



MANATŪ KAUPAPA  
WAONGA  
NEW ZEALAND  
MINISTRY OF DEFENCE

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MINISTRY OF DEFENCE | MANATŪ KAUPAPA WAONGA

# Annual Report 2023/24 | Te Pūrongo-Ā-Tau 2023/24

Presented to the House of Representatives pursuant to section 44(1) of the Public Finance Act 1989

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# OVERVIEW BY THE SECRETARY OF DEFENCE | TE TIROHANGA WHĀNUI KI TĀ TE TUMU WHAKARAE MŌ TE WAONGA

New Zealand is facing a more challenging strategic environment, with increasing and compounding threats to our security. The use, and threat of use, of military power is increasingly shaping states' interactions.

New Zealand's interests are global. The Government expects and will continue to direct Defence to contribute to global security and the reinforcement of the existing international rules-based system – both near and far. New Zealand has benefited from a strategic environment characterised by an international rules-based system that reflects our values and supports our interests. This system of international law, norms and institutions contributes to stability, and enables collective action across a range of issues.

With that in mind, the Ministry of Defence has in the past year continued to deepen its relationships with partners and supported the New Zealand Defence Force to strengthen long-standing international commitments. The Ministry has remained focused on delivering added capability to the New Zealand Defence Force.

There are many highlights from this past year, and just a few of these are outlined in more detail below.

The Ministry's work to deliver major military assets and equipment, that become a national asset when used by Defence Force personnel, has continued. Projects under management totalling approximately \$5.9 billion in Government investment will equip the New Zealand Defence Force with modern and fit for purpose assets for generations to come.

The first New Zealand C-130J-30 Hercules aircraft to complete construction in the United States successfully took its first flight, and the full fleet of five is scheduled to arrive by the end of 2024. The fleet will almost immediately be put to work with their first mission to Antarctica scheduled this summer.

The fourth and final P-8A Poseidon aircraft touched down in New Zealand in December 2023, completing the fleet which is now in use for a variety of operational tasks including an overseas deployment to Asia to detect and deter evasions of United Nations Security Council sanctions against North Korea.



The tanker HMNZS *Aotearoa* achieved formal Operational Release, signalling the end of the Ministry's seven-year commitment to deliver the largest vessel ever operated by the Royal New Zealand Navy.

Deployment decisions this past year have helped to demonstrate New Zealand's commitment to collective security. Defence deployments not only uphold our national security interests but also enhance working relationships with key partners and offer opportunities for Defence Force personnel to test and expand their skills.

Relationships have been advanced through, for example, facilitation of the ASEAN Partners' Future Leaders Workshop in Wellington, where defence officials from across South East Asia met to discuss the impact of climate change on defence forces.

Two Ministry advisors are now seconded to Fiji and Papua New Guinea to work in equivalent ministries and strengthen these important relationships. The advisors are focused on deepening our nations' mutual understanding of security priorities and building regional civilian defence capability. We also

supported the Minister of Defence at the inaugural Australia-New Zealand Defence and Foreign Ministers' Meeting, where a commitment was made to strengthen bilateral defence cooperation and interoperability, including through joint procurement, exercises and training.

We also progressed work to deliver an updated Defence Capability Plan, which will signal the Government's investment intentions to 2040. This is complex and challenging work, which will ultimately ensure our Defence Force personnel have the assets and equipment they need to deliver the Government's defence objectives and priorities in the more challenging future we are now facing.

I would like to warmly acknowledge the leadership and achievements of my predecessor Andrew Bridgman, who led the Ministry during the last five years. His tenure was marked by the challenges of the global pandemic, the increasingly challenging geopolitical environment, and the Ministry's delivery of once in a generation platforms.

Finally, I would like gratefully to pay tribute to Ministry's hard-working and highly skilled staff, whose work this year helped to safeguard New Zealand's interests and its people.

Ngā mihi maioha



Brook Barrington  
**Secretary of Defence** | Te Tumu Whakarae mō te Waonga



OUR YEAR IN REVIEW | TE AROTAKE | TE TAU NEI

**\$5.9 billion**  
Approximate total of major capability projects under management

**32**  
In-flight projects

**24 projects**  
In delivery phase

**8 projects**  
In capability definition phase

**\$29 million**  
2023/24 budget for the Ministry’s personnel and operations

**60**  
International bilateral **engagements** in 2023/24 at senior officials’ level, and supported **20** international Ministerial engagements

**13**  
Ministry-prepared proposals for overseas deployments

**3.4 / 5**  
Independent review of the quality of the Ministry’s policy advice

**3.4 / 5**  
Minister of Defence’s rating for the quality of the Ministry’s policy advice

**192**  
staff at the Ministry

# Who we are and what we do | Ko wai mātau, he aha ā mātau mahi

The Ministry of Defence is the Government's lead civilian advisor on defence and is responsible for purchasing major capability used by the New Zealand Defence Force in order to enhance the security and national interests of New Zealand and its people.

Ko Te Manatū Kaupapa Waonga te kaitohutohu tūmatanui matua ki te Kāwanatanga mō ngā kaupapa waonga, ka whai takohanga ki te hoko i ngā rawa nui e whakamahia ana e Te Ope Kātua o Aotearoa hei whakahaumako i ngā take whakahaumarū ā-motu o Aotearoa me tōna iwi.

## WHO WE ARE

Collectively referred to as 'Defence', the Ministry of Defence (the Ministry) and the New Zealand Defence Force (the NZDF) are separate agencies that work together to ensure the New Zealand Government receives robust advice on defence and security matters, which incorporate military and civilian perspectives.

The Defence agencies work together to develop and deliver a work programme through Vote Defence and Vote Defence Force to meet government objectives. Together, we deliver on the Minister of Defence's priorities for the Defence portfolio.

The Ministry exists as a separate agency from NZDF to ensure clear division of responsibilities and accountabilities. The Defence Act 1990 articulates the roles of the Ministry and although not a monitoring agency of NZDF, the Ministry ensures the military view is balanced with civilian advice. The separation between the two agencies is part of New Zealand's Defence legislative arrangements.

The value of the Ministry to Government, the NZDF and the New Zealand public is its:

- focus on sound stewardship of high value, high risk military procurement
- lead on developing strategies and policies for Defence
- provision of civilian perspective on defence matters and
- fostering of relationships with government agencies and our international partners.

## OUR WORK

Our work can be categorised into the following four areas:

### PLAN

The Ministry regularly assesses major strategic trends and conducts in-depth assessments on emerging and evolving issues that could affect New Zealand's national security interests. These assessments inform the Government's defence policy settings.

The Ministry assesses the strategic environment and provides Government with civilian advice on Defence policy issues including advice on future investment options. The Ministry undertakes

reviews of Defence policy and strategy settings as well as specific pieces of policy work as directed by the Minister such as legislative reform and planning for future capability investments.

