

Performance Information for Appropriations

Vote Defence

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister of Defence (M22)

ADMINISTERING DEPARTMENT: Ministry of Defence

MINISTER RESPONSIBLE FOR MINISTRY OF DEFENCE: Minister of Defence

Part 1 - Summary of the Vote

Part 1.1 - Overview of the Vote

The Minister of Defence is responsible for appropriations in the Vote for the 2009/10 financial year covering the following:

- a total of nearly \$2 million for audits and assessments of the New Zealand Defence Force and Ministry of Defence
- a total of nearly \$4 million for managing procurement or refurbishment, on behalf of the Crown, of various items of equipment contributing to a capability of the New Zealand Defence Force
- a total of nearly \$4.700 million for policy advice, management of international defence relations and services to the Minister
- a total of just over \$369 million for the purchase, modification, or refurbishment of major items of defence equipment for the New Zealand Defence Force.

Details of these appropriations are set out in Parts 2-6 below.

Part 1.2 - High-Level Objectives of the Vote

Link to Government Priorities

The high level outcome for Vote Defence is to ensure that New Zealand is secure and the security of other nations is enhanced by New Zealand's efforts.

A secure New Zealand is a critical pre-condition to economic growth and social well-being. New Zealanders need to live free from physical threat from external parties to be able to achieve their aspirations. As well, New Zealand's security is directly affected by the security of other countries, by the stability of other regions and by the maintenance of multilateral systems that ensure stability and security.

An essential part of the Ministry's business, therefore, lies in understanding events in the international environment because these affect the demands likely to be placed on our Defence Force now and in the future, and thus inform the Ministry's statutory duty to give advice to the Government on issues relating to New Zealand's defence policy, doctrine, military capabilities and deployments of the New Zealand Defence Force. The Ministry is also statutorily responsible for acquiring major items of equipment for the New Zealand Defence Force and for providing independent audits of the New Zealand Defence Force functions, duties and projects.

The Government has commissioned a Defence assessment under Section 24(2)(c) of the Defence Act 1990. The assessment will establish defence policy objectives and a number of other aspects of Defence management, including procurement. This assessment is scheduled to be completed by March 2010. It will inform a White Paper on defence policy which is also scheduled to be published in 2009/10.

New Zealand's Defence Policy Objectives

The current Defence policy objectives are:

- To defend New Zealand and to protect its people, land, territorial waters, exclusive economic zone, natural resources and critical infrastructure.
- To meet New Zealand's alliance commitments to Australia by maintaining a close defence partnership in pursuit of common security interests.
- To assist in the maintenance of security in the South Pacific and to provide assistance to New Zealand's Pacific neighbours.

- To play an appropriate role in the maintenance of security in the Asia Pacific region, including meeting New Zealand's obligations as a member of the Five Power Defence Arrangements.
- To contribute to global security and peacekeeping through participation in the full range of United Nations and other appropriate multilateral peace support and humanitarian relief operations.

The following table shows how the delivery of the Ministry of Defence's output expenses and capital expenditure, for which appropriations are sought, are linked and contribute to the Government's priorities and outcomes for Defence.

Contribution of Appropriations to Government Priorities and Outcomes

Appropriations	Government Priorities	Government Outcomes
Departmental Output Expenses Audit and Assessment of Performance Management of Equipment Procurement Policy Advice	Policy Theme: NZ is secure	High Level Outcome New Zealand is secure and the security of other nations is enhanced by New Zealand's efforts. Intermediate Level Outcomes The New Zealand identifies all credible military threats to its security environment. New Zealand's military capabilities are aligned with our requirements. New Zealand's defence relationships are aligned with our security interests and foreign policy goals. New Zealand's military deployments support our regional and wider international objectives.
Non Departmental Capital Expenditure Defence Equipment	Policy Theme: NZ is secure	High Level Outcome New Zealand is secure and the security of other nations is enhanced by New Zealand's efforts. Intermediate Level Outcome The New Zealand identifies all credible military threats to its security environment. New Zealand's military capabilities are aligned with our requirements. New Zealand's defence relationships are aligned with our security interests and foreign policy goals. New Zealand's military deployments support our regional and wider international objectives.

