

Vote Defence

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

APPROPRIATION ADMINISTRATOR: Ministry of Defence

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 2018/19 financial year covering the following:

- a total of \$2.294 million for audits and assessments of the New Zealand Defence Force and Ministry of Defence
- a total of \$9.628 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 \$8.171 million for policy advice, management of international defence relations and services to the Minister
- a total of \$350,000 for the purchase or development of assets for use by the Ministry, and
- a total of \$294.121 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.

Details of Appropriations and Capital Injections

Annual and Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Audit & Assessment (M22) This appropriation is limited to audits and assessments of the New Zealand Defence Force and the Ministry of Defence.	1,947	1,947	2,294
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.	11,018	11,018	9,628
Total Departmental Output Expenses	12,965	12,965	11,922
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.	350	170	350
Total Departmental Capital Expenditure	350	170	350
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.	240,000	230,415	294,121
Total Non-Departmental Capital Expenditure	240,000	230,415	294,121
Multi-Category Expenses and Capital Expenditure			
Policy Advice and Related Outputs MCA (M22) 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.	8,118	8,118	8,171
Departmental Output Expenses			
<i>Ministerial Services</i> This category is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.	975	975	981
<i>Policy Advice</i> 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.	4,887	4,887	4,919
<i>Policy Support</i> 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.	2,256	2,256	2,271
Total Multi-Category Expenses and Capital Expenditure	8,118	8,118	8,171
Total Annual and Permanent Appropriations	261,433	251,668	314,564

Capital Injection Authorisations

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Ministry of Defence - Capital Injection (M22)	-	-	-

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Frigate Systems Upgrade	Defence Equipment Non-Departmental Capital Expenditure	10,209	63,358	71,964	2,469	-
NH90 Simulator	Management of Equipment Procurement Departmental Output Expense	366	-	-	-	-
	Defence Equipment Non-Departmental Capital Expenditure	516	-	-	-	-
Total Initiatives		11,091	63,358	71,964	2,469	-

1.2 - Trends in the Vote

Summary of Financial Activity

	2013/14	2014/15	2015/16	2016/17	2017/18		2018/19			2019/20	2020/21	2021/22
	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	7,404	5,882	8,293	10,675	12,965	12,965	11,922	-	11,922	11,522	11,522	11,522
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	1,063	-	-	-	-	-	-	-	-
Capital Expenditure	273,604	387,413	212,713	281,031	240,350	230,585	350	294,121	294,471	308,174	18,396	81,813
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	6,174	5,941	6,480	6,837	8,118	8,118	8,171	-	8,171	8,171	8,171	8,171
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Appropriations	287,182	399,236	227,486	299,606	261,433	251,668	20,443	294,121	314,564	327,867	38,089	101,506
Crown Revenue and Capital Receipts												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	362	495	225	843	747	747	N/A	-	-	-	-	-
Capital Receipts	273,572	386,929	212,412	280,658	240,000	230,415	N/A	294,121	294,121	307,824	18,046	341
Total Crown Revenue and Capital Receipts	273,934	387,424	212,637	281,501	240,747	231,162	N/A	294,121	294,121	307,824	18,046	341

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 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

Year-on-year underlying individual output expenses up to 2014/15 are largely constant. The variation in overall expenses is primarily due to the fluctuating costs of pre-acquisition activities undertaken by the Ministry and project management costs relating to the Protector Remediation project.

Higher costs from 2015/16 onwards are the result of additional funding for the Enhancements to Defence Capability Development and Acquisition initiative. This funding allows the Ministry of Defence to grow its capability workforce and make one-off investments in systems to successfully deliver on the Crown's anticipated capital spend in Defence.

Departmental Other Expenses Appropriations

The 2016/17 Other Expenses arises from the value of assets written-off or impaired due to the November 2016 Kaikōura earthquake.

Multi-Category Expense Appropriation

Higher costs from 2015/16 onwards are the result of additional funding for the Enhancements to Defence Capability Development and Acquisition initiative.

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. The higher departmental capital expenditure in 2016/17 is due to replacement of assets damaged or destroyed due to the November 2016 earthquake.

Non-Departmental Capital Expenditure

The movements in non-departmental capital expenditure relates to the volume of capital projects underway in each financial year and changes in the forecast timing in achieving the project milestones and associated changes in the timing of supplier payments for those milestones.

Capital Receipts

The Ministry of Defence purchases and develops items of major military equipment for the New Zealand Defence Force. The Ministry's capital receipts fluctuates in line with non-departmental capital expenditure due to the purchase of developed assets by the New Zealand Defence Force.

1.4 - Reconciliation of Changes in Appropriation Structure

	2017/18 (Current) \$000	Old Structure		New Structure		
		Appropriations to which Expenses (or Capital Expenditure) have been Moved from or to	Amount Moved \$000	2017/18 Appropriations in the 2018/19 Structure	2017/18 (Restated) \$000	2018/19 \$000
2017/18 Appropriations in the 2017/18 Structure						
Evaluation, audit and assessment of performance	1,947	Renamed	-	Audit and assessment	1,947	2,294

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

Audit & Assessment (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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	1,947	1,947	2,294
Revenue from the Crown	1,947	1,947	2,294
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 audits and assessments as required by the Minister of Defence.

How Performance will be Assessed and End of Year Reporting Requirements

	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Ministerial Direction			
Audits and assessments are in accordance with work priorities identified and advised by the Minister of Defence.	Standard met	Standard met	Standard met
Process Quality			
All audits and assessments meet the Ministry's pre-determined quality criteria.	100%	N/A	100%
All major audits and assessments are externally quality assured (see Note 1).	100%	N/A	100%

Note 1 - Small simple reviews may be peer reviewed by qualified Ministry of Defence staff from outside the Audit and Assessment Division. All medium, large and/or complex reviews are reviewed by qualified persons external to the Ministry.

