

# *Vote Defence*

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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 2020/21 financial year covering the following:

- a total of \$2.398 million for audits and assessments of the New Zealand Defence Force and Ministry of Defence
- a total of \$10.983 million for managing procurement or refurbishment, on behalf of the Crown, of defence capabilities for the New Zealand Defence Force
- a total of \$9.883 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 \$625.389 million for the procurement of major military capabilities for the New Zealand Defence Force.

Details of these appropriations are set out in Parts 2-4.

# Details of Appropriations and Capital Injections

## Annual Appropriations and Forecast Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Departmental Output Expenses</b>			
<b>Audit &amp; Assessment (M22)</b> This appropriation is limited to audits and assessments of the New Zealand Defence Force and the Ministry of Defence.	2,091	2,091	<b>2,398</b>
<b>Management of Defence Capabilities (M22)</b> This appropriation is limited to the management of procurement, refurbishment and delivery of defence capabilities, on behalf of the Crown, for the New Zealand Defence Force.	11,145	11,145	<b>10,983</b>
<b>Total Departmental Output Expenses</b>	13,236	13,236	13,381
<b>Departmental Capital Expenditure</b>			
<b>Ministry of Defence - Capital Expenditure PLA (M22)</b> 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	350	350
<b>Total Departmental Capital Expenditure</b>	350	350	350
<b>Non-Departmental Capital Expenditure</b>			
<b>Defence Capabilities (M22)</b> This appropriation is limited to the purchase, modification or refurbishment of defence capabilities for the New Zealand Defence Force.	667,248	527,248	<b>625,389</b>
<b>Total Non-Departmental Capital Expenditure</b>	667,248	527,248	625,389
<b>Multi-Category Expenses and Capital Expenditure</b>			
<b>Policy Advice and Related Outputs MCA (M22)</b> The single overarching purpose of this appropriation is to provide policy advice, other support to Ministers in discharging their policy decision-making and other portfolio responsibilities.	10,472	10,472	<b>9,883</b>
<b>Departmental Output Expenses</b>			
<b>Ministerial Services</b> This category is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.	1,227	1,227	1,171
<b>Policy Advice</b> 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.	6,154	6,154	5,871
<b>Policy Support</b> 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.	3,091	3,091	2,841
<b>Total Multi-Category Expenses and Capital Expenditure</b>	10,472	10,472	9,883
<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	691,306	551,306	649,003

## Capital Injection Authorisations

	2019/20		2020/21
	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	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Future Air Mobility Capability (pre-acquisition stage)	<b>Defence Capabilities</b> Non-Departmental Capital Expenditure	2,573	-	-	-	-
Network Enabled Army Programme: Tranche Two	<b>Defence Capabilities</b> Non-Departmental Capital Expenditure	22,643	37,175	46,663	-	-
Garrison and Training Support Capability: Phase One	<b>Defence Capabilities</b> Non-Departmental Capital Expenditure	4,407	13,014	10,554	4,407	-
Fixed High Frequency Radio Refresh	<b>Defence Capabilities</b> Non-Departmental Capital Expenditure	5,116	9,394	7,644	4,426	-
Frigate Sustainment Phase 1: Communications (pre-acquisition stage)	<b>Management of Defence Capabilities</b> Departmental Output Expense	319	-	-	-	-
	<b>Defence Capabilities</b> Non-Departmental Capital Expenditure	108	574	-	-	-
Price Related Cost Pressures	<b>Audit and Assessment</b> Departmental Output Expense	-	40	81	131	183
	<b>Management of Defence Capabilities</b> Departmental Output Expense	-	90	182	295	414
	<b>Policy Advice and Related Outputs MCA</b> Multi-Category Expenses and Capital Expenditure	-	206	413	671	942
Portfolio Management	<b>Management of Defence Capabilities</b> Departmental Output Expense	-	465	605	605	605
	<b>Policy Advice and Related Outputs MCA</b> Multi-Category Expenses and Capital Expenditure	-	110	110	110	110
Policy Demand	<b>Policy Advice and Related Outputs MCA</b> Multi-Category Expenses and Capital Expenditure	-	130	369	369	369
<b>Total Initiatives</b>		<b>35,166</b>	<b>61,198</b>	<b>66,621</b>	<b>11,014</b>	<b>2,623</b>