Part 1.3 - Trends in the Vote

Summary of Financial Activity

	2004/05	2005/06	2006/07	2007/08	2008/09		2009/10			2010/11	2011/12	2012/13
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	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	8,529	8,450	9,006	9,476	11,342	11,342	10,511	-	10,511	9,801	9,801	9,801
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	313,468	415,478	471,597	279,995	281,352	227,414	245	369,004	369,249	241,472	38,496	3,917
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Total Appropriations	321,997	423,928	480,603	289,471	292,694	238,756	10,756	369,004	379,760	251,273	48,297	13,718
Crown Revenue and Capital Receipts												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	237	570	754	578	400	400	N/A	400	400	400	400	400
Capital Receipts	282,357	395,882	509,267	253,230	228,583	228,583	N/A	442,791	442,791	230,272	169,138	4,604
Total Crown Revenue and Capital Receipts	282,594	396,452	510,021	253,808	228,983	228,983	N/A	443,191	443,191	230,672	169,538	5,004

New Policy Initiatives

Policy Initiative	Appropriation	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Defence Review 09	Policy Advice	290	710	-	-	-
Acquisition resources	Management of Equipment Procurement		200	200	200	200
Training Light Utility Project	Non Departmental Capital Expenditure	82,066	5,604	48,100	3,496	-
Defence Command and Control System	Non Departmental Capital Expenditure	13,952	7,000	1,469	461	3,632
ANZAC Platform System Upgrade	Non Departmental Capital Expenditure	2,296	3,965	1,146	1,743	-

Analysis of Significant Trends

The departmental appropriations in Vote Ministry of Defence, which are detailed in the Summary of Financial Activity table in Part 1.3 above, show the significant changes discussed below.

Departmental Output Expense Appropriations

Significant movements over this time period are:

- The total increase of \$79,000 between 2004/05 and 2005/06 is mainly due to an increase of \$57,000 in the cost of contributions to employee retirement schemes.
- The total increase of \$556,000 between 2005/06 and 2006/07 is mainly due to an increase of \$158,000 in depreciation and capital charge on the Aitken Street building and expenditure of \$396,000 on the Defence Capability Resourcing Review.
- The total increase of \$470,000 between 2006/07 and 2007/08 is mainly due to an increase of \$448,000 in expenditure on the Defence Capability Resourcing Review.
- The total increase of \$1.866 million between 2007/08 and 2008/09 is mainly due to an increase of \$290,000 for the Defence Review 09 and an increase of \$1.399 million on pre-acquisition costs.
- The total decrease of \$831,000 between 2008/09 and 2009/10 is mainly due to an increase of \$200,000 for additional project management resources, a further \$420,000 to total \$710,000 on the Defence Review 2009, and a reduction of \$1.451 million in pre-acquisition costs. Pre-acquisition costs for years beyond 2009/10 and beyond are provided for in the appropriations of NZDF.
- The reduction of \$710,000 in funding between 2009/10 and 2010/11 is mainly due to the completion of the Defence Review 09 in 2009/10 and cessation of associated one-off funding of \$710,000 for that financial year.
- There is no movement in the appropriation currently planned for years 2010/2011 to 2012/13.

Departmental Capital Expenditure

The majority of the capital expenditure over the years relates to the Ministry of Defence's contribution towards the construction of the new Defence House in Aitken Street in Wellington. Other capital expenditure relates primarily IT software and equipment identified as new and replacement items required by the Ministry to deliver its stated outcomes and outputs.