### EQUIP

Modern military capability is inherently complex, often requiring the integration of weapon systems, multiple sensors and communications.

The system developed by the Ministry to manage these significant procurements has been assessed as "the leading example for long-term capital planning within the public sector". The value this adds to New Zealand is the assurance that these projects are well managed and fiscal risks are mitigated.

The Ministry purchases major equipment which becomes a capability when it is used by the NZDF. Once Cabinet has approved an investment, the Ministry is responsible for the successful delivery of the project from procurement to introduction into service.

This work is done in partnership with the NZDF, through integrated teams.

### PARTNER

The Ministry works with the NZDF to shape New Zealand's relationships with foreign militaries and security organisations. We provide advice to Government and direction on defence relationships to maximise New Zealand's security and broader interests. Having a network of strong international relationships serves to protect and advance our interests.

The Ministry also leads the development of advice to the Government on deployments of NZDF personnel and assets, and international defence engagements. This advice supports Government decisions that reinforce the international rules-based system, contribute to collective security efforts, and benefit New Zealand's defence and foreign policy.

This work is done in line with New Zealand's national security priorities, jointly with the Ministry of Foreign Affairs and Trade and other relevant agencies.

Strong international defence relationships help New Zealand to work closely with trusted partners in responding to security challenges, and support New Zealand's broader foreign and economic policy objectives.



The Ministry undertakes engagements with its counterparts overseas and assists the Minister to engage at a Ministerial level in bilateral and multi-lateral environments.

## ASSESS

We also conduct audits and assessments of the NZDF and the Ministry’s military procurements to support continuous improvement and undertake specific assessments as commissioned by the Minister.

To ensure the audit and assessment effort is efficiently targeted, the work programme focuses on areas presenting the greatest risk to the Defence system that are not being addressed by another programme of work. The Ministry is also using this work programme to drive increased use of performance measurement and data insights to improve decision making and evaluation across Defence.



The Ministry’s Strategic Leadership Team, from left: Sarah Minson, Anton Youngman, Mel Childs, Brook Barrington, Richard Schmidt, Melissa Thorn, Pasanka Wickremasinghe. Absent: Huntley Wright

## MINISTERIAL FOCUS AREAS

While our work areas are defined by the Defence Act 1990, the Ministry aligns its work programmes to the priorities of the Minister of Defence. The Minister of Defence has identified three core focus areas for the Defence portfolio – spanning both the work of the Ministry and the NZDF:

- Reinvigorating our international relationships with key security partners
- Setting a clear policy direction to increase our defence force capabilities to ensure New Zealand remains a credible defence partner
- Rebuilding our personnel capability in order to strengthen and maintain our nations’ collective security.

Further detail about the Ministry’s work towards these focus areas is provided in the Ministry’s *Statement of Intent 2024–2028*.

For the period July 2023 to October 2023, under the previous Minister, the priorities for the Defence portfolio were:

- Build resilience and security in the Pacific
- Enable personnel to operate major equipment safely and with confidence
- Equip personnel to face the challenges ahead.

# WHO WE WORK WITH

The Ministry works closely with:

- **The New Zealand Government:** With the NZDF, we deliver the policies, capabilities and foster relationships to meet or contribute to the Government’s defence, national security, and foreign policy objectives.
- **The Minister of Defence:** We deliver policy advice and assessments, advice on deployments, and support the Minister in their domestic and international defence engagements.
- **New Zealand Defence Force personnel:** We deliver safe, effective systems and equipment that becomes a defence capability when used by NZDF service personnel. We work alongside the NZDF in preparing advice on offshore deployments of NZDF personnel.

The Ministry primarily works with the following New Zealand government agencies:



Figure 1: New Zealand government agencies that the Ministry of Defence works with

The Ministry is a lead policy agency within the national security sector. Our responsibility is to collaborate and integrate with other security agencies, to deliver:

- coherent and consistent advice to Ministers on national security, foreign policy, intelligence and defence issues
- the maximum whole of sector performance from the available resources
- the ability to adapt quickly to changes in the strategic and security environment, and
- improved attraction, development and retention of skilled people, by providing career pathways across the national security sector and with other sectors.



Together, the Defence agencies deliver on the Minister of Defence's priorities for the defence portfolio, with responsibilities as set out in Figure 2 below.

In areas where the Ministry leads, such as the procurement of major military equipment, this is done in close collaboration between civilian and military personnel.

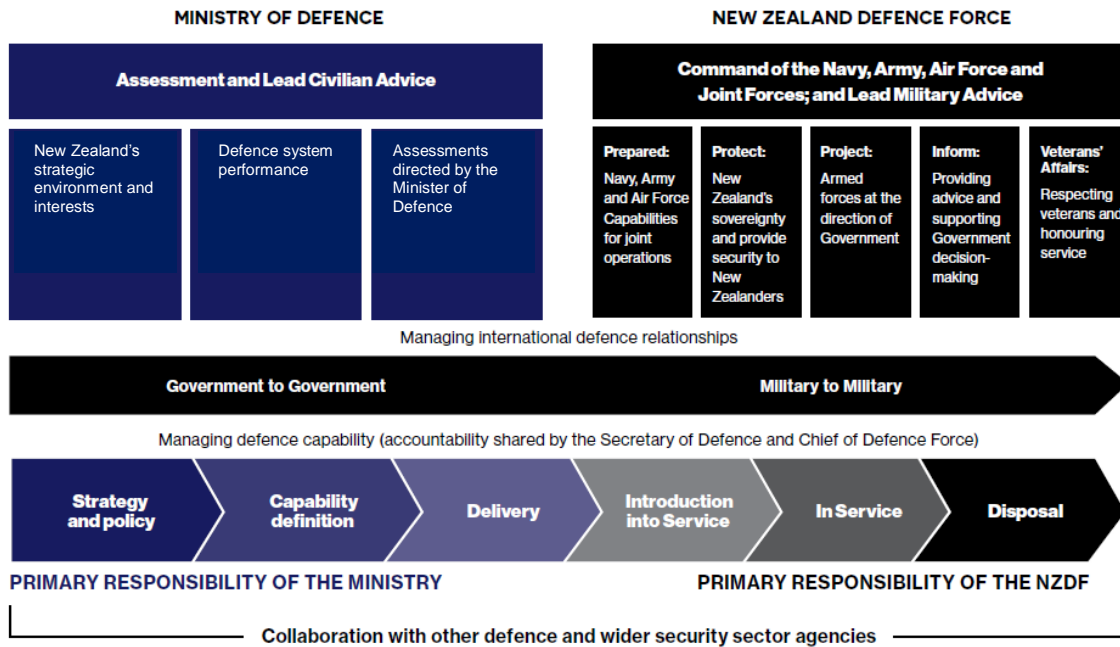


Figure 2: Respective roles of the Ministry of Defence and New Zealand Defence Force



# Plan | Te whakamahere

The Ministry regularly assesses major strategic trends and conducts in-depth assessments on emerging and evolving issues that could affect New Zealand's national security interests. These assessments inform the Government's defence policy settings.

