

Vote Defence

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

APPROPRIATION ADMINISTRATOR: Ministry of Defence

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 2019/20 financial year covering the following:

- a total of \$2.378 million for audits and assessments of the New Zealand Defence Force and Ministry of Defence
- a total of \$9.658 million for managing procurement or refurbishment, on behalf of the Crown, of defence capabilities for the New Zealand Defence Force
- a total of \$9.285 million for policy advice, management of international defence relations and services to the Minister
- a total of \$350,000 for the purchase or development of assets for use by the Ministry, and
- a total of \$744.376 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	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Audit & Assessment (M22) This appropriation is limited to audits and assessments of the New Zealand Defence Force and the Ministry of Defence.	2,247	2,247	2,378
Management of Defence Capabilities (M22) This appropriation is limited to the management of procurement, refurbishment and delivery of defence capabilities, on behalf of the Crown, for the New Zealand Defence Force.	11,857	11,857	9,658
Total Departmental Output Expenses	14,104	14,104	12,036
Departmental Capital Expenditure			
Ministry of Defence - Capital Expenditure PLA (M22) 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.	350	350	350
Total Departmental Capital Expenditure	350	350	350
Non-Departmental Capital Expenditure			
Defence Capabilities (M22) This appropriation is limited to the purchase, modification or refurbishment of defence capabilities for the New Zealand Defence Force.	445,792	422,420	744,376
Total Non-Departmental Capital Expenditure	445,792	422,420	744,376
Multi-Category Expenses and Capital Expenditure			
Policy Advice and Related Outputs MCA (M22) The single overarching purpose of this appropriation is to provide policy advice, other support to Ministers in discharging their policy decision-making and other portfolio responsibilities.	9,734	9,734	9,285
Departmental Output Expenses			
Ministerial Services This category is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.	1,138	1,138	1,115
Policy Advice This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to defence and national security.	5,710	5,710	5,590
Policy Support This category is limited to the provision of services (other than defence policy) that support the development and procurement of military capability, and the conduct of international defence relations.	2,886	2,886	2,580
Total Multi-Category Expenses and Capital Expenditure	9,734	9,734	9,285
Total Annual Appropriations and Forecast Permanent Appropriations	469,980	446,608	766,047

Capital Injection Authorisations

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Ministry of Defence - Capital Injection (M22)	-	-	-

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Dive and Hydrographic Vessel	Defence Capabilities Non-Departmental Capital Expenditure	87,185	10,531	700	-	-
Fixed High Frequency Radio Refresh	Management of Defence Capabilities Departmental Output Expense	445	-	-	-	-
	Defence Capabilities Non-Departmental Capital Expenditure	230	245	-	-	-
Future Air Surveillance Capability	Defence Capabilities Non-Departmental Capital Expenditure	107,963	453,034	753,191	643,232	111,094
NH90 Simulator	Defence Capabilities Non-Departmental Capital Expenditure	33,370	8,850	-	-	-
Operational and Regulatory Aviation Compliance Sustainment	Defence Capabilities Non-Departmental Capital Expenditure	5,814	19,284	20,711	9,169	1,854
Protected Mobility Capability	Defence Capabilities Non-Departmental Capital Expenditure	462	7,470	5,300	5,360	-
Operating Cost Pressures	Audit & Assessment Departmental Output Expense	-	200	270	276	285
	Management of Defence Capabilities Departmental Output Expense	-	380	511	523	541
	Policy Advice and Related Outputs MCA Multi-Category Expenses and Capital Expenditure	-	1,048	1,413	1,444	1,495
Total Initiatives		235,469	501,042	782,096	660,004	115,269

