

# The Treasury

## Budget 2013 Information Release

### Release Document

July 2013

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
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- [12] Not in scope
- [13] 7(b) - to prevent prejudice to relations between any of the Governments of New Zealand, the Cook Islands or Niue
- [14] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



15 APR 2013

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Budget 2013: Vote Defence Force Technical Initiatives

On 8 April 2013, Cabinet:

- 1 **approved** the technical initiatives for the above Vote for inclusion in the 2013 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)				
		2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
7839	Small Increase To Special Annuities Appropriation To Cover Funding Shortfall	-	0.003	0.003	0.003	0.003
<b>Total Operating</b>		-	<b>0.003</b>	<b>0.003</b>	<b>0.003</b>	<b>0.003</b>

##### Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
7770	Budget Reprioritisation And Other Technical Changes	(4.000)	(26.000)	(15.000)	(30.000)	(15.000)
<b>Total Capital</b>		<b>(4.000)</b>	<b>(26.000)</b>	<b>(15.000)</b>	<b>(30.000)</b>	<b>(15.000)</b>

- 2 **agreed** to establish new appropriations where required to implement these technical initiatives, as described in the attached initiative documents;

- 3 **approved** the changes to appropriations and projected balances of net assets of the administering department to implement the technical initiatives, as set out in the attached initiative documents;
- 4 **approved** the additional recommendations to give effect to the technical initiatives, as set out in the attached initiative documents;
- 5 **agreed** that the proposed changes to appropriations and projected balances of net assets for 2012/13 above be included in the 2012/13 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 2012/13 Supplementary Estimates, the 2013/14 Estimates and the fiscal forecasts;
- 7 **authorised** the chief executives of departments that monitor Crown entities directly affected by decisions in this minute to inform the chair and/or chief executive of a Crown entity, on a budget-in-confidence-until-budget-day basis, of decisions that directly affect that Crown entity for the purpose of planning and preparation of their Statement of Intent;
- 8 **noted** that all communications relating to the 2013 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 (13) 178

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Initiative No: 7770

Vote: Defence Force

Title: Budget Reprioritisation and other Technical Changes

Description: A fiscally neutral initiative to reprioritise output expense appropriations to meet cost pressures in 2012/13 and reduce capital expenditure.

## Appropriation Changes

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	(4.000)	(26.000)	(15.000)	(30.000)	(15.000)
No Impact	-	-	-	-	-
<b>Total</b>	<b>(4.000)</b>	<b>(26.000)</b>	<b>(15.000)</b>	<b>(30.000)</b>	<b>(15.000)</b>

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Departmental Output Expenses:</b>					
Miscellaneous Support Activities (Multi-Class Output Appropriations)					
Support to Mutual Assistance Programme (MAP) (funded by revenue Crown)	(0.118)	-	-	-	-
Support to New Zealand Cadet Forces (funded by revenue Crown)	0.040	-	-	-	-
Support to Service Military Museums (funded by revenue Crown)	0.230	-	-	-	-
Support to Youth Development (funded by revenue Crown)	0.346	-	-	-	-
Support to Youth Development (funded by revenue Dept)	(0.147)	-	-	-	-
Support to Youth Development (funded by revenue Other)	0.147	-	-	-	-

## Initiative No: 7770

Policy Advice and Related Outputs (MCOA)					
Ministerial Services (funded by revenue Crown)	0.080	-	-	-	-
Policy Advice (funded by revenue Crown)	0.004	-	-	-	-
Strategic Military Intelligence (funded by revenue Crown)	0.973	-	-	-	-
Strategic Military Intelligence (funded by revenue Other)	0.001	-	-	-	-
Airborne Surveillance and Response Forces (funded by revenue Other)	0.019	-	-	-	-
Airborne Surveillance and Response Forces (funded by revenue Crown)	8.736	-	-	-	-
Airborne Surveillance and Response Forces (funded by revenue Dept)	0.089	-	-	-	-
Fixed Wing Transport Forces (funded by revenue Other)	0.032	-	-	-	-
Fixed Wing Transport Forces (funded by revenue Dept)	0.151	-	-	-	-
Fixed Wing Transport Forces (funded by revenue Crown)	(0.152)	-	-	-	-
Land Combat Forces (funded by revenue Dept)	0.226	-	-	-	-
Land Combat Forces (funded by revenue Other)	0.051	-	-	-	-
Land Combat Forces (funded by revenue Crown)	(3.166)	-	-	-	-
Land Combat Service Support Forces (funded by revenue Other)	0.026	-	-	-	-
Land Combat Service Support Forces (funded by revenue Crown)	9.924	-	-	-	-
Land Combat Service Support Forces (funded by revenue Dept)	0.121	-	-	-	-
Land Combat Support Forces (funded by revenue Dept)	0.152	-	-	-	-
Land Combat Support Forces (funded by revenue Crown)	6.553	-	-	-	-

