



Cabinet

CAB Min (07) 12/1(52)

Minute of Decision

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Minister of Defence

Copies to:

Prime Minister
Deputy Prime Minister
Minister of Finance
Hon Jim Anderton
Associate Minister of Finance
(Hon Trevor Mallard)
Controller and Auditor-General

2007 Budget Package: Vote Defence Force

On 19 April 2007, Cabinet:

1. **approved** the Budget initiatives for the above Vote for inclusion in the 2007 Budget package, as listed in the summary below and detailed in the attached initiative documents;

Summary of initiatives included in the attached initiative documents:

Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
3875	Defence Funding Package - Year 3	-	58.030	58.030	58.030	58.030
3880	Operating to Capital Swap - Technical Adjustment	-	-	-	-	-
3881	Defence Force Allowance Transfer - Technical Adjustment	0.741	-	-	-	-
3883	Disposal Costs - Other Expense	2.700	-	-	-	-
3885	Costing System Change - Technical Adjustment	-	-	-	-	-
4488	Response to the Joint Working Group Report on the Concerns of Viet Nam Veterans	-	1.120	-	-	-
4523	Implications of Revised Taxation Treatment for Overseas Allowances	-	-	-	-	-
Total Operating		3.441	59.150	58.030	58.030	58.030

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
3876	Long Term Development Plan - Capital Injection	-	44.000	-	-	-
3880	Operating to Capital Swap - Technical Adjustment	-	-	-	-	-
Total Capital		-	44.000	-	-	-

2. **agreed** to establish new appropriations where required to implement these initiatives, as described in the attached initiative documents;
3. **approved** the changes to appropriations and/or projected balances of net assets of the administering department (where applicable) to implement the initiatives, as set out in the attached initiative documents;
4. **approved** the additional recommendations (where applicable) to give effect to the initiatives, as set out in the attached initiative documents;
5. **agreed** that the proposed changes to appropriations and/or projected balances of net assets for 2006/07 above be included in the 2006/07 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
6. **authorised** the Minister of Finance and the Vote Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2006/07 Supplementary Estimates, the 2007/08 Estimates and the fiscal forecasts;
7. **noted** that all communications relating to the 2007 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.

Secretary of the Cabinet

Reference: CAB (07) 135, CAB (07) 135A

Vote: Defence Force

Title: Defence Funding Package - Year 3

Description: To provide for the recognition of the Budget 2007 element of an earlier Budget 2005 agreement to restore military and organisational capability through eventual new funding of \$4.6 billion in total, as a charge against future budgets.

Theme: National Identity

Theme Objective: New Zealand in the world

Performance Information

Performance Text

The restoration of military capability and the effective delivery of the outputs described in the Statement of Intent through new funding previously agreed in principle (CAB Min (05) 5/2 refers) as a consequence of a Defence Capability and Resourcing Review.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Operating Balance Impact	-	58.030	58.030	58.030	58.030
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	58.030	58.030	58.030	58.030

Initiative No: 3875

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Departmental Output Expenses (General):					
Fixed Wing Transport Forces (funded by Revenue Crown)	-	9.000	9.000	9.000	9.000
Land Combat Forces (funded by Revenue Crown)	-	2.000	2.000	2.000	2.000
Land Combat Support Forces (funded by Revenue Crown)	-	3.000	3.000	3.000	3.000
Maritime Patrol Forces (funded by Revenue Crown)	-	8.000	8.000	8.000	8.000
Military Policy Development, Coordination and Advice (funded by Revenue Crown)	-	1.000	1.000	1.000	1.000
Naval Combat Forces (funded by Revenue Crown)	-	16.030	16.030	16.030	16.030
Naval Helicopter Forces (funded by Revenue Crown)	-	1.000	1.000	1.000	1.000
Naval Patrol Forces (funded by Revenue Crown)	-	2.000	2.000	2.000	2.000
Naval Support Forces (funded by Revenue Crown)	-	3.000	3.000	3.000	3.000
Rotary Wing Transport Forces (funded by Revenue Crown)	-	12.000	12.000	12.000	12.000
Special Operations Forces (funded by Revenue Crown)	-	1.000	1.000	1.000	1.000
Total Operating	-	58.030	58.030	58.030	58.030
Total Capital	-	-	-	-	-

Vote: Defence Force

Title: Long Term Development Plan - Capital Injection

Description: To provide for Long Term Development Plan (LTDP) payments and other infrastructure projects that cannot be met from internally generated working capital.

