

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

Overview of the Vote

The Minister of Defence is responsible for appropriations in the Vote for the 2023/24 financial year covering the following:

- a total of \$26.050 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 \$1,341.869 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	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Ministry of Defence Outputs (M22) (A18)	31,040	28,815	26,050
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	31,040	28,815	26,050
Departmental Capital Expenditure			
Ministry of Defence - Capital Expenditure PLA (M22) (A18)	350	25	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.			
Total Departmental Capital Expenditure	350	25	350
Multi-Category Expenses and Capital Expenditure			
Defence Capabilities MCA (M22) (A18)	1,261,828	1,013,589	1,341,869
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	4,567	-	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	1,257,261	1,013,589	1,339,869
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	1,261,828	1,013,589	1,341,869
Total Annual Appropriations and Forecast Permanent Appropriations	1,293,218	1,042,429	1,368,269

Capital Injection Authorisations

	2022/23		2023/24
	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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Public Sector Pay Adjustment - Vote Defence Remuneration Cost Pressure	Ministry of Defence Outputs Department Output Expense	-	500	800	800	800
Land Force Protection Electronic Countermeasures	Defence Capabilities MCA Multi-Category Expenses and Capital Expenditure	4,138	2,662	-	-	-
Frigate Sustainment - Communications (Build and Install Phase)	Defence Capabilities MCA Multi-Category Expenses and Capital Expenditure	9,165	29,089	9,247	9,221	14,937
Frigate Sustainment Programme - Phase 1	Defence Capabilities MCA Multi-Category Expenses and Capital Expenditure	-	25,217	14,623	17,160	-
Total Initiatives		13,303	57,468	24,670	27,181	15,737

1.2 - Trends in the Vote

Summary of Financial Activity

	2018/19	2019/20	2020/21	2021/22	2022/23		2023/24			2024/25	2025/26	2026/27
	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	20,773	23,264	21,381	22,577	31,040	28,815	26,050	-	26,050	26,400	25,350	25,350
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	13	233	73	18	350	25	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>	-	-	-	3,933	4,567	-	-	2,000	2,000	2,000	-	-
<i>Capital Expenditure</i>	333,586	275,671	515,278	783,963	1,257,261	1,013,589	N/A	1,339,869	1,339,869	662,518	62,439	58,909
Total Appropriations	354,372	299,168	536,732	810,491	1,293,218	1,042,429	26,400	1,341,869	1,368,269	691,268	88,139	84,609
Crown Revenue and Capital Receipts												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	3,055	2,315	16	4	-	1,497	N/A	-	-	-	-	-
Capital Receipts	413,834	195,423	515,278	783,963	1,257,261	1,013,589	N/A	1,339,869	1,339,869	662,518	62,439	58,909
Total Crown Revenue and Capital Receipts	416,889	197,738	515,294	783,967	1,257,261	1,015,086	N/A	1,339,869	1,339,869	662,518	62,439	58,909

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 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.

Actual expenditure in 2020/21 and 2021/22 is reduced from trend primarily due to COVID-19 related travel restrictions reducing the amount of travel able to be undertaken to support international defence relations and development of defence capability initiatives.

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

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.

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 projects complete.

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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	31,040	28,815	26,050
Revenue from the Crown	25,540	25,540	26,050
Revenue from Others	5,500	4,491	-

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

	2022/23		2023/24
	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
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

Assessment of Performance	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Public Sector Pay Adjustment - Vote Defence Remuneration Cost Pressure	2023/24	-	500	800	800	800
Price Related Cost Pressures	2020/21	1,097	1,539	1,539	1,539	1,539

Reasons for Change in Appropriation

The decrease in this appropriation for 2023/24 is due to the following items being included within 2022/23 but not carrying over to 2023/24:

- \$5.500 million for cost recoveries from other government agencies
- a \$932,000 transfer from 2019/20 reflecting the timing of costs over the capability management life cycle.

These were offset by:

- \$500,000 transferred from 2020/21 due to the timing of costs over the capability management life cycle
- increased annual funding of \$500,000 from the Public Sector Pay Adjustment - Vote Defence Remuneration Cost Pressure initiative
- increased annual funding of \$442,000 from past initiatives.

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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	250	25	250
Intangibles	100	-	100
Other	-	-	-
Total Appropriation	350	25	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

	2022/23		2023/24
	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	2022/23 Estimated Actual \$000	2023/24 Projected \$000	Explanation of Projected Movements in 2023/24
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 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

	2022/23		2023/24
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,261,828	1,013,589	1,341,869
Non-Departmental Other Expenses			
Procurement Expenses	4,567	-	2,000
Non-Departmental Capital Expenditure			
Defence Capability Delivery	1,257,261	1,013,589	1,339,869

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

	2022/23		2023/24
	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

	2022/23		2023/24
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Non-Departmental Other Expenses			
Procurement Expenses			
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%
Non-Departmental Capital Expenditure			
Defence Capability Delivery			
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%	100%	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.

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	2022/23 Final Budgeted \$000	2023/24 Budget \$000	2024/25 Estimated \$000	2025/26 Estimated \$000	2026/27 Estimated \$000
Frigate Sustainment Programme - Phase 1	2023/24	-	25,217	14,623	17,160	-
Frigate Sustainment - Communications (Build and Install Phase)	2022/23	9,165	29,089	9,247	9,221	14,937
Land Force Protection Electronic Countermeasures	2022/23	4,138	2,662	-	-	-
Frigate Sustainment - Communications (Design Phase)	2021/22	8,707	-	-	-	-
Operational and Regulatory Aviation Compliance Sustainment: Phase Two	2021/22	14,827	2,439	180	-	-
Tactical Future Air Mobility Capability	2020/21	124,200	665,560	463,366	97,661	25,225
Operational and Regulatory Aviation Compliance Sustainment: NH90 Upgrade	2020/21	5,162	3,230	-	-	-
Protected Mobility Capability - Medium	2020/21	11,269	-	-	-	-
HMNZS Canterbury, Offshore Patrol Vessels Communications Upgrade	2020/21	4,457	4,515	-	-	-
Garrison and Training Support Capability: Phase One	2019/20	4,407	-	-	-	-
Fixed High Frequency Radio Refresh	2019/20	4,426	-	-	-	-

Reasons for Change in Appropriation

The increase in this appropriation for 2023/24 is mainly due to the Tactical Future Air Mobility Capability project progressing in the main production phase of the project. In addition the approval of the Frigate Sustainment Programme - Phase 1 and the Build and Install phase of the Frigate Sustainment project increase the appropriation by \$45.141 million in 2023/24.