## 1.2 - Trends in the Vote

### Summary of Financial Activity

	2015/16	2016/17	2017/18	2018/19	2019/20		2020/21			2021/22	2022/23	2023/24
	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
<b>Appropriations</b>												
Output Expenses	8,293	10,675	12,639	11,678	13,236	13,236	13,381	-	13,381	14,203	14,394	13,633
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	1,063	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	212,713	281,031	233,021	413,847	667,598	527,598	350	625,389	625,739	1,147,176	139,454	375,869
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	6,480	6,837	7,949	9,095	10,472	10,472	9,883	-	9,883	10,360	10,669	10,940
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
<b>Total Appropriations</b>	227,486	299,606	253,609	434,620	691,306	551,306	23,614	625,389	649,003	1,171,739	164,517	400,442
<b>Crown Revenue and Capital Receipts</b>												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	225	843	1,782	3,055	-	1,982	N/A	-	-	-	-	-
Capital Receipts	212,412	280,658	232,898	413,834	667,248	527,248	N/A	625,389	625,389	1,146,826	139,104	65,501
<b>Total Crown Revenue and Capital Receipts</b>	212,637	281,501	234,680	416,889	667,248	529,230	N/A	625,389	625,389	1,146,826	139,104	65,501

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 Annual Appropriations and Forecast Permanent Appropriations and Multi-Year 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 reported in last years' 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*

Increasing departmental output expense appropriations over the period shown in Part 1.2 above, reflect the following factors:

- Increases from 2016/17 to 2018/19 are the result of the Enhancements to Defence Capability Development and Acquisition initiative, which allowed 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.
- Increases from 2019/20 onwards are the result of the additional funding for the Operating Cost Pressures initiative, which provided the funding required to meet the additional costs associated with the Ministry's new permanent location in Defence House.
- Increases from 2020/21 onwards are the result of the Price Related Cost Pressures initiative, which addresses market driven inflation cost pressures, the Portfolio Management initiative, for the enhancement of existing systems and processes to improve the portfolio efficiency and risk management for major capability projects, and the Policy Demand initiative, to meet additional policy demand in a changing strategic climate and support increased international defence engagement.

Variations in annual expenditure from the above trend are primarily due to the fluctuating costs of pre-acquisition activities undertaken by the Ministry

### *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*

Increasing multi-category expense appropriations over the period shown in Part 1.2 above, reflect the factors described in the Departmental Output Expense Appropriations section above.

### *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.

### *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 capability 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 capabilities by the New Zealand Defence Force.



## 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*

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,091	2,091	2,398
Revenue from the Crown	2,049	2,049	2,398
Revenue from Others	42	42	-

##### *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*

	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Timeliness: Assessed by the percentage of reports that are submitted by the timeframe set in the approved terms of reference.	>= 75%	>= 75%	>= 75%
Ministerial satisfaction: Minister's satisfaction with the quality of reports, as assessed by survey.	>= 70%	>= 70%	>= 70%
Quality - process: All audits and assessments meet the Ministry's pre-determined quality criteria.	100%	100%	100%
Quality - external review: All major audits and assessments completed by the Ministry are externally quality assured (see Note 1).	100%	100%	100%

Note 1 - Small, simple reviews may be peer reviewed by qualified Ministry of Defence staff from outside the Division. All major 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.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Price Related Cost Pressures	2020/21	-	40	81	131	183
Operating Cost Pressures	2019/20	200	270	276	285	285

### *Reasons for Change in Appropriation*

The increase in this appropriation of \$307,000 for 2020/21 is mainly due to:

- additional funding from the Operating Cost Pressures initiative of \$70,000 for increased rental and operating accommodation costs
- additional funding from the Price Related Cost Pressures initiative of \$40,000 for market driven inflation cost pressures, and
- changes of \$203,000 in 2019/20 that are not being carried forward to 2020/21 for:
  - a \$345,000 transfer to other departmental output expense appropriations to align resourcing with demand and activities in that year
  - offset by a transfer of \$100,000 from 2018/19 to 2019/20 to reflect the timing of audits and assessments, and
  - one-off insurance proceeds of \$42,000 for costs incurred as a result of the November 2016 Kaikōura earthquake.

### *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 Defence Capabilities (M22)

### Scope of Appropriation

This appropriation is limited to the management of procurement, refurbishment and delivery of defence capabilities, on behalf of the Crown, for the New Zealand Defence Force.