Non-Departmental Capital Expenditure

The movements in capital expenditure in each of the years 2004/05 to 2012/13 relates to the volume of projects underway in each financial year and changes in the forecast timing of achievement of project milestones and associated changes in the timing of payments for those milestones.

Capital Receipts

The Ministry of Defence receives Capital Receipts from the New Zealand Defence Force from the sale of defence equipment. Changes in Capital Receipts during the years 2004/05 to 2008/09 reflect the number, structure and scope of the projects undertaken on behalf of the Crown during the same time period. Years 2009/2010 to 2012/13 reflect the anticipated number, structure and scope of the projects to be undertaken on behalf of the Crown during the same time period.

Part 2 - Details and Expected Performance for Output Expenses

Part 2.1 - Departmental Output Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
An approved schedule of audits and assessments is satisfactorily completed, and other audits and assessments are conducted as required by the Minister of Defence.	Audit and Assessment of Performance
Military assets are procured on behalf of the Crown and transferred to the New Zealand Defence Force. Warranty issues which arise from the procurement of assets are well managed. Industry receives advice on defence requirements facilitating effective communication to enable opportunities for New Zealand industry to provide goods and services as required and receive opportunities to compete for work consistent with government procurement policies.	Management of Equipment Procurement
Government receives advice on significant issues that have an impact on defence policy and international relations. Capability reviews in cooperation with the New Zealand Defence Force identify options for achieving the Government's defence policy goals. International defence relationships with Australia and other regional countries and participation in regional multilateral security dialogues contribute to New Zealand's security.	Policy Advice

Audit and Assessment of Performance (M22)

Scope of Appropriation

This appropriation is limited to audits and assessments of the New Zealand Defence Force and the Ministry of Defence.

Expenses and Revenue

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,921	1,921	1,909
Revenue from Crown	1,854	1,854	1,842
Revenue from Other	67	67	67

Reasons for Change in Appropriation

A small amount of cost savings have been identified within Audit and Assessment of Performance.

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Delivery of a target number of audit reports to the Minister of Defence.	15 -18	17	15-18
Reports will be of quality, timeliness and effectiveness that is acceptable to key stakeholders.	Achieved	Achieved	Achieved
Audits will be performed in accordance with the Ministry's Auditing Standards.	Achieved	Achieved	Achieved

Conditions on Use of Appropriation

Reference	Conditions
Auditing Standards for Audits and Assessments of Performance	
Scope and Objectives	The audit or assessment will have clear scope and objectives.
Relevance	The audit or assessment will be selected on the basis of relevance and risk to the Minister and the New Zealand Defence Force or the Ministry.
Focus	The audit or assessment will have suitable criteria that focus the work and provide a basis for developing observations and conclusions.
Evidence	The audit or assessment will have sufficient appropriate evidence to support the content of the report.
Objectivity	The audit or assessment will involve objective evaluation of the evidence against criteria to develop observations and conclusions.
Recommendations	The audit or assessment will include recommendations that will, if implemented, add value, improve efficiency and effectiveness, or ameliorate risk.

Management of Equipment Procurement (M22)

Scope of Appropriation

Managing procurement or refurbishment, on behalf of the Crown, of various items of equipment contributing to a capability of the New Zealand Defence Force.

Expenses and Revenue

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	5,179	5,179	3,933
Revenue from Crown	3,660	3,660	3,865
Revenue from Other	1,519	1,519	68

Reasons for Change in Appropriation

It is anticipated that there will be no costs incurred in the 2009/10 year associated with the Protector procurement project. Included in the changes is an increase of \$200,000 to the costs for additional resources in Management of Equipment Procurement.