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 increase of \$347,000 in this appropriation for 2018/19 is due to reallocation of funding to other Ministry outputs in 2017/18 to align the resource requirements with demand and activities in that year.

Conditions on Use of Appropriation

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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	11,018	11,018	9,628
Revenue from the Crown	9,997	9,997	9,628
Revenue from Others	1,021	1,021	-

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

	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Quality of Deliverable: Options to be 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.	New measure	100%	100%
Schedule: Each refurbishment or procurement project up to identification of the preferred tenderer stage will be managed to the agreed schedule, except when there are circumstances beyond the control of the Ministry.	New measure	100%	100%

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	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Previous Government						
NH90 Simulator	2017/18	366	-	-	-	-
Enhancements to Defence Capability Development and Acquisition	2015/16	7,200	7,260	7,260	7,260	7,260

Reasons for Change in Appropriation

This appropriation decreased by \$1.390 million to \$9.628 million for 2018/19. The decrease relates to a:

- \$1.021 million reduction in expenditure on capability projects in the pre-acquisition phase (funded by Revenue from Others). The Ministry currently has no capability projects budgeted in the pre-acquisition stage in 2018/19.
- \$369,000 reduction in expenditure on capability projects in the definition phase (funded by Revenue from the Crown). This decrease reflects a return to normal baseline expenditure levels for capability projects in the definition phase (prior to the pre-acquisition phase), which were higher in 2017/18.

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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	200	170	325
Intangibles	150	-	25
Other	-	-	-
Total Appropriation	350	170	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

	2017/18		2018/19
	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	2017/18 Estimated Actual \$000	2018/19 Projected \$000	Explanation of Projected Movements in 2018/19
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 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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	240,000	230,415	294,121

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

	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	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 (see Note 1).	100%	100%	100%
Quality of Deliverable: Each procurement or refurbishment project will achieve on delivery the agreed/contracted specifications, inclusive of approved variations, 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).	85%	85%	85%

Note 1 - Measured by the percentage of all projects that have total project-related expenditure incurred in the year within the approved project expenditure budget.

Note 2 - Measured by the percentage of accepted projects that meet all specifications that are critical to acceptance.

Note 3 - Measured by the percentage of all projects where, during the year, the project delivery schedule is not extended by more than 10%.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the Minister of Defence and appended to the Ministry of Defence Annual Report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Frigate Systems Upgrade	2017/18	10,209	63,358	71,964	2,469	-
Previous Government						
NH90 Simulator	2017/18	516	-	-	-	-
81mm Mortar Replacement	2016/17	10,460	-	-	-	-
Littoral Operations Support Capability	2016/17	110	-	-	-	-
Individual Weapons Replacement	2015/16	1,500	-	-	-	-
Maritime Sustainment Capability	2015/16	91,067	168,422	82,668	6,200	-
Underwater Intelligence, Surveillance and Reconnaissance Capability	2015/16	12,844	5,831	-	-	-
Frigate Systems Upgrade	2014/15	42,522	-	-	-	-
Network Enabled Army Programme	2014/15	25,000	-	-	-	-

Reasons for Change in Appropriation

The appropriation increase in 2018/19 is due to various Ministry projects, particularly Frigate Systems Upgrade and Maritime Sustainment Capability, entering the main production phase of the project.

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

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	8,118	8,118	8,171
Departmental Output Expenses			
Ministerial Services	975	975	981
Policy Advice	4,887	4,887	4,919
Policy Support	2,256	2,256	2,271
Funding for Departmental Output Expenses			
Revenue from the Crown	8,118	8,118	8,171
Ministerial Services	975	975	981
Policy Advice	4,887	4,887	4,919
Policy Support	2,256	2,256	2,271

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 the development of international defence relations.

How Performance will be Assessed for this Appropriation

Assessment of Performance	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
The performance of the MCA as a whole will be assessed by the average performance success of the below measures.	>0%	Measured at end of period	>0%

Note 1 - Measured by the average difference between actual results and the budget standard of all percentage based measures within the MCA categories.

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

Assessment of Performance	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Departmental Output Expenses			
Ministerial Services			
This category is intended to achieve the provision of quality and timely Ministerial support to the Minister.			
Quality, as assessed by the percentage of first draft of all correspondence accepted by the Minister.	>= 90%	Measured at end of period	>= 90%
Timeliness, as 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%
Policy Advice			
This category is intended to achieve the provision of accurate, timely and responsive policy advice.			
Total cost per output hour of Policy Advice.	\$100	Measured at end of period	\$100
Technical quality of policy advice, as assessed by independent review of a sample of policy papers.	Mean >= 70%	Measured at end of period	Mean >= 70%
Minister's satisfaction with the quality of policy advice, as assessed by survey.	>= 70%	Measured at end of period	>= 70%
Policy Support			
This category is intended to achieve the provision of quality and timely policy support to the Minister.			
Minister's satisfaction with the quality of policy support, as assessed by survey.	>= 70%	Measured at end of period	>= 70%

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	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Previous Government						
Enhancements to Defence Capability Development and Acquisition	2015/16	1,350	1,350	1,350	1,350	1,350

Reasons for Change in Appropriation

The appropriation increases for 2018/19 and onwards due to the Enhancements to Defence Capability Development and Acquisition initiative.