Theme: National Identity

Theme Objective: New Zealand in the world

Performance Information

Performance Text

Depreciation and revenue from asset sales represent the only significant internal means by which New Zealand Defence Force is able to accumulate cash reserves for future asset acquisition. This capital injection within the LTDP limit recognises forecast cash flows while retaining the minimum acceptable level of cash at bank during 2007/08.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	44.000	-	-	-
No Impact	-	-	3.300	3.300	3.300
Total	-	44.000	3.300	3.300	3.300

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Departmental Output Expenses (General):					
Fixed Wing Transport Forces (funded by Revenue Crown)	-	-	0.465	0.465	0.465
Land Combat Forces (funded by Revenue Crown)	-	-	0.907	0.907	0.907
Land Combat Support Forces (funded by Revenue Crown)	-	-	0.465	0.465	0.465
Maritime Patrol Forces (funded by Revenue Crown)	-	-	0.465	0.465	0.465
Naval Combat Forces (funded by Revenue Crown)	-	-	0.998	0.998	0.998
Net Asset Schedule: Capital Investment	-	44.000	-	-	-
Total Operating	-	-	3.300	3.300	3.300
Total Capital	-	44.000	-	-	-

Vote: Defence Force

Title: Operating to Capital Swap - Technical Adjustment

Description: A transfer to ensure that 2006/07 depreciation savings continue to be reserved for NZDF Long Term Development Plan (LTDP) purposes where those savings provide for a 2007/08 capital injection.

Theme: National Identity

Theme Objective: New Zealand in the world

Performance Information

Performance Text

No change to performance/outputs.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	(10.190)	10.190	0.764	0.764	0.764
Total	(10.190)	10.190	0.764	0.764	0.764

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Departmental Output Expenses (General):					
Fixed Wing Transport Forces (funded by Revenue Crown)	0.725	-	0.108	0.108	0.108
Land Combat Forces (funded by Revenue Crown)	(2.153)	-	0.210	0.210	0.210
Land Combat Service Support Forces (funded by Revenue Crown)	(0.843)	-	-	-	-
Land Combat Support Forces (funded by Revenue Crown)	(1.308)	-	0.108	0.108	0.108
Maritime Patrol Forces (funded by Revenue Crown)	(0.487)	-	0.108	0.108	0.108
Military Hydrography, and Hydrographic Data Collection and Processing for LINZ (funded by Revenue Crown)	(0.021)	-	-	-	-
Military Policy Development, Coordination and Advice (funded by Revenue Crown)	0.256	-	-	-	-
Mine Countermeasures (MCM) and MCM Diving Forces (funded by Revenue Crown)	(0.269)	-	-	-	-
Miscellaneous Support Activities (funded by Revenue Crown)	(0.375)	-	-	-	-
Naval Combat Forces (funded by Revenue Crown)	(2.783)	-	0.230	0.230	0.230
Naval Helicopter Forces (funded by Revenue Crown)	(0.665)	-	-	-	-
Naval Patrol Forces (funded by Revenue Crown)	(0.300)	-	-	-	-
Naval Support Forces (funded by Revenue Crown)	(0.636)	-	-	-	-
Rotary Wing Transport Forces (funded by Revenue Crown)	(0.962)	-	-	-	-
Special Operations Forces (funded by Revenue Crown)	(0.369)	-	-	-	-
Net Asset Schedule:					
Capital Investment	-	10.190	-	-	-
Total Operating	(10.190)	-	0.764	0.764	0.764
Total Capital	-	10.190	-	-	-

Vote: Defence Force

Title: Defence Force Allowance Transfer - Technical Adjustment

Description: To recognise that from 18 March 2007, the Income Tax Act 2004 provides for residual Vote Social Development appropriations associated with New Zealand Defence Force operational allowances to be transferred to Vote Defence Force.

Theme: National Identity

Theme Objective: New Zealand in the world

Performance Information

Performance Text

There is no change to performance/outputs.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Operating Balance Impact	0.741	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	0.741	-	-	-	-

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Departmental Output Expenses (General): Operationally Deployed Forces (funded by Revenue Crown)	0.741	-	-	-	-
Total Operating	0.741	-	-	-	-
Total Capital	-	-	-	-	-

Vote: Defence Force

Title: Disposal Costs - Other Expense

Description: An accounting provision for the disposal of items included in the New Zealand Defence Force Statement of Financial Position.