Output Performance Measures and Standards

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
New equipment procurement or refurbishment projects will be managed: <ul style="list-style-type: none"> • within the approved budget, and • to the quality standards negotiated for each project in accordance with the agreed Statement of Compliance issued on completion. 	Achieved	Achieved	Achieved
To reduce the average project schedule overrun.	-	-	10%
Confirmation by the Defence Industry Committee of New Zealand that the Ministry of Defence and its agent, the Industry Capability Network has adequately promoted domestic suppliers capabilities to overseas based prime contractors.	Confirmation Received	Confirmation Received	Confirmation Received

Conditions on Use of Appropriation

Reference	Conditions
Quality Standards for Equipment Procurement	
Recommendations	Recommendations are clear, and logical. They are sufficient to enable a decision to be made on a proposal or move to the next decision/action point.
Options	A range of options is presented that provide clearly differentiated choices and these are rigorously evaluated against the analytical framework. Costs, benefits, consequences, and risks/opportunities of the options are assessed as part of the analysis. Where it is not possible to use a range of options the reasons are clearly stated.
Consultation	Evidence of thorough and timely consultation with other government departments and interested parties is presented, and their views, including objections, incorporated as appropriate.
Quality Standards for the promotion of domestic suppliers capabilities	
Consultation	Evidence of thorough and timely consultation with other government departments and interest parties is presented.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Pre Acquisition Costs	2004/05	1,451	-	-	-	-
Additional Project Management Resources	2008/09		200	200	200	200

Policy Advice (M22)

Scope of Appropriation

Policy advice, management of international defence relations and services to the Minister.

Expenses and Revenue

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	4,242	4,242	4,669
Revenue from Crown	4,174	4,174	4,601
Revenue from Other	68	68	68

Reasons for Change in Appropriation

Appropriation will increase 2009/10 due to the additional costs associated with undertaking and finalising the Defence review.

Output Performance Measures and Standards

	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Performance Measures			
Submission of policy papers for the Minister including Cabinet papers.	24-30	24-30	-
Prepare Ministerial correspondence for the Minister.	35-55	35-55	-
Prepare answers to Parliamentary questions for the Minister.	90-100	90-100	-
Prepare answers to Select Committee questions for the Minister.	20-30	20-30	-
The supply of individual policy papers will be of high quality, which will be assessed by the percentage of first drafts of all policy papers accepted by the Minister.	90%	90%	90%
Submission of policy papers for the Ministers including Cabinet papers which will be of high quality and which will be assessed by the percentage of all policy papers substantially meeting the Minister and Associate Ministers requirements.	N/A	90%	90%
Prepare Ministerial correspondence for the Minister which will be of high quality and which will be assessed by the percentage of first drafts of all correspondence accepted by the Ministers.	N/A	90%	90%
Prepare answers to Parliamentary questions for the Ministers which will be of high quality and which will be assessed by the percentage of first drafts of all questions accepted by the Ministers.	N/A	90%	90%
Prepare answers to Select Committee questions for the Minister which will be of high quality and which will be assessed by the percentage of first drafts of all answers accepted by the Minister.	N/A	90%	90%
The supply of all other responses will be of high quality, which will be assessed by the percentage of responses accepted without substantive amendment.	95%	95%	95%

Performance Measures	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
All reports and oral advice will be delivered within the agreed or statutory time frame. Ministerials within 14 working days of receipt of the request, replies to Parliamentary Questions for Written Answer provided by the due date, and replies to Parliamentary Questions for oral answer provided by midday on the day that the reply is due in the House.	Achieved	Achieved	Achieved