### Expenses and Revenue

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	11,145	11,145	10,983
Revenue from the Crown	8,563	8,563	10,983
Revenue from Others	2,582	2,582	-

### What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the management of procurement of major military capabilities for the New Zealand Defence Force in a transparent and fair way, and in accordance with government procurement policies.

### How Performance will be Assessed and End of Year Reporting Requirements

	2019/20		2020/21
	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.	100%	100%	100%
Schedule: Each refurbishment or procurement project up to the identification of the preferred tenderer will be managed to the agreed schedule, except when there are circumstances beyond the control of the Ministry.	100%	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	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Price Related Cost Pressures	2020/21	-	90	182	295	414
Portfolio Management	2020/21	-	465	605	605	605
Operating Cost Pressures	2019/20	380	511	523	541	541

### *Reasons for Change in Appropriation*

The decrease in this appropriation by \$162,000 for 2020/21 is mainly due to:

- revenue from others of \$2.582 million in 2019/20 which does not continue in 2020/21 for:
  - cost recoveries from the New Zealand Defence Force of \$2.487 million, and
  - one-off insurance proceeds of \$95,000 for costs incurred due to the November 2016 Kaikōura earthquake.

These are offset by increases in 2020/21 for:

- a transfer of \$1.200 million from 2019/20 to each of the three following years of \$400,000 to reflect the timing of capability projects
- additional funding from the Portfolio Management initiative of \$465,000 to improve the portfolio efficiency and risk management for major capability projects
- additional funding from the Operating Cost Pressures initiative of \$131,000 for increased rental and accommodation costs, and
- additional funding from the Price Related Cost Pressures initiative of \$90,000 for market driven inflation cost pressures.

## 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*

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	250	250	250
Intangibles	100	100	100
Other	-	-	-
<b>Total Appropriation</b>	<b>350</b>	<b>350</b>	<b>350</b>

#### *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*

	2019/20		2020/21
	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	2019/20 Estimated Actual \$000	2020/21 Projected \$000	Explanation of Projected Movements in 2020/21
Opening Balance	2,353	2,353	
Capital Injections	-	-	
Capital Withdrawals	(1,063)	-	
Surplus to be Retained (Deficit Incurred)	1,063	-	
Other Movements	-	-	
<b>Closing Balance</b>	<b>2,353</b>	<b>2,353</b>	

## Part 3 - Details of Non-Departmental Appropriations

### 3.5 - Non-Departmental Capital Expenditure

#### Defence Capabilities (M22)

##### *Scope of Appropriation*

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

##### *Capital Expenditure*

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	667,248	527,248	625,389

##### *What is Intended to be Achieved with this Appropriation*

This appropriation is intended to achieve the procurement of major military capabilities for the New Zealand Defence Force in a transparent and fair way, and in accordance with government procurement policies.

##### *How Performance will be Assessed and End of Year Reporting Requirements*

Assessment of Performance	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
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 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%
Benefits realisation: The aggregate percentage of planned benefits expected to have been realised by quarter, as set out in approved project benefits realisation plans.	>= 80%	>= 80%	>= 80%
Cost forecasting: The aggregate actual capital expenditure on procurement or refurbishment projects compared to the forecast capital expenditure (see Note 4).	Within +/-10% of forecast	Within +/-10% of forecast	Within +/-10% of forecast

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

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

Note 3 - Measured by the percentage of all projects in the delivery phase progressed within agreed schedule.

Note 4 - This measure compares the actual expenditure with the most recent Crown forecast. It is also calculated at hedged exchange rates to remove the impact of movements in exchange rates.

### *End of Year Performance Reporting*

Performance information for this appropriation will be reported by the Minister of Defence and included in the Ministry of Defence's Annual Report.