He auau tā te Manatū Kaupapa Waonga arotake i ngā ia ā-rautaki nui, whakahaere hoki i ngā aromatawai hōhonu mō ngā take e puta mai ana, e whanake haere ana hoki ka pā pea ki ngā pānga whakahaumarutanga ā-motu o Aotearoa. Ka whakamōhio ēnei aromatawai i ngā tautuhinga o te kaupapa here waonga a te Kāwanatanga.

This work contributes to the Ministry focus area:  
*Delivering to strengthen national security*



## OUR ENVIRONMENT

New Zealand is facing a more challenging strategic environment than we have for decades, with increasing and compounding threats to our security. The use, and threat of use, of military power is increasingly shaping states' interactions. We face an increasing risk of conflict directly affecting New Zealand's national security interests. These challenges are also faced by Australia – our only ally – as well as the Pacific and other states that share our values and interests.

For decades, New Zealand has benefited from a strategic environment characterised by an international rules-based system that reflects our values and supports our interests. This system of international law, norms and institutions contributes to stability, and enables collective action across a range of issues.

In recent years, growing strategic competition has challenged the effectiveness of this system. Some states are acting in ways counter to recognised international rules and norms, and advancing competing visions for regional and global orders that are at odds with New Zealand's. This strategic competition is increasingly the backdrop for states' relationships, and is prompting major powers and regional states to adopt more offensive postures,

join new partnerships, and invest in defence and other instruments of national power.

China's assertive pursuit of its objectives is the major driver for the new era of strategic competition among states, both globally and particularly in the Indo-Pacific. Meanwhile, the ongoing conflict in Ukraine stemming from Russia's illegal invasion in February 2022 continues to have adverse consequences for the international rules-based system.

New Zealand's interests are global. The Government expects and will continue to direct Defence to contribute to global security and the reinforcement of the existing international rules-based system. This includes, for example, our long-standing contributions to peace and security in the Middle East and Africa.

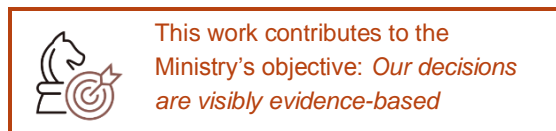
At the same time, climate change remains a paramount global challenge, directly affecting national and regional security, and exacerbating strategic competition and other security threats. The impacts of climate change will magnify existing fragilities, including in the Pacific, which in turn can increase economic and governance risks.

## OUR APPROACH

In response, New Zealand continues to evolve its defence strategy as part of the ongoing Defence Policy Review.

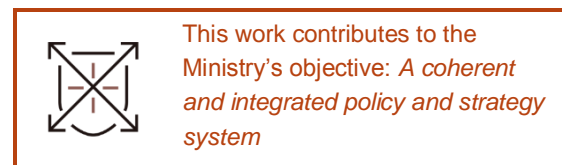
In August 2023, two key strategic documents were formally launched – the *Defence Policy and Strategy Statement* and the *Future Force Design Principles*.

They represent an updated strategic direction for both the Ministry and New Zealand Defence Force and were prepared following an extensive research and consultation process, involving conversations with the New Zealand public, government agencies and international partners, using data, statistics, global events and trends to inform the outlook.



- Developing option sets for decision making. This refines the information gathered in the first phase to develop options for the ways Defence can deliver on Government expectations over the next 15 years – this will include people, asset and through-life support.
- Preparing initial advice to Ministers. This includes advice on how to prioritise investments, potential funding pathways, and implementation of the plan.

The DCP will be publicly released once it has been approved by Cabinet.



## DEFENCE CAPABILITY PLAN

The final stage of the Defence Policy Review is the development of an updated Defence Capability Plan (DCP) which, once finalised, will outline the Government's future investment intentions for Defence to 2040.

The process for developing the DCP includes the following activities undertaken this year:

- Information gathering. This is to ensure Defence has a good understanding of what capabilities and options are available in the market.

## MARITIME FLEET RENEWAL

An example of work informing the updated DCP is the maritime fleet renewal programme.

All of the Navy's vessels, with the exception of the tanker, HMNZS *Aotearoa*, are due to reach the end of their life between 2032 and 2036. The maritime fleet renewal programme is underway to use this opportunity to rethink and improve the structure of the NZDF's maritime system, including looking at the number of ship classes; achieving greater concurrency across ships; and workforce optimisation.

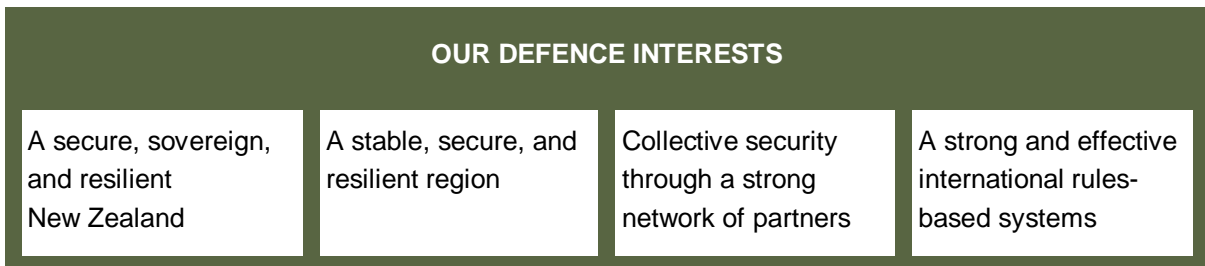
The programme has been stood up within the Ministry of Defence, and includes both Ministry and Royal New Zealand Navy staff.

# NEW ZEALAND DEFENCE STRATEGY

The *Defence Policy and Strategy Statement* articulates the Government’s updated defence policy and strategy approach to respond to the deteriorating strategic environment.<sup>1</sup> It identifies two principal threats for New Zealand:



These threats are increasing the risk to key defence interests:



The Statement emphasises the importance of acting early and deliberately in pursuing and protecting our defence interests, particularly in the Pacific, by:



Three mutually reinforcing themes give effect to defence policy settings:



This represents current policy and strategy settings for both Defence agencies, although these continue to develop to reflect the current environment. Details of the Ministry’s own medium-term strategy in its Statement of Intent is set out on pages 63-64, and notes are included throughout where our work connects with delivery of these strategic activities and objectives.

