232	273
Cyber Security and Support Capability	2025/26	4,126	4,753	3,661	2,794	-
Operational and Regulatory Aviation Compliance Sustainment - Phase 2D	2025/26	2,128	2,682	7,923	8,237	14,544
Operational and Regulatory Aviation Compliance Sustainment: Phase Two C	2024/25	15,746	15,518	10,870	12,580	1,112
Updating Classified Digital Services Phase 1	2024/25	14,850	4,210	-	-	-
Utility Vehicle Replacement - Tranche One	2024/25	6,878	25,615	41,893	3,818	2,648
<b>Previous Government</b>						
Frigate Sustainment Programme - Phase 1	2023/24	17,160	-	-	-	-
Frigate Sustainment - Communications (Build and Install Phase)	2022/23	9,221	14,937	-	-	-

### *Reasons for Change in Appropriation*

The decrease in this appropriation from \$384.988 million in 2025/26 to \$279.741 million in 2026/27 is mainly due to reductions in the appropriation headroom required 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 \$100 million in 2026/27.

Excluding these changes in appropriation headroom, forecast capital expenditure decreases by \$5.247 million to \$199.641 million in 2026/27 as expenditure shifts to new projects entering the production phase, particularly Future Air Mobility Capability - Strategic and Utility Vehicle Replacement, offset by projects with declining annual expenditure as acquisition activities complete.