

Vote Defence

APPROPRIATION MINISTER(S): Minister of Defence (M22)

APPROPRIATION ADMINISTRATOR: Ministry of Defence

RESPONSIBLE MINISTER FOR MINISTRY OF DEFENCE: Minister of Defence

Summary of the Vote

Overview

The Minister of Defence is responsible for appropriations in the Vote for the 2014/15 financial year covering the following:

- a total of \$1.927 million for evaluations, audits and assessments of the New Zealand Defence Force and Ministry of Defence
- a total of \$3.669 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 \$5.970 million for policy advice, management of international defence relations and services to the Minister
- a total of \$320,000 for the purchase or development of assets for use by the Ministry, and
- a total of \$464.984 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 2-4.

Estimates of Appropriations

Details of Appropriations and Capital Injections

Annual and Permanent Appropriations

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Titles and Scopes of Appropriations by Appropriation Type			
Departmental Output Expenses			
Evaluation, Audit & Assessment of Performance (M22) This appropriation is limited to the evaluations, and audits and assessments of the New Zealand Defence Force and the Ministry of Defence.	2,083	2,083	1,927
Management of Equipment Procurement (M22) Managing procurement or refurbishment, on behalf of the Crown, of various items of equipment contributing to a capability of the New Zealand Defence Force.	5,490	5,490	3,669
Policy Advice and Related Outputs MCOA (M22)	6,047	6,047	-
<i>Ministerial Services</i> This output class is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.	726	726	-
<i>Policy Advice</i> This output class 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.	3,640	3,640	-
<i>Policy Support</i> This output class 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.	1,681	1,681	-
Total Departmental Output Expenses	13,620	13,620	5,596
Departmental Capital Expenditure			
Ministry of Defence - Capital Expenditure PLA (M22) 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.	560	560	320
Total Departmental Capital Expenditure	560	560	320
Non-Departmental Capital Expenditure			
Defence Equipment (M22) This appropriation is limited to the purchase, modification or refurbishment of major items of defence equipment for the New Zealand Defence Force.	286,600	286,600	464,984
Total Non-Departmental Capital Expenditure	286,600	286,600	464,984

Titles and Scopes of Appropriations by Appropriation Type	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Multi-Category Expenses and Capital Expenditure			
Policy Advice and Related Outputs MCA (M22)			5,970
The overarching purpose of this appropriation is to provide policy advice, other support to Ministers in discharging their policy decision-making and other portfolio responsibilities.			
<i>Departmental Output Expenses</i>			
<i>Ministerial Services</i>	-	-	717
This category is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.			
<i>Policy Advice</i>	-	-	3,593
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.			
<i>Policy Support</i>	-	-	1,660
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.			
Total Multi-Category Expenses and Capital Expenditure	-	-	5,970
Total Annual and Permanent Appropriations	300,780	300,780	476,870

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Frigate Systems Upgrade (pre-acquisition costs)	Management of Equipment Procurement	1,000	-	-	-	-
Frigate Systems Upgrade	Defence Equipment	10,000	158,000	105,000	115,000	42,522
ANZAC Platform Systems Upgrade: Phase II	Defence Equipment	6,000	12,400	-	-	-
Protector Remediation: Phase II	Defence Equipment	14,050	19,150	-	-	-
Strategic Bearer Network	Defence Equipment	5,634	6,338	-	-	-
Medium and Heavy Operational Vehicles	Defence Equipment	58,200	50,700	-	-	-
Maritime Helicopter Capability	Defence Equipment	50,000	120,000	40,000	12,200	-
Pilot Training Capability	Defence Equipment	93,940	41,280	7,120	-	-