<sup>1</sup> The *Defence Policy and Strategy Statement* is available on the Ministry’s website at: <https://defence.govt.nz/publications//defence-policy-review-defence-policy-and-strategy-statement-2023>



## POLICY ADVICE

The Ministry produces a range of policy advice on international defence engagement, deployments, and investment proposals. For example, the Policy Branch within the Ministry produces three types of policy:

Strategic Policy	Thematic Policy	Regulatory Policy
Develops analysis and advice on New Zealand's high-level defence policy settings, including integrating defence policy alongside other national security policy areas.	Examines emerging and developing issues that will shape or change policy development, with a particular focus on new technologies; this includes for example space, cyber, and AUKUS Pillar II.	Examines New Zealand's regulatory environment to ensure it is fit for purpose and allows the NZDF to fulfil the tasks the Government asks of it.

### 3.4 / 5

**Assessing Defence Policy Advice:** the Ministry commissions an annual assessment of Defence policy advice by the New Zealand Institute of Economic Research. In 2023/24 the Ministry scored an average of **3.4 out of 5** for a random selection of its policy advice, against the Department of the Prime Minister and Cabinet's Policy Quality Framework.

The review included an assessment of papers regarding the *Defence Policy and Strategy Statement* and *Future Force Design Principles*. This pack of advice was rated 4 out of 5, with the assessment: *The collective set of briefings and publications set out a coherent view based on experience, the changing security situation, consultation and analysis.*

## REGULATORY REVIEW

A role of the Ministry is to ensure that the legislative and regulatory environment is fit for purpose, and supports the effective delivery of defence outputs.

The Ministry is currently reviewing some aspects of the Defence Act through a regulatory review project. There are sections of the Act that are more than 50 years old and may no longer adequately reflect the characteristics of modern NZDF operations, nor take into account advances in technology, as well as changes in domestic and international law.



This work contributes to the Ministry's objective: *A coherent and integrated policy and strategy system*

## INSPECTOR-GENERAL OF DEFENCE

The *Inquiry into Operation Burnham and related matters* recommended an Inspector-General of Defence (IGD) be established to provide dedicated independent oversight of the NZDF.

The Ministry has led policy work on the purpose, scope, functions, powers and organisational form of the Inspector-General and is now leading work to establish the Office. The purpose of the Office of the IGD is to:

- provide the Minister of Defence with dedicated oversight external to, and independent of, the NZDF
- help the Minister of Defence account accurately to the House of Representatives for the NZDF's activities, and
- assure the public there is independent scrutiny of those activities, including in relation to New Zealand's obligations under international law.

Legislation to establish the Office received Royal Assent on 26 July 2023 (Inspector-General of Defence Act 2023) and will enter into force on 26 January 2025. The Ministry of Justice is the Administering Agency for the IGD, to ensure independence from Defence agencies, as per legislative intent.



This work contributes to the Ministry's objective: *Implement Operation Burnham Inquiry recommendations*

## SPACE POLICY

Space technologies are critical to the safety and capability of deployed NZDF personnel and partner militaries around the world.

The *National Security Strategy 2023* identified space security as one of New Zealand's 12 most prominent national security issues.

As space-based technologies advance, Defence is increasingly reliant on them to provide a range of critical services such as navigation, communication, and maritime domain awareness.

With the recent rise in the number of satellites in orbit, space is an increasingly congested, contested and competitive space. Strategic competition has also increased the likelihood of irresponsible behaviour causing an incident generating space debris which, in turn, poses risks to other satellites and could generate further debris.

The Ministry works with the NZDF and Ministry of Business, Innovation and Employment on space security policy. It also works with a number of international partners to strengthen space security. New Zealand is, for example, one of 10 members of the Combined Space Operations initiative.

### Case Study: Space Domain awareness

Late last year, the Ministry worked in partnership with the NZDF to gain Cabinet approval for New Zealand to join the multinational space awareness programme called Joint Commercial Operations.

The initiative uses commercial tools and sensors to track the location and movement of objects in space. If an object is found to be a risk to another object, then a report is issued to space operators to decrease the risk of collisions and debris formation.

Fifteen countries have signed up to the initiative. NZDF personnel lead the Pacific cell, which is based at Royal New Zealand Air Force Base Auckland, and work and train closely with Australian and Japanese personnel.



The programme uses a follow-the-sun model, meaning coordinating nations can work roughly to their location's office hours, handing over to another coordinator in another region of the world at the end of their day. This initiative is one of the first operational space deployments for NZDF in New Zealand.

# Equip | Ngā taputapu

The Ministry of Defence purchases major equipment which becomes a capability when it is used by the personnel of the New Zealand Defence Force.

Ka hoko te Manatū Kaupapa Waonga i ngā utauta nui e tū ai hei āheinga ina whakamahia e ngā kaimahi a Te Ope Kātua o Aotearoa.

This work contributes to the Ministry focus area  
*Delivering to strengthen national security*



## EQUIPPING THE DEFENCE FORCE

One of the Ministry's key responsibilities is to plan for, advise on, and purchase major Defence assets and equipment, which become a capability when used by NZDF personnel.

The Ministry is currently managing the delivery of a large number of complex projects and programmes, worth approximately \$5.9 billion in Government investment.

The Ministry works in close partnership with the NZDF to deliver these large and complex projects. Projects the Ministry manages are considered to be medium- to high-scale and medium- to high-risk and can often require multiple payments in multiple foreign currencies around the world.

### HOW THE MINISTRY EQUIPS DEFENCE

The purpose and outcomes sought for each project are defined in a business case approved by Government. The decision to invest is based on information such as:

- the policy value and need for the capability
- details of options considered
- engagement with other government agencies, partner nations, and industry during the process of exploring potential solutions
- costs and timeframes that can be expected.

Once Cabinet has approved a business case, the Ministry leads on the delivery of major projects, from procurement through to introduction to service.

Project teams involve a combination of Ministry staff and NZDF personnel. Input from other government agencies may be sought, as well as advice from partner nations particularly where interoperability of equipment and systems is required.

Governance boards guide and steer projects to ensure Government expectations are met. Review and assessment of projects is undertaken as well, such as through the Treasury-led Gateway process.

### Foreign Military Sales

The Ministry uses a range of methods to purchase military capability.

One of these methods is the United States (US) Foreign Military Sales Program to facilitate the sale and export of US defence equipment, services and training. This is administered by the US Defense and State departments and the Defense Security Cooperation Agency.

The Foreign Military Sales process is a low risk procurement option that can result in more favourable pricing than New Zealand could negotiate directly.

Over recent years New Zealand has used the Foreign Military Sales process to acquire equipment, systems, training equipment, and more, for the P-8A Poseidon maritime patrol aircraft, the C-130J-30 Hercules and the 81mm Mortar capability.

### INVESTMENT DECISIONS BY GOVERNMENT

In 2023/24, the Ministry has progressed business cases relating to secure communications for the Bushmaster vehicles, an all-of-government data fusion system to support maritime security, and an upgrade to the navigation and radios for the NH90 helicopters (as part of the ORACS 2C project).