### *Current and Past Policy Initiatives*

Policy Initiative	Year of First Impact	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Network Enabled Army Programme: Tranche Two	2019/20	22,643	37,175	46,663	-	-
Garrison and Training Support Capability: Phase One	2019/20	4,407	13,014	10,554	4,407	-
Fixed High Frequency Radio Refresh	2019/20	5,116	9,394	7,644	4,426	-
Frigate Sustainment Phase 1: Communications	2019/20	108	574	-	-	-
Dive and Hydrographic Vessel	2018/19	10,531	700	-	-	-
Fixed High Frequency Radio Refresh	2018/19	245	-	-	-	-
Future Air Surveillance Capability	2018/19	453,034	753,191	643,232	111,094	35,370
NH90 Simulator	2018/19	8,850	-	-	-	-
Operational and Regulatory Aviation Compliance Sustainment	2018/19	19,284	20,711	9,169	1,854	-
Protected Mobility Capability	2018/19	7,470	5,300	5,360	-	-
Frigate Systems Upgrade	2017/18	71,964	2,469	-	-	-
Maritime Sustainment Capability	2015/16	82,668	6,200	-	-	-

### *Reasons for Change in Appropriation*

The increase in this appropriation in 2020/21 is primarily due to the Future Air Surveillance Capability project progressing in the main production phase of the project, offset by reduced costs for the Frigate Systems Upgrade and Maritime Sustainment Capability projects as these projects near completion.



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

## 4 - Multi-Category Expenses and Capital Expenditure

### Policy Advice and Related Outputs (M22)

#### *Overarching Purpose Statement*

The single 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*

	2019/20		2020/21
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Total Appropriation</b>	<b>10,472</b>	<b>10,472</b>	<b>9,883</b>
<b>Departmental Output Expenses</b>			
Ministerial Services	1,227	1,227	1,171
Policy Advice	6,154	6,154	5,871
Policy Support	3,091	3,091	2,841
<b>Funding for Departmental Output Expenses</b>			
<b>Revenue from the Crown</b>	<b>9,726</b>	<b>9,726</b>	<b>9,883</b>
Ministerial Services	1,168	1,168	1,171
Policy Advice	5,855	5,855	5,871
Policy Support	2,703	2,703	2,841
<b>Revenue from Others</b>	<b>746</b>	<b>746</b>	<b>-</b>
Ministerial Services	59	59	-
Policy Advice	299	299	-
Policy Support	388	388	-

### *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	2019/20		2020/21
	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. Measured by the average difference between actual results and the budget standard of all percentage-based measures within the MCA categories.	>0%	>0%	>0%

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

Assessment of Performance	2019/20		2020/21
	Final Budgeted Standard	Estimated Actual	Budget Standard
<b>Departmental Output Expenses</b>			
<b>Ministerial Services</b>			
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.	>= 95%	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%
<b>Policy Advice</b>			
This category is intended to achieve the provision of accurate, timely and responsive policy advice.			
Technical quality of policy advice, as assessed by independent review of a sample of policy papers (see Note 1).	>= 3.5	Measured at end of period	>= 3.5
Minister's satisfaction with the quality of policy advice, as assessed by survey (see Note 2).	>= 3.5	Measured at end of period	>=3. 5
<b>Policy Support</b>			
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%

Note 1 - the all-of-government methodology for the technical review of policy advice was changed in 2019/20.

Note 2 - the all-of-government methodology for assessing Ministerial satisfaction was changed in 2019/20.

### *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	2019/20 Final Budgeted \$000	2020/21 Budget \$000	2021/22 Estimated \$000	2022/23 Estimated \$000	2023/24 Estimated \$000
Policy demand	2020/21	-	130	369	369	369
Price related cost pressures	2020/21	-	206	413	671	942
Portfolio management	2020/21	-	110	110	110	110
Operating cost pressures	2019/20	1,048	1,413	1,444	1,495	1,495

### *Reasons for Change in Appropriation*

The decrease in this appropriation by \$589,000 for 2020/21 is mainly due to an increase of \$1.335 million in 2019/20 which does not continue into 2020/21 for:

- a transfer of \$589,000 from other departmental output expense appropriations to align resourcing with demand and activities
- cost recoveries of \$529,000 from other government departments, and
- a one-off increase of \$217,000 from insurance proceeds for costs incurred as a result of the November 2016 Kaikōura earthquake.

These are offset by:

- additional funding from the Operating Cost Pressures initiative of \$365,000 for increased rental and accommodation costs
- additional funding from the Price Related Cost Pressures initiative of \$206,000 for market driven inflation cost pressures
- additional funding from the Policy Demand initiative of \$130,000 to meet additional policy demand in a changing strategic climate and support increased international defence engagement, and
- additional funding from the Portfolio Management initiative of \$110,000 to improve the portfolio efficiency and risk management for major capability projects.