1.2 - Trends in the Vote

Summary of Financial Activity

	2014/15	2015/16	2016/17	2017/18	2018/19		2019/20			2020/21	2021/22	2022/23
	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	5,882	8,293	10,675	12,639	14,104	14,104	12,036	-	12,036	12,237	12,255	12,282
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	1,063	-	-	-	-	-	-	-	-	-
Capital Expenditure	387,413	212,713	281,031	233,021	446,142	422,770	350	744,376	744,726	852,361	704,072	296,094
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	5,941	6,480	6,837	7,949	9,734	9,734	9,285	-	9,285	9,650	9,681	9,732
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Appropriations	399,236	227,486	299,606	253,609	469,980	446,608	21,671	744,376	766,047	874,248	726,008	318,108
Crown Revenue and Capital Receipts												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	495	225	843	1,782	-	1,673	N/A	-	-	-	-	-
Capital Receipts	386,929	212,412	280,658	232,898	445,792	422,420	N/A	744,376	744,376	852,011	703,722	92,873
Total Crown Revenue and Capital Receipts	387,424	212,637	281,501	234,680	445,792	424,093	N/A	744,376	744,376	852,011	703,722	92,873

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 costs from 2015/16 onwards are the result of additional funding for the Enhancements to Defence Capability Development and Acquisition initiative. This funding allowed the Ministry of Defence to grow its capability workforce and make one-off investments in systems to successfully deliver on the Crown's anticipated capital spend in Defence.

Annual expenditure will vary from the above trend primarily due to the fluctuating costs of pre-acquisition activities undertaken by the Ministry and project management costs relating to the Protector Remediation project.

Departmental Other Expenses Appropriations

The 2016/17 Other Expenses arises from the value of assets written-off or impaired due to the November 2016 Kaikōura earthquake.

Multi-Category Expense Appropriation

Higher costs from 2015/16 onwards are the result of additional funding for the Enhancements to Defence Capability Development and Acquisition initiative.

Departmental Capital Expenditure

The majority of the capital expenditure over the years relates to the maintenance of the Ministry of Defence's asset base, primarily IT software and equipment required by the Ministry to deliver its stated outcomes and outputs. The higher departmental capital expenditure in 2016/17 is due to replacement of assets damaged or destroyed due to the November 2016 earthquake.

Non-Departmental Capital Expenditure

The movements in non-departmental capital expenditure relates to the volume of capital projects underway in each financial year and changes in the forecast timing in achieving the project milestones and associated changes in the timing of supplier payments for those milestones.

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 due to the purchase of developed capabilities by the New Zealand Defence Force.

1.4 - Reconciliation of Changes in Appropriation Structure

2018/19 Appropriations in the 2018/19 Structure	2018/19 (Current) \$000	Old Structure		New Structure		
		Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2018/19 Appropriations in the 2019/20 Structure	2018/19 (Restated) \$000	2019/20 \$000
Management of Equipment Procurement	11,857	Renamed	-	Management of Defence Capabilities	11,857	9,658
Defence Equipment	422,420	Renamed	-	Defence Capabilities	422,420	744,376

Explanations of the reasons for changing the appropriation structure are noted in the details of each appropriation in Parts 2-4.

Part 2 - Details of Departmental Appropriations

2.1 - Departmental Output Expenses

Audit & Assessment (M22)

Scope of Appropriation

This appropriation is limited to audits and assessments of the New Zealand Defence Force and the Ministry of Defence.

Expenses and Revenue

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,247	2,247	2,378
Revenue from the Crown	2,153	2,153	2,378
Revenue from Others	94	94	-

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the completion of an approved schedule of audits and assessments as required by the Minister of Defence.

How Performance will be Assessed and End of Year Reporting Requirements

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Timeliness: Assessed by the percentage of reports that are submitted by the timeframe set in the approved terms of reference.	New measure in 2019/20	N/A	>= 75%
Ministerial satisfaction: Minister's satisfaction with the quality of reports, as assessed by survey.	New measure in 2019/20	N/A	>= 70%
Quality - process: All audits and assessments meet the Ministry's pre-determined quality criteria.	100%	100%	100%
Quality - external review: All major audits and assessments completed by the Ministry are externally quality assured (see Note 1).	100%	100%	100%

Note 1 - Small, simple reviews may be peer reviewed by qualified Ministry of Defence staff from outside the Division. All major reviews are reviewed by qualified persons external to the Ministry.

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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Current Government						
Operating cost pressures	2019/20	-	200	270	276	285

Reasons for Change in Appropriation

The increase of \$131,000 in this appropriation for 2019/20 is primarily due to \$200,000 additional funding from the Operating cost pressures initiative which will allow the Ministry of Defence to meet increased rental and operating accommodation costs.