## 3.4 / 5

**Assessing Defence Policy Advice:** the Ministry commissions an annual assessment of Defence policy advice by the New Zealand Institute of Economic Research. In 2023/24 the Ministry scored an average of 3.4 out of 5 for a random selection of its policy advice, against the Department of the Prime Minister and Cabinet's Policy Quality Framework.

This review awarded a 4.5 out of 5 rating for policy advice relating to the Government's investment decisions for the Bushmaster Communications project endorsed by Cabinet in August 2023. It assessed: *A solid set of papers based on the strong foundations of the business case that sets up the structure. The information detailed gives confidence that Defence is a safe pair of hands. The case for purchase is clear, and it will fully support government objectives.*

### Case study: Working across government – Data Fusion System project

New Zealand's Exclusive Economic Zone encompasses around 4 million km<sup>2</sup> of ocean. Our maritime area of responsibility extends to more than 30 million km<sup>2</sup> North, East and West across the Pacific, and South to Antarctica. Across this vast expanse, threats to New Zealand's maritime domain include environmental and man-made hazards along with climate change and severe weather events, and activities such as illegal, unregulated and unreported fishing, smuggling and people trafficking.

In conjunction with Defence, more than 20 other government agencies have maritime security responsibilities within this area and gather and collate data from a range of domestic, international and space-based sources.

The Ministry has been leading a project to improve maritime awareness. In 2023 a request for information was released to market, and funding for the project was approved in Budget 2024.

The system utilises existing, global commercial feeds as well as specific New Zealand Government datasets in order to assess what is occurring in New Zealand's maritime domain. The capability is managed by the National Maritime Coordination Centre and started operation in July 2024.

## MANAGING PROJECT FINANCES

The Ministry's procurement activities are unique, in that much of the equipment we acquire comes from overseas and is purchased using various foreign currencies.

In order to mitigate risk from foreign exchange movements, the Ministry enters into foreign exchange forward contracts to gain certainty over the New Zealand dollar cost of the project. The Ministry works with the Capital Markets team at the Treasury to hedge risk. This process normally begins after Cabinet authorises a new project and there is budget certainty.

The Ministry tends to hedge funds through a series of forward purchase contracts – where the Ministry contracts to purchase a set amount of foreign currency at an agreed rate on a certain future date.

These contracts allow the Ministry to 'fix' the cost of an acquisition to the New Zealand government, while still allowing funding requirements to match the timing of expenditure.

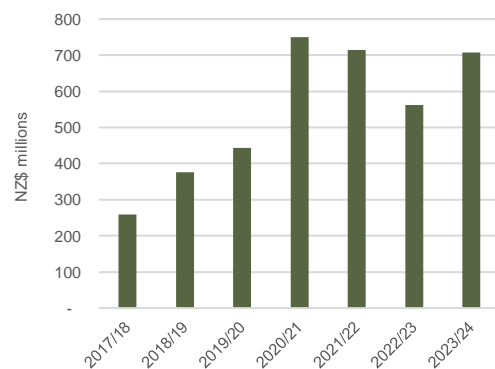


Figure 3: Foreign currency purchase amount (NZD) made by the Ministry of Defence

## MANAGING COMPLEXITY: THE CAPABILITY MANAGEMENT SYSTEM

Ministry led projects often involve significant investment, both in capital funding and through-life costs for operations and maintenance.

The projects are often large and complex, and can take years to design and deliver. They can come with a variety of challenges, including: the use of cutting-edge and classified technologies; international conventions and treaties; long timelines for the design and construction of complex equipment; interoperability with other nations; and availability of material when international conflicts put pressure on supply chains.

Project specialists must also manage contract negotiations, supply chain challenges, the impact of inflation on costs, and changing regulatory environments.

The Ministry works hard to ensure it has the right people with the right knowledge and experience to be able to deliver the equipment, as well as any training systems, supporting infrastructure, and through-life support.

Recognising the inherent challenges, the Ministry and NZDF have an end-to-end Capability

Management System that enables the cost-effective design, delivery, maintenance and eventual disposal of military assets and equipment.

The Capability Management System outlines the roles and responsibilities, structures, guidance, standards, tools, procedures, and people required for a project. The system has been designed to incorporate Cabinet and Treasury expectations for the management of investment and asset performance, including the Better Business Case model, and external assurance requirements.

While the Secretary of Defence and Chief of Defence Force have separate accountabilities for different phases of the capability lifecycle, the Capability Management System is designed to ensure the Ministry and NZDF will work closely together on each project and have shared accountability for its successful delivery.

Developed specifically for the Defence context, and based on international best practice, the system has undergone independent review on three separate occasions. Each review has confirmed the system has improved coordination between the Ministry and NZDF, reduced project risk, and created greater efficiencies.

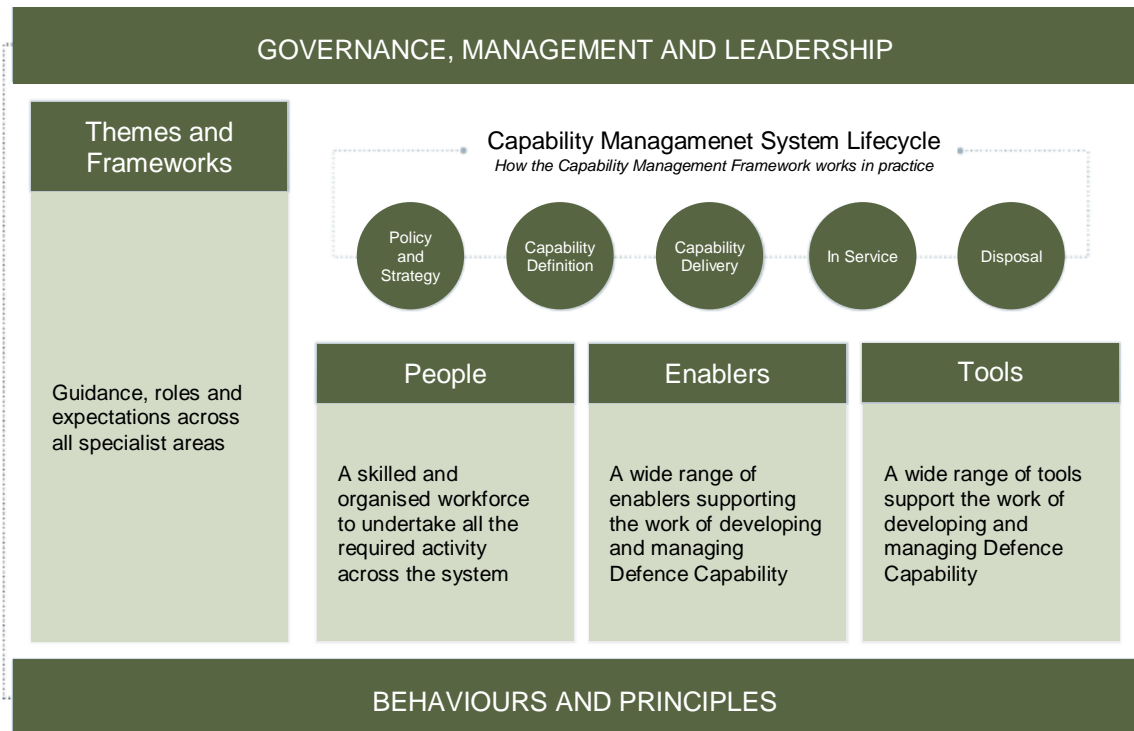


Figure 4: A high level overview of the elements that make up the Capability Management System

## WHO WE WORK WITH

The Ministry works with a number of government agencies, international partners, and manufacturers and suppliers to deliver equipment and assets to the NZDF that are modern, fit for purpose and well-maintained.