## Initiative No: 7770

Land Combat Support Forces (funded by revenue Other)	0.033	-	-	-	-
Littoral Warfare Support Forces (funded by revenue Crown)	(5.840)	-	-	-	-
Littoral Warfare Support Forces (funded by revenue Dept)	(0.753)	-	-	-	-
Littoral Warfare Support Forces (funded by revenue Other)	(0.003)	-	-	-	-
Naval Combat Forces (funded by revenue Other)	(0.036)	-	-	-	-
Naval Combat Forces (funded by revenue Dept)	(0.042)	-	-	-	-
Naval Combat Forces (funded by revenue Crown)	10.451	-	-	-	-
Naval Helicopter Forces (funded by revenue Crown)	(2.457)	-	-	-	-
Naval Helicopter Forces (funded by revenue Dept)	0.051	-	-	-	-
Naval Helicopter Forces (funded by revenue Other)	0.011	-	-	-	-
Naval Patrol Forces (funded by revenue Other)	(0.018)	-	-	-	-
Naval Patrol Forces (funded by revenue Dept)	(0.015)	-	-	-	-
Naval Patrol Forces (funded by revenue Crown)	(0.129)	-	-	-	-
Naval Support Forces (funded by revenue Other)	(0.020)	-	-	-	-
Naval Support Forces (funded by revenue Crown)	(14.039)	-	-	-	-
Naval Support Forces (funded by revenue Dept)	(0.016)	-	-	-	-
Operationally Deployed Forces Annual (funded by revenue Other)	(0.277)	-	-	-	-
Operationally Deployed Forces Annual (funded by revenue Crown)	0.277	-	-	-	-
Rotary Wing Transport Forces (funded by revenue Other)	0.016	-	-	-	-
Rotary Wing Transport Forces (funded by revenue Dept)	0.097	-	-	-	-

## Initiative No: 7770

Rotary Wing Transport Forces (funded by revenue Crown)	(13.822)	-	-	-	-
Special Operations Forces (funded by revenue Crown)	2.109	-	-	-	-
Special Operations Forces (funded by revenue Dept)	0.086	-	-	-	-
Special Operations Forces (funded by revenue Other)	0.018	-	-	-	-
<b>Departmental Capital Expenditure:</b>					
New Zealand Defence Force - Capital Expenditure (PLA)	(4.000)	(26.000)	(15.000)	(30.000)	(15.000)
<b>Total Operating</b>	-	-	-	-	-
<b>Total Capital</b>	<b>(4.000)</b>	<b>(26.000)</b>	<b>(15.000)</b>	<b>(30.000)</b>	<b>(15.000)</b>

**Additional recommendation**

- 9 **noted** the reduction in capital expenditure reflects a reduction in forecast capital expenditure;

## Initiative No: 7584

**Vote:** Defence Force

**Title:** Integration of Vote Veterans' Affairs with Vote Defence Force

**Description:** A technical initiative to enhance Veterans' Affairs New Zealand (VANZ) functions and duties through increased financial and management flexibility arrangements. These build on the existing VANZ status as an operational unit of the New Zealand Defence Force.

## New appropriation approvals

Type	Period	Name	Multi-Class Output Appropriation Output Class	Scope
Benefits and Other Unrequited Expenses	Annual	War Disablement Pensions	N/A	This appropriation is limited to the payment of War Disablement Pensions to ex-service people who have a disability attributable to, or aggravated by, service in a declared war or emergency at any time, or in routine service prior to 1 April 1974 as set out in the War Pensions Act 1954, the payment of Surviving Spouse Pensions as set out in the War Pensions Act 1954 and the payment of allowances as set out in the War Pensions Act 1954 and the War Pensions Regulations 1956. This appropriation is also limited to the provision for grandparented loans of the differential between the 3% or 5% Rehabilitation Loan rate and the current market rate as set out in the Rehabilitation Act 1941 for interest concessions on land and buildings.
Benefits and Other Unrequited Expenses	Annual	Medical Treatment	N/A	This appropriation is limited to the payment of assessment costs as set out in the War Pensions Regulations 1956 for War Disablement Pension applications and reviews, medical treatment costs for accepted service-related disabilities, and the costs of appliances and aids required as a result of an accepted disability.
Benefits and Other Unrequited Expenses	Annual	Special Annuities	N/A	This appropriation is limited to paying annuities authorised by Cabinet to recognise a special contribution by the recipient to New Zealand society.



