

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

Details of Appropriations and Capital Injections

Annual Appropriations and Forecast Permanent Appropriations

	2023/24		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Titles and Scopes of Appropriations by Appropriation Type			
Departmental Output Expenses			
Ministry of Defence Outputs (M22) (A18)	26,050	2,710	28,760
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.			
Total Departmental Output Expenses	26,050	2,710	28,760
Departmental Capital Expenditure			
Ministry of Defence - Capital Expenditure PLA (M22) (A18)	350	(300)	50
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.			
Total Departmental Capital Expenditure	350	(300)	50
Multi-Category Expenses and Capital Expenditure			
Defence Capabilities MCA (M22) (A18)	1,341,869	(44,024)	1,297,845
The single overarching purpose of this appropriation is to purchase, modify or refurbish defence capabilities for the New Zealand Defence Force.			
Non-Departmental Other Expenses			
Procurement Expenses	2,000	(2,000)	-
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	1,339,869	(42,024)	1,297,845
This category is limited to the purchase, modification or refurbishment of defence capabilities for the New Zealand Defence Force.			
Total Multi-Category Expenses and Capital Expenditure	1,341,869	(44,024)	1,297,845
Total Annual Appropriations and Forecast Permanent Appropriations	1,368,269	(41,614)	1,326,655

Capital Injection Authorisations

	2023/24		
	Estimates Budget \$000	Supplementary Estimates Budget \$000	Total Budget \$000
Ministry of Defence - Capital Injection (M22) (A18)	-	-	-

Supporting Information

Part 1 - Vote as a Whole

1.2 - Trends in the Vote

Summary of Financial Activity

	2023/24				
	Estimates \$000	Supplementary Estimates			Total \$000
		Departmental Transactions \$000	Non- Departmental Transactions \$000	Total Transactions \$000	
Appropriations					
Output Expenses	26,050	2,710	-	2,710	28,760
Benefits or Related Expenses	-	N/A	-	-	-
Borrowing Expenses	-	-	-	-	-
Other Expenses	-	-	-	-	-
Capital Expenditure	350	(300)	-	(300)	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>	2,000	-	(2,000)	(2,000)	-
<i>Capital Expenditure</i>	1,339,869	N/A	(42,024)	(42,024)	1,297,845
Total Appropriations	1,368,269	2,410	(44,024)	(41,614)	1,326,655
Crown Revenue and Capital Receipts					
Tax Revenue	-	N/A	-	-	-
Non-Tax Revenue	-	N/A	-	-	-
Capital Receipts	1,339,869	N/A	(42,024)	(42,024)	1,297,845
Total Crown Revenue and Capital Receipts	1,339,869	N/A	(42,024)	(42,024)	1,297,845

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		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	26,050	2,710	28,760
Revenue from the Crown	26,050	(290)	25,760
Revenue from Others	-	3,000	3,000

Reasons for Change in Appropriation

This appropriation increased by \$2.710 million to \$28.760 million for 2023/24 due to:

- a \$3 million increase in cost recoveries from the New Zealand Defence Force
- \$745,000 transferred from 2022/23 for costs delayed due to the timing of project approvals
- \$465,000 funding during the year from the Enhanced Engagement in the Pacific initiative.

These were offset by a transfer of \$1.500 million to New Zealand's contribution to the International Fund for Ukraine.

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		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	250	(200)	50
Intangibles	100	(100)	-
Other	-	-	-
Total Appropriation	350	(300)	50

Reasons for Change in Appropriation

This appropriation decreased by \$300,000 to \$50,000 for 2023/24 due to lower capital expenditure requirements resulting from the Ministry's relocation to the new Defence headquarters in the former Bowen State Building. The sublease from the New Zealand Defence Force includes all required building fit-out, equipment and furniture.

Capital Injections and Movements in Departmental Net Assets

Ministry of Defence

Details of Net Asset Schedule	2023/24 Main Estimates Projections \$000	2023/24 Supplementary Estimates Projections \$000	Explanation of Projected Movements in 2023/24
Opening Balance	2,353	2,353	Supplementary Estimates opening balance reflects the audited results as at 30 June 2023.
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		
	Estimates \$000	Supplementary Estimates \$000	Total \$000
Total Appropriation	1,341,869	(44,024)	1,297,845
Non-Departmental Other Expenses			
Procurement Expenses	2,000	(2,000)	-
Non-Departmental Capital Expenditure			
Defence Capability Delivery	1,339,869	(42,024)	1,297,845

Reasons for Change in Appropriation

This appropriation decreased by \$44.024 million to \$1,297.845 million for 2023/24 due to a net \$116.524 million of transfers from 2022/23 and to 2024/25 of unused headroom in the appropriation required to accommodate:

- the accounting of potential foreign exchange rate movements affecting the reported New Zealand dollar value of hedged foreign currency expenditure
- the uncertainty of the timing of prepaid monies being recognised as capital expenditure under accounting standards for capabilities being acquired under the United States' Foreign Military Sales programme
- capability project costs deemed uncapitalisable.

This was offset by increases due to:

- the budgets for nine capability projects increasing by a combined \$35.560 million for non-cash technical adjustments to accommodate the increased reported New Zealand dollar value of hedged foreign currency expenditure
- the approval of a new defence capability project of \$27.700 million in 2023/24
- project budget increases of \$5.308 million for supplier liquidated damages claims. These additional costs are borne by the suppliers
- realignment of tasks within a capability project between the Ministry and the New Zealand Defence Force resulting in an increase of \$3.932 million in 2023/24.