1.2 - Trends in the Vote

Summary of Financial Activity

	2009/10	2010/11	2011/12	2012/13	2013/14		2014/15			2015/16	2016/17	2017/18
	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	6,320	5,359	5,914	7,853	7,573	7,573	5,596	-	5,596	5,396	5,485	5,196
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	160,254	144,613	102,463	132,834	286,600	256,600	320	464,984	465,304	169,323	202,903	42,872
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	4,691	4,704	5,205	5,434	6,047	6,047	5,970	-	5,970	5,970	5,970	5,970
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Appropriations	171,265	154,676	113,582	146,121	300,220	270,220	11,886	464,984	476,870	180,689	214,358	54,038
Crown Revenue and Capital Receipts												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	251	31	455	100	-	-	N/A	-	-	-	-	-
Capital Receipts	174,118	135,797	154,331	176,315	286,600	256,000	N/A	297,184	297,184	63,993	21,189	-
Total Crown Revenue and Capital Receipts	174,369	135,828	154,786	176,415	286,600	256,000	N/A	297,184	297,184	63,993	21,189	-

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.

Adjustments to the Summary of Financial Activity Table due to Vote Restructuring

	2009/10 Adjustments \$000	2010/11 Adjustments \$000	2011/12 Adjustments \$000	2012/13 Adjustments \$000	2013/14 Budgeted Adjustments \$000	2013/14 Estimated Actual Adjustments \$000
Appropriations						
Output Expenses	(4,691)	(4,704)	(5,205)	(5,434)	(6,047)	(6,047)
Benefits or Related Expenses	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)						
<i>Output Expenses</i>	4,691	4,704	5,205	5,434	6,047	6,047
<i>Other Expenses</i>	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-
Total Appropriations	-	-	-	-	-	-
Crown Revenue and Capital Receipts						
Tax Revenue	-	-	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-
Capital Receipts	-	-	-	-	-	-
Total Crown Revenue and Capital Receipts	-	-	-	-	-	-

The prior year information in the Summary of Financial Activity table has been restated to reflect that the Ministry has converted a Policy related multi-class output appropriation to a Policy related multi-category expenses appropriation.

1.3 - Analysis of Significant Trends

The departmental appropriations in Vote Ministry of Defence, which are detailed in the Summary of Financial Activity table in Part 1.2 above, show the significant changes discussed below.

Departmental Output Expense Appropriations

Year-on-year individual output expenses are largely constant. The main impacts on the consistency of these expenses are due to the costs of pre-acquisition activities undertaken by the Ministry, which are funded by the NZDF, and project management costs for the Protector Remediation project.

Multi-Category Expense Appropriations

The primary impact on this appropriation was increased funding commencing 2011/12 to strengthen resources that would provide a greater governance oversight during the development of capability proposals, and the subsequent acquisition of those capability resources. The reduced costs in 2012/13 and the increase in 2013/14 are due to the delayed costs of an organisational review following the Performance Improvement Framework review. These costs were delayed in 2012/13 until a new Secretary of Defence had been appointed.

Departmental Capital Expenditure

The majority of the capital expenditure over the years relates to the Ministry of Defence's contribution towards the fit-out of the new Defence House in Aitken Street in Wellington. Other capital expenditure relates primarily to IT software and equipment 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 2009/10 to 2017/18 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 2009/10 to 2013/14 reflect the number, structure and scope of the projects undertaken on behalf of the Crown during the same time period. Years 2014/15 to 2017/18 reflect the anticipated number, structure and scope of the projects to be undertaken on behalf of the Crown during the same time period.

1.4 - Reconciliation of Changes in Appropriation Structure

		Old Structure		New Structure		
2013/14 Appropriations in the 2013/14 Structure	2013/14 (Current) \$000	Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2013/14 Appropriations in the 2014/15 Structure	2013/14 (Restated) \$000	2014/15 \$000
Departmental Output Expense						
Policy Advice and Related Outputs MCOA	6,047	From Policy Advice and Related Outputs MCOA	6,047	To Policy Advice and Related Outputs MCA	6,047	5,970
Total Changes in Appropriations	6,047		6,047		6,047	5,970

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

Evaluation, Audit & Assessment of Performance (M22)

Scope of Appropriation

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

Expenses and Revenue

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,083	2,083	1,927
Revenue from the Crown	2,083	2,083	1,927
Revenue from Others	-	-	-

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the completion of an approved schedule of evaluations, audits and assessments as required by the Minister of Defence.