This is offset by \$69,000 changes in the 2018/19 Supplementary Estimates that are not being carried forward to 2019/20:

- a \$94,000 increase due to additional costs incurred due to the November 2016 Kaikōura earthquake, funded by Revenue from Others, and
- a \$25,000 decrease due to transfer of funding to other Ministry outputs to align resourcing with demand and activities in 2018/19, funded by Revenue from the Crown.

Conditions on Use of Appropriation

Reference	Conditions
Authority	The audit or assessment will be undertaken as and when required by the Minister of Defence or in accordance with a work plan approved by the Minister.

Management of Defence Capabilities (M22)

Scope of Appropriation

This appropriation is limited to the management of procurement, refurbishment and delivery of defence capabilities, on behalf of the Crown, for the New Zealand Defence Force.

Expenses and Revenue

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	11,857	11,857	9,658
Revenue from the Crown	8,858	8,858	9,658
Revenue from Others	2,999	2,999	-

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the management of 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 and End of Year Reporting Requirements

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Quality of deliverable: Options to be 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: 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%

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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Current Government						
Operating cost pressures	2019/20	-	380	511	523	541

Reasons for Change in Appropriation

This appropriation decreases by \$2.199 million to \$9.658 million for 2019/20 due to the following factors.

Additional funding from the Operating cost pressures initiative increases the appropriation by \$380,000 which will allow the Ministry of Defence to meet increased rental and accommodation costs.

This is offset by \$2.579 million changes in the 2018/19 Supplementary Estimates that are not being carried forward to 2019/20:

- a \$2.845 million increase in costs arising from definition-phase and pre-acquisition-stage Defence capability project costs, funded by Revenue from Others
- a \$820,000 decrease due to transfer of funding to other Ministry outputs to align resourcing with demand and activities in 2018/19, funded by Revenue from the Crown
- a \$400,000 increase due to transfer of costs from 2017/18 to 2018/19, funded by Revenue from the Crown, and
- a \$154,000 increase due to costs incurred due to the November 2016 Kaikōura earthquake, funded by Revenue from Others.

2.3 - Departmental Capital Expenditure and Capital Injections

Ministry of Defence - Capital Expenditure PLA (M22)

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

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	250	250	250
Intangibles	100	100	100
Other	-	-	-
Total Appropriation	350	350	350

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

	2018/19		2019/20
	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	2018/19 Estimated Actual \$000	2019/20 Projected \$000	Explanation of Projected Movements in 2019/20
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 3 - Details of Non-Departmental Appropriations

3.5 - Non-Departmental Capital Expenditure

Defence Capabilities (M22)

Scope of Appropriation

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

Capital Expenditure

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	445,792	422,420	744,376

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 and End of Year Reporting Requirements

	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
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).	85%	85%	85%
Benefits realisation: The aggregate percentage of planned benefits expected to have been realised by quarter, as set out in approved project benefits realisation plans.	New measure in 2019/20	N/A	>= 80%
Cost forecasting: The aggregate actual capital expenditure on procurement or refurbishment projects compared to the forecast capital expenditure.	New measure in 2019/20	N/A	Within +/-10% of forecast

Note 1 - Measured by the percentage of all projects that have project-related capital 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.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the Minister of Defence and appended to the Ministry of Defence Annual Report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Current Government						
Dive and Hydrographic Vessel	2018/19	87,185	10,531	700	-	-
Fixed High Frequency Radio Refresh	2018/19	230	245	-	-	-
Future Air Surveillance Capability	2018/19	107,963	453,034	753,191	643,232	111,094
NH90 Simulator	2018/19	33,370	8,850	-	-	-
Operational and Regulatory Aviation Compliance Sustainment	2018/19	5,814	19,284	20,711	9,169	1,854
Protected Mobility Capability	2018/19	462	7,470	5,300	5,360	-
Frigate Systems Upgrade	2017/18	63,358	71,964	2,469	-	-
Previous Government						
Maritime Sustainment Capability	2015/16	168,422	82,668	6,200	-	-
Underwater Intelligence, Surveillance and Reconnaissance Capability	2015/16	5,831	-	-	-	-

Reasons for Change in Appropriation

The appropriation increase in 2019/20 is primarily due to the Future Air Surveillance Capability project entering the main production phase of the project, offset by reduced costs for the Dive and Hydrographic Vessel project as the project nears completion.