## Initiative No: 7584

Non-Departmental Output Expenses	Annual	Development and Maintenance of Services Cemeteries	N/A	The purchase of the development and maintenance of Services Cemeteries.
Non-Departmental Output Expenses	Annual	Support for Veterans and Their Families	N/A	This appropriation is limited to providing for the support of veterans and their families. This includes the provision of counselling for veterans' families, the reimbursement of out of pocket expenses for veterans' children with specified conditions; additional support for veterans to facilitate them remaining in their own homes for as long as possible; additional support to facilitate veterans' rehabilitation; support for the surviving partner after the death of the veteran and for the provision of grants to Non-Government Organisations for the support of veterans and their families.
Non-Departmental Other Expenses	Annual	Debt Write-down for Benefits and Other Unrequited Expenses (BOUE)	N/A	This appropriation is limited to the write-down of Crown debtors administered by the New Zealand Defence Force due to the requirement to comply with Crown accounting policies and generally accepted accounting principles (GAAP).
Non-Departmental Other Expenses	Annual	Ex-Gratia Payments and Comprehensive Medical Assessments for Vietnam Veterans	N/A	This appropriation is limited to the ex-gratia payments to Vietnam veterans and/or members of their family with accepted conditions and for the annual comprehensive medical assessments for Vietnam veterans.
Departmental Output Expenses (MCOA)	Annual	Policy Advice And Other Services For Veterans	Administration Services	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, the coordination of commemorations, the provision of administration services to relevant boards and committees and the administration of contracts for service for maintenance and development work carried out in Service Cemeteries.

Initiative No: 7584

			<p><b>Policy Advice</b></p> <p>This output class is limited to the provision of policy 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 Veterans' Affairs.</p>
			<p><b>Services and Payments to Veterans</b></p> <p>This output class is limited to the assessment, review and payment of entitlements and benefits (War Disablement Pensions and related concessions, and allowances and Surviving Spouse Pensions), the assessment and review of entitlement for burial in Service Cemeteries, the installation of ex-service memorials for eligible veterans, and the provision of case management for veterans and their families.</p>

**Appropriation changes**

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	154.014	152.665	152.565	146.296
<b>Total</b>	-	<b>154.014</b>	<b>152.665</b>	<b>152.565</b>	<b>146.296</b>

## Initiative No: 7584

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Departmental Output Expenses:</b>					
Policy Advice And Other Services For Veterans (Multi-Class Output Appropriations)					
Administration Services (funded by revenue Crown)	-	4.625	2.270	2.238	2.240
Policy Advice (funded by revenue Crown)	-	0.220	0.220	0.220	0.220
Services and Payments to Veterans (funded by revenue Crown)	-	5.815	5.815	6.080	5.995
Services and Payments to Veterans (funded by revenue Other)	-	0.477	0.477	0.477	0.477
<b>Non-Departmental Output Expenses:</b>					
Development and Maintenance of Services Cemeteries	-	0.746	0.746	0.746	0.746
Support for Veterans and Their Families	-	1.027	1.027	1.027	1.027
<b>Benefits and Other Unrequited Expenses:</b>					
Medical Treatment	-	20.165	20.250	20.296	20.110
Special Annuities	-	0.041	0.042	0.043	0.043
War Disablement Pensions	-	119.348	120.268	119.888	113.888
<b>Non-Departmental Other Expenses:</b>					
Debt Write-down for Benefits and Other Unrequited Expenses (BOUE)	-	0.250	0.250	0.250	0.250
Ex-Gratia Payments and Comprehensive Medical Assessments for Vietnam Veterans	-	1.300	1.300	1.300	1.300
<b>Total Operating</b>	-	<b>154.014</b>	<b>152.665</b>	<b>152.565</b>	<b>146.296</b>
<b>Total Capital</b>	-	-	-	-	-

