

# *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 2021/22 financial year covering the following:

- a total of \$24.832 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 \$350,000 for the purchase or development of assets for use by the Ministry of Defence, and
- a total of \$875.354 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	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Ministry of Defence Outputs (M22) (A18)</b>	-	-	<b>24,832</b>
This appropriation is limited to the development, procurement and delivery of defence capability for the New Zealand Defence Force 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.			
<b>Audit &amp; Assessment (M22) (A18)</b>	1,526	1,333	-
This appropriation is limited to audits and assessments of the New Zealand Defence Force and the Ministry of Defence.			
<b>Management of Defence Capabilities (M22) (A18)</b>	12,659	12,506	-
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.			
<b>Total Departmental Output Expenses</b>	14,185	13,839	24,832
<b>Departmental Capital Expenditure</b>			
<b>Ministry of Defence - Capital Expenditure PLA (M22) (A18)</b>	350	30	350
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.			
<b>Total Departmental Capital Expenditure</b>	350	30	350
<b>Non-Departmental Other Expenses</b>			
<b>Non-Capitalised Procurement Costs (M22) (A18)</b>	4,500	-	-
This appropriation is limited to non-capitalisable costs incurred during the purchase, modification or refurbishment of defence capabilities for the New Zealand Defence Force.			
<b>Total Non-Departmental Other Expenses</b>	4,500	-	-
<b>Non-Departmental Capital Expenditure</b>			
<b>Defence Capabilities (M22) (A18)</b>	696,195	696,195	-
This appropriation is limited to the purchase, modification or refurbishment of defence capabilities for the New Zealand Defence Force.			
<b>Total Non-Departmental Capital Expenditure</b>	696,195	696,195	-

Titles and Scopes of Appropriations by Appropriation Type	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Multi-Category Expenses and Capital Expenditure</b>			
<b>Defence Capabilities MCA (M22) (A18)</b> The single overarching purpose of this appropriation is to purchase, modify or refurbish defence capabilities for the New Zealand Defence Force.	-	-	<b>875,354</b>
<i>Non-Departmental Other Expenses</i>			
<i>Procurement Expenses</i> This category is limited to non-capitalisable costs incurred during the purchase, modification or refurbishment of defence capabilities for the New Zealand Defence Force.	-	-	2,000
<i>Non-Departmental Capital Expenditure</i>			
<i>Defence Capability Delivery</i> This category is limited to the purchase, modification or refurbishment of defence capabilities for the New Zealand Defence Force.	-	-	873,354
<b>Policy Advice and Related Outputs MCA (M22) (A18)</b> 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.	11,292	10,428	-
<i>Departmental Output Expenses</i>			
<i>Ministerial Services</i> This category is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.	1,206	1,161	-
<i>Policy Advice</i> 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.	7,065	6,368	-
<i>Policy Support</i> 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.	3,021	2,899	-
<b>Total Multi-Category Expenses and Capital Expenditure</b>	11,292	10,428	875,354
<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	726,522	720,492	900,536

## Capital Injection Authorisations

	2020/21		2021/22
	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	2020/21 Final Budgeted \$000	2021/22 Budget \$000	2022/23 Estimated \$000	2023/24 Estimated \$000	2024/25 Estimated \$000
Tactical Future Air Mobility Capability	<b>Defence Capabilities MCA</b> Multi-Category Expenses and Capital Expenditure	56,064	76,584	1,200	665,560	463,366
Operational and Regulatory Aviation Compliance Sustainment: NH90 Upgrade	<b>Defence Capabilities MCA</b> Multi-Category Expenses and Capital Expenditure	7,155	5,503	5,162	3,230	-
Protected Mobility Capability - Medium	<b>Defence Capabilities MCA</b> Multi-Category Expenses and Capital Expenditure	26,637	64,994	11,269	-	-
HMNZS Canterbury, Offshore Patrol Vessels Communications Upgrade	<b>Defence Capabilities MCA</b> Multi-Category Expenses and Capital Expenditure	3,548	17,177	4,457	4,515	-
<b>Total Initiatives</b>		<b>93,404</b>	<b>164,258</b>	<b>22,088</b>	<b>673,305</b>	<b>463,366</b>

The initiatives listed in the table above were approved under the non-departmental capital expenditure appropriation, Defence Capabilities. Due to restructuring of appropriations within the Vote for 2021/22 onwards these initiatives are included in the multi-category expenses and capital expenditure appropriation, Defence Capabilities MCA.