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

4 - Multi-Category Expenses and Capital Expenditure

Policy Advice and Related Outputs (M22)

Overarching Purpose Statement

The single overarching purpose of this appropriation is to provide policy advice, other support to Ministers in discharging their policy decision-making and other portfolio responsibilities.

Scope of Appropriation

Departmental Output Expenses

Ministerial Services

This category is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.

Policy Advice

This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters relating to defence and national security.

Policy Support

This category is limited to the provision of services (other than defence policy) that support the development and procurement of military capability, and the conduct of international defence relations.

Expenses, Revenue and Capital Expenditure

	2018/19		2019/20
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	9,734	9,734	9,285
Departmental Output Expenses			
Ministerial Services	1,138	1,138	1,115
Policy Advice	5,710	5,710	5,590
Policy Support	2,886	2,886	2,580
Funding for Departmental Output Expenses			
Revenue from the Crown	9,082	9,082	9,285
Ministerial Services	1,090	1,090	1,115
Policy Advice	5,468	5,468	5,590
Policy Support	2,524	2,524	2,580
Revenue from Others	652	652	-
Ministerial Services	48	48	-
Policy Advice	242	242	-
Policy Support	362	362	-

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the provision of civilian advice on defence policy matters and the development of international defence relations.

How Performance will be Assessed for this Appropriation

Assessment of Performance	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
The performance of the MCA as a whole will be assessed by the average performance success of the below measures. Measured by the average difference between actual results and the budget standard of all percentage-based measures within the MCA categories.	>0%	Measured at end of period	>0%

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

Assessment of Performance	2018/19		2019/20
	Final Budgeted Standard	Estimated Actual	Budget Standard
Departmental Output Expenses			
Ministerial Services			
This category is intended to achieve the provision of quality and timely Ministerial support to the Minister.			
Quality, as assessed by the percentage of first draft of all correspondence accepted by the Minister.	>= 90%	Measured at end of period	>= 95%
Timeliness, as 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%
Policy Advice			
This category is intended to achieve the provision of accurate, timely and responsive policy advice.			
Technical quality of policy advice, as assessed by independent review of a sample of policy papers.	Mean >= 70%	Measured at end of period	Under review (see Note 1)
Minister's satisfaction with the quality of policy advice, as assessed by survey.	>= 70%	Measured at end of period	Under review (see Note 2)
Policy Support			
This category is intended to achieve the provision of quality and timely policy support to the Minister.			
Minister's satisfaction with the quality of policy support, as assessed by survey.	>= 70%	Measured at end of period	>= 70%

Note 1 - Standard will be identified based on the refreshed Policy Quarterly Framework and updated in the Supplementary Estimates.

Note 2 - Standard will be identified based on the revised Ministerial Satisfaction Survey and updated in the Supplementary Estimates.

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	2018/19 Final Budgeted \$000	2019/20 Budget \$000	2020/21 Estimated \$000	2021/22 Estimated \$000	2022/23 Estimated \$000
Current Government						
Operating cost pressures	2019/20	-	1,048	1,413	1,444	1,495

Reasons for Change in Appropriation

The appropriation decreases by \$449,000 to \$9.285 million for 2019/20 due to the following factors.

Additional funding from the Operating cost pressures initiative increases the appropriation by \$1.048 million which will allow the Ministry of Defence to meet increased rental and accommodation costs.

This is offset by \$1.497 million changes in the 2018/19 Supplementary Estimates that are not being carried forward to 2019/20:

- a \$845,000 increase due to transfer of funding from other Ministry outputs to align resourcing with demand and activities in 2018/19, funded by Revenue from the Crown
- a \$250,000 increase due to the Ministry incurring costs that are funded by another department, funded by Revenue from Others, and
- a \$402,000 increase due to costs incurred due to the November 2016 Kaikōura earthquake, funded by Revenue from Others.