Integrated project teams may lead the delivery of these projects, comprising Ministry staff and NZDF personnel.

Input from other government agencies may also be sought, as well as advice from partner nations, particularly where interoperability of equipment and systems is required.

## LOCAL INDUSTRY

The New Zealand defence industry provides equipment and services that not only strengthen New Zealand's defence capabilities, but also

generate outstanding innovation and leadership in the sector.

When the Ministry issues a Request for Tender to industry, potential prime contractors who are often from overseas are encouraged to engage with and consider New Zealand industry involvement in the supply chain.

The Ministry supports a number of activities designed to bring prime contractors and local suppliers together, such as industry days and events like the Minister of Defence Awards of Excellence to Industry.



This work contributes to the Ministry's objective *We engage thoughtfully with our stakeholders*

### Case-study: Awarding industry excellence

Each year, the Ministry works with New Zealand Defence Industry Advisory Council and the NZDF to organise the Minister of Defence Awards of Excellence for Industry.

The awards recognise the significant contribution New Zealand and international businesses make to New Zealand's Defence sector and, more generally, New Zealand's national security.

In May 2024, Prime Contractor of the Year was awarded to Tasmania-based Sentinel Boats, who supplied three high-speed tactical littoral manoeuvre craft for HMNZS *Matataua* the expeditionary reconnaissance and mine counter measure diving team.

Constructed of high density polyethylene, these highly durable, low-maintenance craft don't require painting, there's no risk of corrosion and they can be repaired quickly. The twin arm davit on HMNZS *Manawanui* means it can transport a littoral manoeuvre craft and its team to where they are needed.

The award recognised Sentinel Boats' focus on partnerships. This included partnering with Christchurch-based company, Hamilton Jet, for the craft's propulsion system and equipment supplier and sustainment partner, General Marine Services of Auckland. Sentinel Boats accommodated a large dive team from the Royal New Zealand Navy to support their training. The award also recognised Sentinel Boat's low environmental footprint from the manufacturing processes.



## PROJECTS IN DELIVERY

The following pages outline the Ministry’s major equipment and asset projects and programmes, worth approximately \$5.9 billion.

The programmes and projects cover four military domains:

- Maritime
- Land
- Air
- Information


Ministry’s delivery of Defence equipment and assets is measured against the metrics of schedule, budget and benefits.

The Ministry strives to meet budget and capability metrics through fixed price contracts and benefits, which sometimes means schedule is under pressure, and this can result in project delays.

Recent contributing factors to delays have included industry resource and labour shortages, manufacturing delays and gaps in availability of the necessary NZDF personnel required to achieve Operational Release. These challenges have been exacerbated by the ongoing effects of COVID-19 on supply chains, the war in Ukraine and conflicts in the Middle East.

Crucially, missing a schedule milestone does not mean a capability is not available for use. When a capability is proved safe, it can be introduced into service, as was the case with the new Rural Fire

Appliances used to help in the response to the Port Hills fires in February 2024.



This work contributes to the Ministry’s objective *Delivering capability as promised*

### Projects completed

The 81mm Mortar Project has been substantially delivered by the Ministry and is awaiting project closure.

### Project forecast expenditure and total costs

New Zealand’s accounting rules require payments in foreign currency to be recorded at exchange rates at the date of the transaction (“spot rates”), rather than the hedged rate (contracted rate) to inform the total project cost.

The tables for each project show the difference in project cost when measured at spot rates, compared to the project’s hedge rate (contracted agreement). This difference is described as the effect of foreign exchange movements.

Forecast expenditure is reported using the exchange rates at the end of the financial year.

The following pages use the below chart (Figure 5) to indicate the progress of each project. The chart shows the overall budget approved for each project, and then breaks down spend to-date and forecast spend:

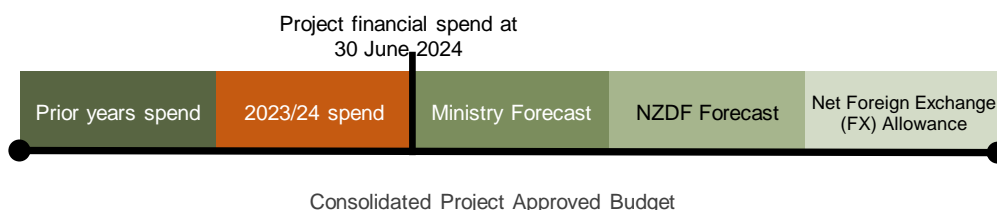


Figure 5: An example of the table used to show the financial progress of each project in the following pages



## MARITIME DOMAIN

While replacement options for the Royal New Zealand Navy's fleet will be considered over the coming decade, maintaining, upgrading and replacing current capability has been the focus of the Ministry's Maritime Domain projects.

Building on the combat systems upgrade work which took place for the Frigate Systems Upgrade project, further work is now underway on the Anzac-class frigates HMNZS *Te Kaha* and *Te Mana* to ensure there are options available to extend their operational lives beyond this decade.

External communications systems upgrades are the focus for the amphibious and military sealift vessel, HMNZS *Canterbury*, and the Offshore Patrol Vessels *Wellington* and *Otago*.

Over the past five years the Ministry has delivered two new ships to the Navy: the dive and hydrographic vessel HMNZS *Manawanui* in 2019, and the naval replenishment tanker HMNZS *Aotearoa* in 2020.



The successful live firing of a SeaCeptor missile in November 2023

### Maintaining and upgrading the frigates

New Zealand's two frigates – *Te Kaha* and *Te Mana* – are the main combat-capable ships of the Royal New Zealand Navy and play a vital role in protecting New Zealand, its exports, maritime resources and those of our international partners.

The frigates can detect, track and respond to surface vessels, submarines, and aircraft, and operate in combat roles. They can also undertake constabulary and humanitarian tasks. These non-combat roles include search and rescue, border protection, fisheries patrol, disaster relief, and activities to support to other government agencies.