Theme: National Identity

Theme Objective: New Zealand in the world

Performance Information

Performance Text

No change to performance/outputs.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Operating Balance Impact	2.700	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	2.700	-	-	-	-

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Other Expenses to be incurred by the Department:					
Asset Write-Offs	2.700	-	-	-	-
Total Operating	2.700	-	-	-	-
Total Capital	-	-	-	-	-

Vote: Defence Force

Title: Costing System Change - Technical Adjustment

Description: An adjustment to provide for transfers between appropriated Output Expense values to reflect changes to the Defence Costing System model without aggregate impact.

Theme: National Identity

Theme Objective: New Zealand in the world

Performance Information

Performance Text

No change to performance/outputs.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	-	-	-	-

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Departmental Output Expenses (General):					
Fixed Wing Transport Forces (funded by Revenue Other)	-	0.170	0.170	0.170	0.170
Fixed Wing Transport Forces (funded by Revenue Dept)	-	(0.069)	(0.069)	(0.069)	(0.069)
Fixed Wing Transport Forces (funded by Revenue Crown)	-	14.483	14.483	14.483	14.483
Land Combat Forces (funded by Revenue Other)	-	0.365	0.365	0.365	0.365
Land Combat Forces (funded by Revenue Dept)	-	(0.343)	(0.343)	(0.343)	(0.343)
Land Combat Forces (funded by Revenue Crown)	-	36.987	36.987	36.987	36.987
Land Combat Service Support Forces (funded by Revenue Crown)	-	2.127	2.127	2.127	2.127
Land Combat Service Support Forces (funded by Revenue Dept)	-	(0.156)	(0.156)	(0.156)	(0.156)
Land Combat Service Support Forces (funded by Revenue Other)	-	0.128	0.128	0.128	0.128

Land Combat Support Forces (funded by Revenue Crown)	-	(18.088)	(18.088)	(18.088)	(18.088)
Land Combat Support Forces (funded by Revenue Dept)	-	(0.271)	(0.271)	(0.271)	(0.271)
Land Combat Support Forces (funded by Revenue Other)	-	0.154	0.154	0.154	0.154
Maritime Patrol Forces (funded by Revenue Crown)	-	(18.608)	(18.608)	(18.608)	(18.608)
Maritime Patrol Forces (funded by Revenue Other)	-	0.063	0.063	0.063	0.063
Maritime Patrol Forces (funded by Revenue Dept)	-	(0.148)	(0.148)	(0.148)	(0.148)
Military Hydrography, and Hydrographic Data Collection and Processing for LINZ (funded by Revenue Crown)	-	2.847	2.847	2.847	2.847
Military Hydrography, and Hydrographic Data Collection and Processing for LINZ (funded by Revenue Dept)	-	(0.238)	(0.238)	(0.238)	(0.238)
Military Hydrography, and Hydrographic Data Collection and Processing for LINZ (funded by Revenue Other)	-	0.017	0.017	0.017	0.017
Military Policy Development, Coordination and Advice (funded by Revenue Dept)	-	0.006	0.006	0.006	0.006
Military Policy Development, Coordination and Advice (funded by Revenue Crown)	-	(0.529)	(0.529)	(0.529)	(0.529)
Mine Countermeasures (MCM) and MCM Diving Forces (funded by Revenue Dept)	-	(0.027)	(0.027)	(0.027)	(0.027)
Mine Countermeasures (MCM) and MCM Diving Forces (funded by Revenue Crown)	-	0.339	0.339	0.339	0.339
Mine Countermeasures (MCM) and MCM Diving Forces (funded by Revenue Other)	-	0.042	0.042	0.042	0.042
Miscellaneous Support Activities (funded by Revenue Other)	-	(1.350)	(1.350)	(1.350)	(1.350)
Miscellaneous Support Activities (funded by Revenue Dept)	-	1.350	1.350	1.350	1.350
Miscellaneous Support Activities (funded by Revenue Crown)	-	0.377	0.377	0.377	0.377