How Performance will be Assessed and End of Year Reporting Requirements

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Evaluations, audits and assessments are in accordance with work priorities identified and advised by the Minister of Defence.	Standard met	Standard met	Standard met
Evaluations, audits and assessments follow the Ministry's quality assurance processes. Measured by an internal review of a random sample of reports produced in the year to assess if they comply with the Ministry's minimum quality assurance standards.	Standard met	Standard met	Expired measure
A review of the evaluations, audits and assessments confirm that they meet acceptable standards based on pre-determined criteria. The standard for this measure is based on a continuum of standard not met, standard met and standard exceeded.	Standard met	Standard met	Standard met

End of Year Performance Reporting

Performance information for this appropriation will be reported by the Ministry of Defence in its Annual Report.

Reasons for Change in Appropriation

The appropriation for 2014/15 has reduced by \$156,000 due to the 2013/14 appropriation including allowance for costs of implementing the recommendations of the Performance Improvement Framework review.

Conditions on Use of Appropriation

Reference	Conditions
Authority	The evaluation, audit or assessment will be undertaken as and when required by the Minister of Defence or in accordance with a work programme approved by the Minister.

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

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	5,490	5,490	3,669
Revenue from the Crown	3,986	3,986	3,669
Revenue from Others	1,504	1,504	-

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the management of procurement of major military equipment in a transparent and fair way, and in accordance with government procurement policies.

How Performance will be Assessed and End of Year Reporting Requirements

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Cost: Each procurement or refurbishment project will be managed within its approved budget, inclusive of approved variations to the contract price and project budget. The measure is the % of all project-related expenditure incurred in the year that is in excess of the approved project expenditure.	0%	0%	0%
Quality of Deliverable: Each procurement or refurbishment project will achieve on delivery the agreed/contracted specifications that are critical to acceptance. (see Note 1) The measure is the number of accepted projects that do not meet all specifications that are critical to acceptance.	0	0	0
Schedule: Each procurement or refurbishment project will be managed to schedule, without avoidable schedule over-run. The measure is the % of all projects where, during the year, the project delivery schedule is extended by more than 10%.	0%	17%	0%

Note 1 - This is measured by test, trial, evaluation, demonstration, independent audit or certification, and other measurements as agreed for each project.

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	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Frigate Systems Upgrade (pre-acquisition costs)	2012/13	1,000	-	-	-	-

Reasons for Change in Appropriation

The appropriation in 2014/15 reduces by \$1.821 million due to lower pre-acquisition project costs funded by the NZDF (Revenue from Other) and the 2013/14 appropriation including allowance for costs of implementing the recommendations of the Performance Improvement Framework review (Revenue from Crown).

2.3 - Departmental Capital Expenditure and Capital Injections

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

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	280	280	142
Intangibles	280	280	178
Other	-	-	-
Total Appropriation	560	560	320

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

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Capital expenditure is within budget.	Within budget	Within budget	Within budget

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	2013/14 Estimated Actual \$000	2014/15 Projected \$000	Explanation of Projected Movements in 2014/15
Opening Balance	3,416	3,416	
Capital Injections	-	-	
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	3,416	3,416	

Part 3 - Details of Non-Departmental Appropriations

3.5 - Non-Departmental Capital Expenditure

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

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	286,600	286,600	464,984

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the procurement of major military equipment in a transparent and fair way, and in accordance with government procurement policies.