Since their delivery in the 1990s, ongoing through-life-maintenance and major upgrades have been carried out to achieve their design life of 30 years. The mid-life Platform System Upgrade focused on propulsion, auxiliary and control systems. The Frigate Systems Upgrade has refreshed the ships' combat capabilities and replaced key mission systems.

Technical studies indicate that further work will make it possible to extend the ships' lives to the mid-2030s. This work will ensure the frigates can continue to operate in an environment that is markedly different from when they were built. While decisions on the future of the frigates are yet to be made, two areas of work for Frigate Sustainment currently in progress are:

- Communications: this project is upgrading external communication systems and equipment. More information is on page 27.
- Frigate Sustainment Programme initial work: selected machinery and systems are being replaced as well as structural work. More information on this Programme is on page 28.

## Anzac Frigate Systems Upgrade

Before the upgrade most of the frigates' combat capability was at least 20 years old, costly to maintain, and largely obsolete. New equipment and systems were bought, the design of how they would be installed on the frigates was confirmed, and the installation work was done in Canada by Lockheed Martin Canada.

*Te Kaha* was upgraded first having arrived in Canada in May 2018. *Te Mana* arrived the following year. Interim Operational Release – a key milestone prior to the final Operational Release, and the point when the capability can be effectively employed on operations – was achieved in 2021. By December 2022 both ships had returned from Canada, and been accepted.

While *Te Kaha* was undergoing a refit maintenance period and software alignment, *Te Mana* continued the Naval Operational Testing and Evaluation (NOTE) period. This included participation in Exercise BERSAMA LIMA 23 in South East Asia, and radar trials in the East Australian Exercise Area. The final significant NOTE activity was the successful live SeaCeptor missile firing that took place in November 2023.

The next step for the project is Operational Release by the NZDF. This marks the point at which the capability is formally considered to be proven effective, safe and suitable for its intended roles, and ready for operational service. This is expected to take place in the third quarter of 2024 and will be followed by formal closure of the Frigate Systems Upgrade project.



### At 30 June 2024 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	623,537	15,408	638,945
	Allowance for foreign exchange movements	44,752	-	44,752
	Original approved project budget	578,785	15,408	594,193
Forecast	Forecast total project cost	595,510	13,281	608,791
	Effect of foreign exchange movements	22,284	-	22,284
	Forecast cost using hedged rates	573,226	13,281	586,507
	Forecast project variance	5,559	2,127	7,686

## Frigate Sustainment – Communications

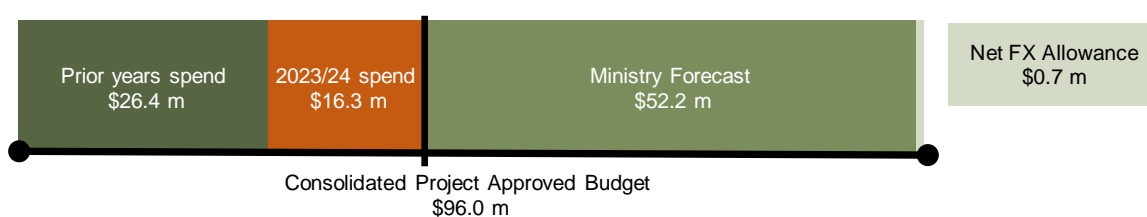
External communications equipment on both frigates are undergoing an upgrade that will ensure compliance with modern standards, and effectiveness of the communications capability through the ships' remaining life.

An initial phase of funding approved in 2021 enabled the design phase of this project to be completed in the third quarter of 2023.

Following approval in April 2023 of funding for the next phase, the project is working with UK-based

SEA Ltd to deliver the design's build and installation. The project has focused this year on acquiring the equipment and working on the integration facility where upgrade work will take place with New Zealand based sub-contractors.

SEA is working with New Zealand companies Beca, Marops, and McKay to install and deliver the communications upgrade. Beca will test and validate the upgraded capability. Marops will develop and supply computer-based training packages for maintainers and operators, and McKay will undertake the installation.



### At 30 June 2024 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	96,038	-	96,038
	Allowance for foreign exchange movements	3,197	-	3,197
	Original approved project budget	92,841	-	92,841
Forecast	Forecast total project cost	94,956	-	94,956
	Effect of foreign exchange movements	2,474	-	2,474
	Forecast cost using hedged rates	92,482	-	92,482
	Forecast project variance	359	-	359

## Frigate Sustainment Programme: Phase One

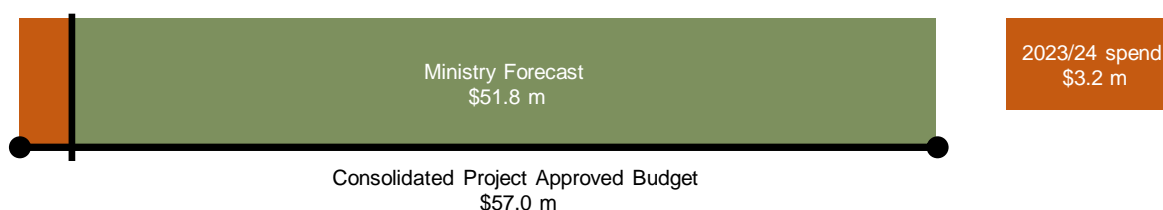
The Frigate Sustainment Programme is a multi-phase programme, established to extend the service life of the Anzac frigates beyond their original 30-year design life.

Rather than taking the ships out of service for an extended period, the programme is designed to deliver a number of system overhauls and replacements during the ships' standard maintenance periods. This is to ensure the frigates are available for training, operations, and contingencies while the programme is underway.

Where needed, documentation updates, training packages, infrastructure and updates to shore-based training and mission support systems will be delivered.

During the 2023/24 financial year the Frigate Sustainment Programme's staff have worked with a range of providers on the design of solutions and, where needed, have been in contract negotiations for the overhaul, refresh or replacement of existing equipment.

By delivering a programme with multiple phases, the overall benefits will be revisited and presented to Government at each point that an investment decision is sought. This allows the planning and scope of the programme to be adjusted as the Defence strategic environment evolves.



### At 30 June 2024 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	57,000	-	57,000
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	57,000	-	57,000
Forecast	Forecast total project cost	55,057	-	55,057
	Effect of foreign exchange movements	-	-	-
	Forecast cost using hedged rates	55,057	-	55,057
	Forecast project variance	1,943	-	1,943

## Dive and Hydrographic Vessel – HMNZS *Manawanui*

In 2023/24, the project completed the final phase of modifications on *Manawanui*, and will shortly achieve formal operational release

Since the Norwegian-built vessel was first purchased in 2018, a range of modifications have been completed including the most recent phase to upgrade the ship’s diver recovery systems and public address systems.