Conditions on Use of Appropriation

Reference	Conditions
Quality Standards for Analysis and Advice	
Purpose	The objective for the advice is clearly stated, it answers any defence and security issues raised by the Minister and demonstrates a clear understanding of the desired outcome(s) of the Government and/or the Minister.
Problem definition	Any public policy problem, including the underlying causes, size and materiality of issue, is identified and supported by data or other evidence.
Context	It is clear where the advice stands in the context of the wider policy process, including what has already been undertaken and what is expected to occur in the future.
Logic	An appropriate analytical framework is used. Assumptions behind the advice are explicit and the argument is logical and supported by facts.
Accuracy	All material facts are present and accurate. Known gaps that could significantly affect the conclusions are identified and the range of uncertainty stated.
Options	A range of options is presented that provides clearly differentiated choices and these are rigorously evaluated against the analytical framework. Costs, benefits, consequences, and risks/opportunities of the options are assessed as part of the analysis. Where it is not possible to use a range of options the reasons are clearly stated.
Recommendations	Recommendations are clear, logical and action oriented and can stand alone from the rest of the advice. They are sufficient to enable a decision to be made on the proposal or to move to the next decision/action point.
Consultation	Evidence of thorough and timely consultation with other government departments and interested parties is presented and their views, including objections, incorporated as appropriate.
Practicality	Issues of implementation, technical feasibility, practicality and timing are considered and budgetary implications identified.
Presentation	Material is presented to suit the target audience and: <ul style="list-style-type: none"> • is concise and structured in a way which assists others to understand the aim of the advice, key features of the information, analysis and recommendations, and their key implications • uses appropriate language and style • is consistent with departmental and Cabinet Office presentation requirements.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
Defence Capability and Resourcing Review - Improved Organisational Capability	2005/06	844	844	844	844	844
Defence Review 09 and white paper	2008/09	290	710	-	-	-

Part 6 - Details and Expected Results for Capital Expenditure

Part 6.1 - Departmental Capital Expenditure

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Maintain and upgrade capability through routine replacement of the Ministry's information technology and office equipment.	Ministry of Defence - Capital Expenditure PLA

Ministry of Defence - Capital Expenditure PLA (M22)

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

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	300	300	125
Intangibles	75	75	120
Other	-	-	-
Total Appropriation	375	375	245

Reasons for Change in Appropriation

The decrease in appropriation for 2009/10 is due to the timing for upgrades and replacement of information technology infrastructure.

Part 6.2 - Non-Departmental Capital Expenditure

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
Maintain and/or upgrade military capability through upgrades or procurement of new defence equipment for the New Zealand Defence Force.	Defence Equipment

Defence Equipment (M22)

Scope of Appropriation

This appropriation is limited to the purchase, modification or refurbishment of major items of defence equipment for the New Zealand Defence Force.

Capital Expenditure

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	280,977	227,039	369,004

Reasons for Change in Appropriation

The appropriation for Defence Equipment varies depending upon the number and scope of projects.

Conditions on Use of Appropriation

Reference	Conditions
Defence Act 1990	Section 24
Quality Standards for Defence Equipment	
Effective Management	Equipment procurement, modification and refurbishment projects will be managed within the approved budget and to the quality standards negotiated for each project.
Options	A range of options are considered that provides clearly differentiated choices and these are rigorously evaluated. Costs, benefits, consequences, and risks/opportunities of the options are assessed as part of the analysis.
Practicality	Issues of implementation, technical feasibility, practicality and timing are accurately identified and addressed.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
ANZAC Platform Systems Upgrade	2008/09	7,921	480	286	1,323	-
Defence Control and Command System	2008/09	5,258	10,692	2,400	900	3,632
Training Light Utility Helicopter	2008/09	17,140	39,803	32,390	20,159	-
ANZAC Close in Weapon System	2006/07	6,055	7,943	2,836	0	-
C-130 Life Extension	2006/07	32,879	15,236	9,993	3,290	-
Medium Utility Helicopter Capability	2006/07	89,478	226,783	151,648	305	-
B757 Acquisition and Modification	2005/06	36,289	-	-	-	-
P-3 Mission Management, Communication and Navigation Systems Upgrade	2004/05	34,154	68,067	41,829	12,234	-
Project Protector	2004/05	35,865	-	-	-	-

Reporting Mechanisms

Appropriation	Reporting Mechanism
Defence Equipment	Annual Report of the Ministry of Defence

The above table indicates the mechanisms to be used for reporting actual results for each non-departmental capital expenditure appropriation.