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2016/17	2017/18	2018/19	2019/20	2020/21		2021/22			2022/23	2023/24	2024/25
	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	17,512	20,588	20,773	23,264	25,477	24,267	24,832	-	24,832	25,540	25,550	24,550
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	1,063	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	373	123	13	233	350	30	350	-	350	350	350	350
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>	-	-	-	-	4,500	-	-	2,000	2,000	2,000	2,000	2,000
<i>Capital Expenditure</i>	280,658	232,898	333,586	275,671	696,195	496,195	N/A	873,354	873,354	1,126,535	1,012,610	622,658
<b>Total Appropriations</b>	299,606	253,609	354,372	299,168	726,522	520,492	25,182	875,354	900,536	1,154,425	1,040,510	649,558
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	843	1,782	3,055	2,315	13	13	N/A	-	-	-	-	-
Capital Receipts	280,658	232,898	413,834	195,423	696,195	496,195	N/A	873,354	873,354	1,126,535	1,012,610	443,853
<b>Total Crown Revenue and Capital Receipts</b>	281,501	234,680	416,889	197,738	696,208	496,208	N/A	873,354	873,354	1,126,535	1,012,610	443,853

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

	2016/17 Adjustments \$000	2017/18 Adjustments \$000	2018/19 Adjustments \$000	2019/20 Adjustments \$000	2020/21 Final Budgeted Adjustments \$000	2020/21 Estimated Actual Adjustments \$000
<b>Appropriations</b>						
Output Expenses	6,837	7,949	9,095	9,883	11,292	10,428
Benefits or Related Expenses	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-
Other Expenses	-	-	-	-	(4,500)	-
Capital Expenditure	(280,658)	(232,898)	(333,586)	(275,671)	(696,195)	(496,195)
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)						
<i>Output Expenses</i>	(6,837)	(7,949)	(9,095)	(9,883)	(11,292)	(10,428)
<i>Other Expenses</i>	-	-	-	-	4,500	-
<i>Capital Expenditure</i>	280,658	232,898	333,586	275,671	696,195	496,195
<b>Total Appropriations</b>	-	-	-	-	-	-
<b>Crown Revenue and Capital Receipts</b>						
Tax Revenue	-	-	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-
Capital Receipts	-	-	-	-	-	-
<b>Total Crown Revenue and Capital Receipts</b>	-	-	-	-	-	-

The prior year information in the Summary of Financial Activity table has been restated to reflect the current Vote structure.

## 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 2016/17 to 2018/19 are the result of the Enhancements to Defence Capability Development and Acquisition initiative, which 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.
- Increases from 2019/20 onwards are the result of the additional funding for the Operating Cost Pressures initiative, which provided the funding required to meet the additional costs associated with the Ministry's new permanent location in Defence House.
- Increases from 2020/21 onwards 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 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.

### *Non-Departmental Multi-Category Expense 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. Increases over future years are primarily due to the Air Surveillance Maritime Patrol and Tactical Future Air Mobility projects progressing in the main production phase of the project.

### *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.

### *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.

## 1.4 - Reconciliation of Changes in Appropriation Structure

Changes in the appropriation structure for Vote Defence are due to:

- Departmental appropriations - consolidation of small appropriations as the first step in modernising the public finance system.
- Non-Departmental appropriations - the non-departmental capital expenditure appropriation is restructured into a multi-category appropriation with an expense component to allow for the recognition of non-capitalisable costs incurred during the procurement or refurbishment of major military capabilities for the New Zealand Defence Force.