**Additional recommendations**

- 10 **noted** that combining Vote Defence Force and Vote Veterans' Affairs - Defence Force will achieve more efficient and effective management of outputs whilst still retaining separate Ministerial authority and flexibility;
- 11 **agreed** to the new Vote structure for annual appropriations for Vote Defence Force effective from 1 July 2013;
- 12 **noted** that changes to Vote structures are fiscally neutral, with no impact on the operating balance;
- 13 **noted** that the Minister of Veterans' Affairs will remain the Minister responsible for the former Vote Veterans' Affairs - Defence Force appropriations established within Vote Defence Force;
- 14 **noted** that the combining of Vote Defence Force and Vote Veterans' Affairs - Defence Force has no impact on Vote Veterans' Affairs - Social Development where the Minister of Veterans' Affairs remains responsible for this appropriation within the current administering department, the Ministry of Social Development.

## Initiative No: 7585

**Vote:** Defence Force

**Title:** New Zealand Defence Force Savings Redistribution Programme

**Description:** An initiative to transfer to outyears \$175 million of underspends in recognition of the 2010 Defence White Paper agreement that existing resources freed up will be available for redistribution.

### Appropriation changes

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	(175.000)	40.000	40.000	95.000	-
<b>Total</b>	<b>(175.000)</b>	<b>40.000</b>	<b>40.000</b>	<b>95.000</b>	<b>-</b>

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Departmental Output Expenses:</b>					
Airborne Surveillance and Response Forces (funded by revenue Crown)	(11.078)	2.530	2.530	6.009	-
Fixed Wing Transport Forces (funded by revenue Crown)	(18.778)	4.289	4.289	10.186	-
Land Combat Forces (funded by revenue Crown)	(27.805)	6.381	6.381	15.157	-
Land Combat Service Support Forces (funded by revenue Crown)	(15.120)	3.453	3.453	8.201	-
Land Combat Support Forces (funded by revenue Crown)	(18.935)	4.325	4.325	10.271	-
Littoral Warfare Support Forces (funded by revenue Crown)	(1.803)	0.412	0.412	0.978	-
Naval Combat Forces (funded by revenue Crown)	(27.790)	6.347	6.347	15.074	-
Naval Helicopter Forces (funded by revenue Crown)	(6.318)	1.443	1.443	3.427	-
Naval Patrol Forces (funded by revenue Crown)	(11.725)	2.678	2.678	6.360	-

## Initiative No: 7585

Naval Support Forces (funded by revenue Crown)	(12.810)	2.926	2.926	6.949	-
Rotary Wing Transport Forces (funded by revenue Crown)	(12.040)	2.750	2.750	6.531	-
Special Operations Forces (funded by revenue Crown)	(10.798)	2.466	2.466	5.857	-
<b>Total Operating</b>	<b>(175.000)</b>	<b>40.000</b>	<b>40.000</b>	<b>95.000</b>	-
<b>Total Capital</b>	-	-	-	-	-

## Initiative No: 7839

**Vote:** Defence Force

**Title:** Small Increase to Special Annuities Appropriation to Cover Funding Shortfall

**Description:** This initiative provides for [3] Special Annuity be paid at the gross rather than the net of tax rate. It also provides for a five per cent increase to War Disablement and Surviving Spouse Pension's. The two Special Annuities need to be paid at the higher rate from 1 April 2013.

### Appropriation changes

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Operating Balance Impact	-	0.003	0.003	0.003	0.003
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	-	<b>0.003</b>	<b>0.003</b>	<b>0.003</b>	<b>0.003</b>

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Benefits and Other Unrequited Expenses:</b>					
Special Annuities	-	0.003	0.003	0.003	0.003
<b>Total Operating</b>	-	<b>0.003</b>	<b>0.003</b>	<b>0.003</b>	<b>0.003</b>
<b>Total Capital</b>	-	-	-	-	-

**Initiative No: 7839**

**Additional recommendation**

- 15 **agreed** to increase expenditure to provide for the following changes to Special Annuities with a corresponding impact on the operating balance:
  - 15.1 one Special Annuity recipient to be paid the equivalent gross Veteran's Pension;
  - 15.2 two other Special Annuity recipients to receive a five per cent increase in their respective equivalent War Disablement Pension and Surviving Spouse Pension,