

The Treasury

Budget 2022 Information Release

August 2022

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Key to sections of the Act under which information has been withheld:

- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Out of Scope
- [41] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment
- [42] 18(d) - information is already publicly available or will be publicly available soon

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2022 Budget Package: Vote Defence Force

Appropriation Administrator: New Zealand Defence Force

It is recommended that the relevant Appropriation Minister and the Minister of Finance jointly:

- 1 **note** that Cabinet has approved the Budget initiatives for the above Vote for inclusion in the 2022 Budget package, as detailed in the summary table below;

Summary of Funded Initiatives Agreed by Cabinet:

Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
13586	Construction Inflation	-	6.000	5.000	-	-
13585	Depreciation Expense Arising from Asset Revaluation	27.447	27.447	27.447	27.447	27.447
13580	Depreciation Funding Shortfall	37.500	74.600	112.500	112.500	112.500
13584	Remuneration	-	22.500	22.500	22.500	22.500
13587	Supply Chain Inflation	-	1.400	1.400	1.400	1.400
Total Operating		64.947	131.947	168.847	163.847	163.847

- 2 **note** that Cabinet has:
 - i. **authorised** the relevant Appropriation Minister and the Minister of Finance (Joint Ministers) jointly to agree to the changes to appropriations (including establishment of new appropriations if necessary) and/or capital injections and related recommendations necessary to give effect to the initiatives included in the 2022 Budget package for the above Vote, as detailed in the summary table above;
 - ii. **authorised** Joint Ministers jointly to agree that the proposed changes to appropriations and/or capital injections for 2021/22 approved by Joint Ministers as authorised above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
 - iii. **agreed** that expenses or capital expenditure against appropriations and capital injection authorisations set out in the 2022/23 Estimates and being sought in the Appropriation (2022/23 Estimates) Bill may be met from Imprest Supply until that Bill is enacted and comes into force;
 - iv. **authorised** Joint Ministers to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2021/22 Supplementary Estimates, the 2022/23 Estimates and the fiscal forecasts;
 - v. **authorised** the chief executives of departments that monitor Crown entities directly affected by Budget decisions taken by Cabinet or taken by Joint Ministers as authorised by Cabinet to inform the chair and/or chief executive of a Crown entity, on a Budget-in-confidence-until-Budget-day basis, of decisions that directly affect that Crown entity for

the purpose of planning and preparation of their Statement of Intent and/or Statement of Performance Expectations;

- vi. **noted** that all communications relating to the 2022 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office;
- 3 **agree** to establish new appropriations where required to implement the initiatives included in the summary table above, as detailed in the attached initiative documents;
- 4 **approve** changes to appropriations and/or the capital injections to the administering department (where applicable) to implement the initiatives included in the summary table above, as set out in the attached initiative documents;
- 5 **approve** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;
- 6 **agree** that the proposed changes to appropriations and/or capital injections for 2021/22 detailed in the attached initiative documents be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

Vote: Defence Force

Appropriation Administrator: New Zealand Defence Force

Title: Construction Inflation

Description: This initiative provides funding to offset known price increases in the construction sector relating to regeneration projects across the New Zealand Defence Force Estate.

Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	-	6.000	5.000	-	-
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	6.000	5.000	-	-

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Departmental Output Expenses:					
Air Force Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	-	1.560	1.300	-	-
Army Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	-	3.000	2.500	-	-
Navy Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	-	0.960	0.800	-	-
Multi-Category Expenses and Capital Expenditure:					
Protection of New Zealand and New Zealanders (MCA)					
<i>Departmental Output Expenses:</i>					
Resource and Border Protection Operations (funded by revenue Crown)	-	0.480	0.400	-	-
Total Multi-Category Expenses and Capital Expenditure: Protection of New Zealand and New Zealanders (MCA)	-	0.480	0.400	-	-
Total Operating	-	6.000	5.000	-	-
Total Capital	-	-	-	-	-

Vote: Defence Force

Appropriation Administrator: New Zealand Defence Force

Title: Depreciation Expense Arising from Asset Revaluation

Description: This initiative provides funding to meet increased depreciation expenses resulting from the upward revaluation of the New Zealand Defence Force Estate buildings and infrastructure.

Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	27.447	27.447	27.447	27.447	27.447
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	27.447	27.447	27.447	27.447	27.447

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Departmental Output Expenses:					
Air Force Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	2.196	2.196	2.196	2.196	2.196
Army Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	17.291	17.291	17.291	17.291	17.291
Navy Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	3.843	3.843	3.843	3.843	3.843
Multi-Category Expenses and Capital Expenditure:					
Protection of New Zealand and New Zealanders (MCA)					
<i>Departmental Output Expenses:</i>					
Resource and Border Protection Operations (funded by revenue Crown)	4.117	4.117	4.117	4.117	4.117
Total Multi-Category Expenses and Capital Expenditure: Protection of New Zealand and New Zealanders (MCA)	4.117	4.117	4.117	4.117	4.117
Total Operating	27.447	27.447	27.447	27.447	27.447
Total Capital	-	-	-	-	-

Vote: Defence Force

Appropriation Administrator: New Zealand Defence Force

Title: Depreciation Funding Shortfall

Description: This initiative provides funding to meet total depreciation expenses relating to the New Zealand Defence Force's existing asset base, to maintain existing defence capabilities.

Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	37.500	74.600	112.500	112.500	112.500
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	37.500	74.600	112.500	112.500	112.500

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Departmental Output Expenses:					
Air Force Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	12.000	23.872	36.000	36.000	36.000
Army Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	10.500	20.888	31.500	31.500	31.500
Navy Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	10.125	20.142	30.375	30.375	30.375
Multi-Category Expenses and Capital Expenditure:					
Protection of New Zealand and New Zealanders (MCA)					
<i>Departmental Output Expenses:</i>					
Resource and Border Protection Operations (funded by revenue Crown)	4.875	9.698	14.625	14.625	14.625
Total Multi-Category Expenses and Capital Expenditure: Protection of New Zealand and New Zealanders (MCA)	4.875	9.698	14.625	14.625	14.625
Total Operating	37.500	74.600	112.500	112.500	112.500
Total Capital	-	-	-	-	-

Additional Recommendations

- 7 **note** that funding is provided for this initiative to:
 - 7.1 address in totality a historic funding gap due to the omission of ongoing capital expenditure from the analysis underpinning the recommendations made by the 2019 Baseline Review of Defence, and the funding subsequently agreed at Budget 2020;
 - 7.2 incentivise and assist the New Zealand Defence Force (NZDF) to better manage asset replacement within its available funding; and
 - 7.3 ensure that NZDF no longer requires additional funding in future to meet depreciation expenses associated with sustaining current assets/capabilities.
- 8 **agree** that any requests in future for additional funding to meet NZDF depreciation expenses relating to maintaining existing assets or the replacement of existing assets will be considered only:
 - 8.1 in exceptional circumstances; and
 - 8.2 if accompanied by a business case.

Vote: Defence Force

Appropriation Administrator: New Zealand Defence Force

Title: Remuneration

Description: This initiative provides funding to enable the New Zealand Defence Force to provide moderate remuneration uplifts for its lower paid staff, in accordance with the Public Service Pay Guidance 2021.

Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	-	22.500	22.500	22.500	22.500
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	22.500	22.500	22.500	22.500

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Departmental Output Expenses:					
Air Force Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	-	5.725	5.725	5.725	5.725
Army Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	-	8.986	8.986	8.986	8.986
Navy Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	-	3.907	3.907	3.907	3.907
Multi-Category Expenses and Capital Expenditure:					
Advice to the Government (MCA)					
<i>Departmental Output Expenses:</i>					
Policy Advice (funded by revenue Crown)	-	0.039	0.039	0.039	0.039
Situational Awareness (funded by revenue Crown)	-	0.119	0.119	0.119	0.119
Supporting Ministers (funded by revenue Crown)	-	0.030	0.030	0.030	0.030

Total Multi-Category Expenses and Capital Expenditure: Advice to the Government (MCA)	-	0.188	0.188	0.188	0.188
Operations Contributing to New Zealand's Security, Stability and Interests (MCA)					
<i>Departmental Output Expenses:</i>					
Military Operations in Support of a Rules-Based International Order (funded by revenue Crown)	-	0.082	0.082	0.082	0.082
Military Operations that Contribute to Regional Security (funded by revenue Crown)	-	0.006	0.006	0.006	0.006
Total Multi-Category Expenses and Capital Expenditure: Operations Contributing to New Zealand's Security, Stability and Interests (MCA)	-	0.088	0.088	0.088	0.088
Policy Advice And Other Services For Veterans (MCA)					
<i>Departmental Output Expenses:</i>					
Administration Services (funded by revenue Crown)	-	0.138	0.138	0.138	0.138
Total Multi-Category Expenses and Capital Expenditure: Policy Advice And Other Services For Veterans (MCA)	-	0.138	0.138	0.138	0.138
Protection of New Zealand and New Zealanders (MCA)					
<i>Departmental Output Expenses:</i>					
Assistance to the Civil Power and Provision of a Public Service in Emergency Situations (funded by revenue Crown)	-	0.814	0.814	0.814	0.814
Defence International Engagement (funded by revenue Crown)	-	0.706	0.706	0.706	0.706
Defence Support to the Community (funded by revenue Crown)	-	0.537	0.537	0.537	0.537
Military Assistance to Civil Authorities in Non-Emergency Situations (funded by revenue Crown)	-	0.174	0.174	0.174	0.174
Resource and Border Protection Operations (funded by revenue Crown)	-	1.237	1.237	1.237	1.237
Total Multi-Category Expenses and Capital Expenditure: Protection of New Zealand and New Zealanders (MCA)	-	3.468	3.468	3.468	3.468
Total Operating	-	22.500	22.500	22.500	22.500
Total Capital	-	-	-	-	-

Vote: Defence Force

Appropriation Administrator: New Zealand Defence Force

Title: Supply Chain Inflation

Description: This initiative provides funding to meet additional costs arising from known supply chain inflationary pressures relating to the sustainment of existing capabilities such as ships, aircraft and equipment.

Appropriation Changes

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Operating Balance Impact*	-	1.400	1.400	1.400	1.400
Net Core Crown Debt Impact Only	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	1.400	1.400	1.400	1.400

* Unless non-cash, will also impact net core Crown debt.

	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Departmental Output Expenses:					
Air Force Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	-	0.756	0.756	0.756	0.756
Army Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	-	0.378	0.378	0.378	0.378
Navy Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	-	0.140	0.140	0.140	0.140
Multi-Category Expenses and Capital Expenditure:					
Protection of New Zealand and New Zealanders (MCA)					
<i>Departmental Output Expenses:</i>					
Resource and Border Protection Operations (funded by revenue Crown)	-	0.126	0.126	0.126	0.126
Total Multi-Category Expenses and Capital Expenditure: Protection of New Zealand and New Zealanders (MCA)	-	0.126	0.126	0.126	0.126
Total Operating	-	1.400	1.400	1.400	1.400
Total Capital	-	-	-	-	-