2020/21 Appropriations in the 2020/21 Structure	2020/21 (Current) \$000	Old Structure		New Structure		
		Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2020/21 Appropriations in the 2021/22 Structure	2020/21 (Restated) \$000	2021/22 \$000
<b>Departmental Output Expenses</b>						
Audit & Assessment	1,526	Transferred to Departmental Output Expense: Ministry of Defence Outputs	(1,526)			
Management of Defence Capabilities	12,659	Transferred to Departmental Output Expense: Ministry of Defence Outputs	(12,659)			
<b>Multi-Category Expenses and Capital Expenditure</b>						
Policy Advice and Related Outputs MCA	11,292	Transferred to Departmental Output Expense: Ministry of Defence Outputs	(11,292)			
				<b>Departmental Output Expenses</b>		
		Transferred from: Audit & Assessment	1,526	Ministry of Defence Outputs	25,477	24,832
		Transferred from: Management of Defence Capabilities	12,659			
		Transferred from: Policy Advice and Related Outputs MCA	11,292			

2020/21 Appropriations in the 2020/21 Structure	2020/21 (Current) \$000	Old Structure		New Structure		
		Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2020/21 Appropriations in the 2021/22 Structure	2020/21 (Restated) \$000	2021/22 \$000
<b>Non-Departmental Other Expenses</b>						
Non-Capitalised Procurement Costs	4,500	Transferred to Multi-Category Expenses and Capital Expenditure: Defence Capabilities MCA	(4,500)			
<b>Non-Departmental Capital Expenditure</b>						
Defence Capabilities	696,195	Transferred to Multi-Category Expenses and Capital Expenditure: Defence Capabilities MCA	(696,195)			
				<b>Multi-Category Expenses and Capital Expenditure</b>		
		Transferred from Non-Capitalised Procurement Costs	4,500	Defence Capabilities MCA	700,695	875,354
		Transferred from Defence Capabilities	696,195			
Total changes in appropriations	726,172		-		726,172	900,186

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

#### 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 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*

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	24,832
Revenue from the Crown	-	-	24,832
Revenue from Others	-	-	-

##### *Comparators for Restructured Appropriation*

Vote, Type and Title of Appropriation	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Vote Defence, Departmental Output Expense:</b>			
Audit & Assessment	1,526	1,333	-
Management of Defence Capabilities	12,659	12,506	-
<b>Multi-Category Expenses and Capital Expenditure</b>			
<i>Policy Advice and Related Outputs MCA</i>			
Ministerial Services	1,206	1,161	-
Policy Advice	7,065	6,368	-
Policy Support	3,021	2,899	-
<b>Total</b>	<b>25,477</b>	<b>24,267</b>	<b>24,832</b>

### *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 as required by the Minister of Defence.

### *How Performance will be Assessed and End of Year Reporting Requirements*

Assessment of Performance	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
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
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.

Due to changes in appropriation structure most performance measures for this appropriation are the same as measures used in the previous appropriations prior to restructure.

### *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	2020/21 Final Budgeted \$000	2021/22 Budget \$000	2022/23 Estimated \$000	2023/24 Estimated \$000	2024/25 Estimated \$000
Policy Demand	2020/21	130	369	369	369	369
Price Related Cost Pressures	2020/21	336	676	1,097	1,539	1,539
Portfolio Management	2020/21	110	110	110	110	110
Operating Cost Pressures	2019/20	2,194	2,243	2,321	2,321	2,321

### *Reasons for Change in Appropriation*

This is a newly established appropriation from 2021/22 as part of Cabinet's directive to consolidate appropriations as the first step of modernising the public finance system.