How Performance will be Assessed and End of Year Reporting Requirements

	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Assessment of Performance			
Performance measures are the same as used for the departmental appropriation Management of Equipment Procurement and are reported under that appropriation.	As per departmental appropriation	As per departmental appropriation	As per departmental appropriation

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	2013/14 Budgeted \$000	2014/15 Budget \$000	2015/16 Estimated \$000	2016/17 Estimated \$000	2017/18 Estimated \$000
Protector Remediation: Phase II	2011/12	14,050	19,150	-	-	-
Strategic Bearer Network	2012/13	5,634	6,338	-	-	-
ANZAC Platform System Upgrade: Phase II	2013/14	6,000	12,400	-	-	-
Maritime Helicopter Capability	2013/14	50,000	120,000	40,000	12,200	-
Medium and Heavy Operational Vehicles	2013/14	58,200	50,700	-	-	-
Pilot Training Capability	2013/14	93,940	41,280	7,120	-	-
Frigate Systems Upgrade	2013/14	10,000	158,000	105,000	115,000	42,522

Reasons for Change in Appropriation

This appropriation increases in 2014/15 due to the timing of capital expenditure for the projects managed by the Ministry.

Part 4 - Details of Multi-Category Expenses and Capital Expenditure

Multi-Category Expenses and Capital Expenditure

Policy Advice and Related Outputs (M22)

Overarching Purpose Statement

The overarching purpose of this appropriation is to provide policy advice, other support to Ministers in discharging their policy decision-making and other portfolio responsibilities.

Scope of Appropriation

Departmental Output Expenses

Ministerial Services

This category is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.

Policy Advice

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.

Policy Support

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.

Expenses, Revenue and Capital Expenditure

	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	-	-	5,970
Departmental Output Expenses			
Ministerial Services	-	-	717
Policy Advice	-	-	3,593
Policy Support	-	-	1,660
Funding for Departmental Output Expenses			
Revenue from the Crown	-	-	5,970
Ministerial Services	-	-	717
Policy Advice	-	-	3,593
Policy Support	-	-	1,660
Revenue from Others	-	-	-
Ministerial Services	-	-	-
Policy Advice	-	-	-
Policy Support	-	-	-

Comparators for Restructured Appropriation

Vote, Type and Title of Appropriation	2013/14		2014/15
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Policy Advice and Related Outputs MCOA			
Ministerial Services	726	726	717
Policy Advice	3,640	3,640	3,593
Policy Support	1,681	1,681	1,660
Total	6,047	6,047	5,970

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the provision of civilian advice on defence policy matters and development of international defence relations.

How Performance will be Assessed for this Appropriation

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Policy Advice and Related Outputs			
Total cost per output hour	<\$160	To be measured at year end	<\$167

What is Intended to be Achieved with each Category and How Performance will be Assessed

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Policy Advice and Related Outputs			
Departmental Output Expenses			
<i>Ministerial Services</i>			
This category is intended to achieve the successful provision of services to Ministers to enable them to discharge their portfolio (other than policy-decision making) responsibilities.			
Quality, as assessed by the percentage of first draft of all correspondence accepted by the Minister.	Mean \geq 70%	To be measured at year end	\geq 70%
Timeliness, as assessed by the percentage of papers that were submitted by the timeframe set in legislation, or otherwise agreed with the Minister.	\geq 95%	To be measured at year end	\geq 95%

Assessment of Performance	2013/14		2014/15
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<i>Policy Advice</i>			
This category is intended to achieve the successful 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.			
Technical quality of policy advice, as assessed by independent review of a sample of policy papers.	>= 70%	To be measured at year end	>= 70%
Minister's satisfaction with the quality of policy advice, as assessed by survey.	>= 70%	To be measured at year end	>= 70%
Timeliness, as assessed by the percentage of papers that were submitted by the directed deadline.	>= 95%	To be measured at year end	>= 95%
Technical quality robustness, as assessed by the Common Indicator Set tool.	>= 70%	To be measured at year end	>= 70%
<i>Policy Support</i>			
This category is intended to achieve the successful provision of services (other than defence policy) that support the development and procurement of military capability, and the conduct of international defence relations.			
Minister's satisfaction with the quality of policy support, as assessed by survey.	>= 70%	To be measured at year end	>= 70%
Timeliness, as assessed by the percentage of papers that were submitted by the directed deadline.	>= 95%	To be measured at year end	>= 95%

End of Year Performance Reporting

Performance information for this appropriation will be reported by the Ministry of Defence in its Annual Report.