Naval Combat Forces (funded by Revenue Dept)	-	(0.201)	(0.201)	(0.201)	(0.201)
Naval Combat Forces (funded by Revenue Other)	-	0.283	0.283	0.283	0.283
Naval Combat Forces (funded by Revenue Crown)	-	(49.110)	(49.110)	(49.110)	(49.110)
Naval Helicopter Forces (funded by Revenue Crown)	-	(2.472)	(2.472)	(2.472)	(2.472)
Naval Helicopter Forces (funded by Revenue Dept)	-	0.005	0.005	0.005	0.005
Naval Helicopter Forces (funded by Revenue Other)	-	(0.022)	(0.022)	(0.022)	(0.022)
Naval Patrol Forces (funded by Revenue Crown)	-	34.287	34.287	34.287	34.287
Naval Patrol Forces (funded by Revenue Dept)	-	0.126	0.126	0.126	0.126
Naval Patrol Forces (funded by Revenue Other)	-	0.246	0.246	0.246	0.246
Naval Support Forces (funded by Revenue Other)	-	0.190	0.190	0.190	0.190
Naval Support Forces (funded by Revenue Dept)	-	0.113	0.113	0.113	0.113
Naval Support Forces (funded by Revenue Crown)	-	6.323	6.323	6.323	6.323
Rotary Wing Transport Forces (funded by Revenue Crown)	-	(10.145)	(10.145)	(10.145)	(10.145)
Rotary Wing Transport Forces (funded by Revenue Dept)	-	(0.066)	(0.066)	(0.066)	(0.066)
Rotary Wing Transport Forces (funded by Revenue Other)	-	(0.350)	(0.350)	(0.350)	(0.350)
Special Operations Forces (funded by Revenue Other)	-	0.064	0.064	0.064	0.064
Special Operations Forces (funded by Revenue Dept)	-	(0.081)	(0.081)	(0.081)	(0.081)
Special Operations Forces (funded by Revenue Crown)	-	1.182	1.182	1.182	1.182
Total Operating	-	-	-	-	-
Total Capital	-	-	-	-	-

Vote: Defence Force

Title: Response to the Joint Working Group Report on the Concerns of Viet Nam Veterans

Description: To provide for the arrangements covered by a Memorandum of Understanding (MOU) signed by the Crown with the Ex-Vietnam Services Association and the Royal New Zealand Returned and Services' Association regarding the concerns of Viet Nam Veterans.

Theme: National Identity

Theme Objective: Connecting to our heritage

Performance Information

Performance Text

No change to performance/outputs.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Operating Balance Impact	-	1.120	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	1.120	-	-	-

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Departmental Output Expenses (General):					
Fixed Wing Transport Forces (funded by Revenue Crown)	-	0.190	-	-	-
Land Combat Forces (funded by Revenue Crown)	-	0.224	-	-	-
Land Combat Support Forces (funded by Revenue Crown)	-	0.112	-	-	-
Maritime Patrol Forces (funded by Revenue Crown)	-	0.146	-	-	-
Naval Combat Forces (funded by Revenue Crown)	-	0.448	-	-	-
Total Operating	-	1.120	-	-	-
Total Capital	-	-	-	-	-

Initiative No: 4523**Vote:** Defence Force**Title:** Implications of Revised Taxation Treatment for Overseas Allowances**Description:** To reimburse personnel in receipt of overseas allowance income newly recognised as assessable for income tax purposes.**Theme:** National Identity**Theme Objective:** New Zealand in the world**Performance Information****Performance Text**

No change to performance/outputs.

Appropriation Changes

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	1.900	-	-	-	-
Total	1.900	-	-	-	-

Initiative No: 4523

	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Departmental Output Expenses (General):					
Fixed Wing Transport Forces (funded by Revenue Crown)	0.106	-	-	-	-
Land Combat Forces (funded by Revenue Crown)	0.332	-	-	-	-
Land Combat Service Support Forces (funded by Revenue Crown)	0.129	-	-	-	-
Land Combat Support Forces (funded by Revenue Crown)	0.209	-	-	-	-
Maritime Patrol Forces (funded by Revenue Crown)	0.119	-	-	-	-
Military Hydrography, and Hydrographic Data Collection and Processing for LINZ (funded by Revenue Crown)	0.015	-	-	-	-
Military Policy Development, Coordination and Advice (funded by Revenue Crown)	0.190	-	-	-	-
Mine Countermeasures (MCM) and MCM Diving Forces (funded by Revenue Crown)	0.034	-	-	-	-
Naval Combat Forces (funded by Revenue Crown)	0.391	-	-	-	-
Naval Helicopter Forces (funded by Revenue Crown)	0.091	-	-	-	-
Naval Patrol Forces (funded by Revenue Crown)	0.058	-	-	-	-
Naval Support Forces (funded by Revenue Crown)	0.117	-	-	-	-
Rotary Wing Transport Forces (funded by Revenue Crown)	0.049	-	-	-	-
Special Operations Forces (funded by Revenue Crown)	0.060	-	-	-	-
Total Operating	1.900	-	-	-	-
Total Capital	-	-	-	-	-