The appropriation decreased by \$645,000 compared to antecedent appropriations to \$24.832 million for 2021/22 due to:

- 2020/21 including \$2.236 million of items which do not continue into 2021/22, comprising:
  - revenue from others of \$3.136 million for cost recoveries from other government agencies
  - offset by \$900,000 of one-off transfers.
- 2021/22 including increased funding of \$1.591 million, comprising:
  - increased annual funding of \$768,000 from past initiatives
  - \$531,000 from insurance proceeds for costs incurred as a result of the November 2016 Kaikōura earthquake
  - \$292,000 transferred from 2019/20 for deferred costs due to the COVID-19 pandemic.

### *Conditions on Use of Appropriation*

Reference	Conditions
Authority	Audits or assessments of the New Zealand Defence Force and the Ministry of Defence will be undertaken as and when required by the Minister of Defence or in accordance with a workplan approved by the Minister.

## 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*

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	250	20	250
Intangibles	100	10	100
Other	-	-	-
<b>Total Appropriation</b>	<b>350</b>	<b>30</b>	<b>350</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*

	2020/21		2021/22
	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	2020/21 Estimated Actual \$000	2021/22 Projected \$000	Explanation of Projected Movements in 2021/22
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>	

# 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*

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Total Appropriation</b>	-	-	<b>875,354</b>
<b>Non-Departmental Other Expenses</b>			
Procurement Expenses	-	-	2,000
<b>Non-Departmental Capital Expenditure</b>			
Defence Capability Delivery	-	-	873,354

#### *Comparators for Restructured Appropriation*

Vote, Type and Title of Appropriation	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Vote Defence, Non-Departmental Other Expenses</b>			
Non-Capitalised Procurement Costs	4,500	-	-
<b>Non-Departmental Capital Expenditure</b>			
Defence Capabilities	696,195	496,195	-
<b>Total</b>	<b>700,695</b>	<b>496,195</b>	<b>875,354</b>

### *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*

Assessment of Performance	2020/21		2021/22
	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*

Assessment of Performance	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Non-Departmental Other Expenses</b>			
<b>Procurement Expenses</b>			
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%
<b>Non-Departmental Capital Expenditure</b>			
<b>Defence Capability Delivery</b>			
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%	10%	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.

Due to changes in appropriation structure most performance measures for this appropriation are the same as measures used in the previous appropriations prior to restructuring.

### *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	2020/21 Final Budgeted \$000	2021/22 Budget \$000	2022/23 Estimated \$000	2023/24 Estimated \$000	2024/25 Estimated \$000
Tactical Future Air Mobility Capability	2020/21	56,064	76,584	124,200	665,560	463,366
Operational and Regulatory Aviation Compliance Sustainment: NH90 Upgrade	2020/21	7,155	5,503	5,162	3,230	-
Protected Mobility Capability - Medium	2020/21	26,637	64,994	11,269	-	-
HMNZS Canterbury, Offshore Patrol Vessels Communications Upgrade	2020/21	3,548	17,177	4,457	4,515	-
Network Enabled Army Programme: Tranche Two	2019/20	37,175	46,663	-	-	-
Garrison and Training Support Capability: Phase One	2019/20	13,014	10,554	4,407	-	-
Fixed High Frequency Radio Refresh	2019/20	9,394	7,644	4,426	-	-
Frigate Sustainment Phase 1: Communications	2019/20	574	-	-	-	-
Dive and Hydrographic Vessel	2018/19	700	-	-	-	-
Air Surveillance Maritime Patrol (formerly Future Air Surveillance Capability)	2018/19	753,191	643,232	111,094	35,370	10,180
Operational and Regulatory Aviation Compliance Sustainment: Phase One	2018/19	20,711	9,169	1,854	-	-
Protected Mobility Capability	2018/19	5,300	5,300	5,360	-	-
Frigate Systems Upgrade	2017/18	2,469	-	-	-	-

### *Reasons for Change in Appropriation*

The increase in this appropriation by \$174.659 million in 2021/22 to \$873.354 million is primarily due to the Air Surveillance Maritime Patrol (formerly Future Air Surveillance Capability) and Tactical Future Air Mobility Capability projects progressing in the main production phase of the projects.