The Royal New Zealand Navy’s specialist divers and hydrographers provide vital services to New Zealand, the Pacific, and our partners, such as undertaking underwater search and rescue missions with the New Zealand Police, and surveying the seabed following major earthquakes.



In February 2020 the *Manawanui* achieved Interim Operational Release. Since then, the ship has participated in the biennial Rim of the Pacific Exercise, which is the world’s largest international maritime warfare exercise.

It also supported relief efforts following Cyclone Gabrielle in February 2023, checking on isolated coastal communities along the East Coast of the North Island and delivering critical supplies.



At 30 June 2024 Dive and Hydrographic Vessel project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	101,186	5,000	106,186
	Allowance for foreign exchange movements	2,770	-	2,770
	Original approved project budget	98,416	5,000	103,416
Forecast	Forecast total project cost	97,549	4,497	102,047
	Effect of foreign exchange movements	(402)	-	(402)
	Forecast cost using hedged rates	97,952	4,497	102,449
	Forecast project variance	464	503	967

## HMNZS *Canterbury* and Offshore Patrol Vessels Communications Upgrade

Communications system upgrades are underway on board *Canterbury* and the Offshore Patrol Vessels HMNZS *Otago* and HMNZS *Wellington*. These will enable better communications and networking with other ships, aircraft, ground forces and coalition partners when deployed.



The upgrade will increase the ship's ability to conduct concurrent operations, lead joint and combined operations and maintain interoperability.

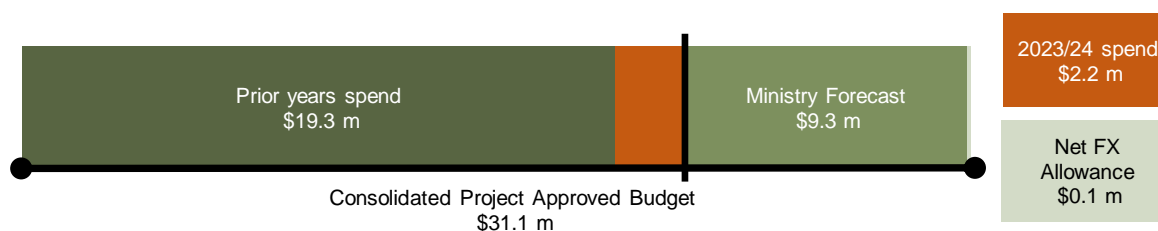
*Canterbury* is an amphibious and military sealift vessel. Her primary mission is to deploy personnel,

vehicles and cargo, using conventional port infrastructure or direct ship-to-shore using landing craft, boats or helicopters. The ship can provide medical support from a self-contained hospital, and can manage military or civilian operations from an on-board command and control facility.

The Offshore Patrol Vessels Communications Upgrade is designed to maintain tasking availability, improve ability to conduct expected tasks, and maintain interoperability with partner defence forces into the future.

While the offshore patrol vessels conduct a range of operations, their primary mission is to contribute to New Zealand's security and prosperity through surveillance, patrol, maritime interception, and search and rescue within New Zealand's Exclusive Economic Zone, the Southern Ocean, and the South Pacific.

MSA is the Prime Systems Integrator for the project and is working with subcontractors Beca Technologies and McKay Ltd. Installation work began in 2022 and has continued over the past year, with ship installation 90% complete on *Canterbury*, and trials underway on one offshore patrol vessel.



### At 30 June 2024 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	31,144	-	31,144
	Allowance for foreign exchange movements	1,447	-	1,447
	Original approved project budget	29,697	-	29,697
Forecast	Forecast total project cost	30,716	-	30,716
	Effect of foreign exchange movements	1,391	-	1,391
	Forecast cost using hedged rates	29,325	-	29,325
	Forecast project variance	372	-	372

## Maritime Sustainment Capability – HMNZS Aotearoa

In December 2023, *Aotearoa* achieved formal Operational Release, signalling the end of the Ministry’s project to deliver this major defence capability. Formal project closure processes are now underway.

The Ministry’s Maritime Sustainment Capability Project launched in 2016, when the Government approved the Maritime Sustainment Capability business case, authorising the Secretary of Defence to draw up contracts to deliver a maritime replenishment ship. Hyundai Heavy Industries was engaged to design and build the Polar-class vessel, and an Integrated Project Team was established in New Zealand and the Republic of Korea. Initial steel cutting began in early 2018 and two years later the *Aotearoa* arrived in New Zealand.

Since then, testing, evaluation and deployments have put the ship and crew through their paces, demonstrating the capability can undertake a range of functions including replenishment at sea, embarking helicopters, providing humanitarian aid, and resupplying New Zealand’s civilian and scientific teams in Antarctica.

This tanker is the largest the Royal New Zealand Navy has ever operated, and is winterised and ice-strengthened to deliver bulk fuel, portable water, ammunition, equipment and non-perishable supplies. Its design incorporates a wave-piercing bow to reduce resistance and lower fuel burn, a propulsion plant with lower fuel emissions, and catalytic reducers that reduce nitric oxide exhaust emissions.

Since delivery, the ship has deployed to the biennial Exercise Rim of the Pacific in 2024, provided aid and relief efforts to the people of Tonga following the Hunga Tonga-Hunga Ha’apai eruption and tsunami, and completed its first resupply mission to McMurdo Station in Antarctica in 2022.



### At 30 June 2024 project costs were:

	Ministry \$000	NZDF \$000	Consolidated project \$000	
Budget	Current approved project budget	498,447	24,160	522,607
	Allowance for foreign exchange movements	26,832	-	26,832
	Original approved project budget	471,615	24,160	495,775
Forecast	Forecast total project cost	461,873	23,993	485,866
	Effect of foreign exchange movements	17,222	-	17,222
	Forecast cost using hedged rates	444,652	23,993	468,645
	Forecast project variance	26,963	167	27,130

## LAND DOMAIN

Over recent years, the Ministry's Land Domain projects have focused on the replacement of ageing vehicle fleets and equipment.

The Network Enabled Army Programme is moving the New Zealand Army's planning, intelligence and communications functions to modern, interoperable and digital-based systems. It is being rolled out through a series of project tranches.

The new network enabled systems increase sharing capabilities between deployed units and the Army's command structure. They allow Commanders in the field to make decisions more quickly, based on detailed real-time information.

New equipment acquired through the Network Enabled Army Programme continues to be delivered and put to the test in exercises that demonstrate the capability of new radios, command posts, and a Battle Management System.

A number of new Uncrewed Aircraft Systems and Remote Ground Sensor Systems have also been delivered as part of the Programme, and are undergoing training and acceptance testing.

In the last year, Land Domain projects have received a number of final deliveries of specialist vehicles, including:

- 19 rural and domestic fire appliances
- 12 Medical Response Vehicles
- Six tanker trucks to refuel large aircraft, and
- 43 protected vehicles, which can be deployed to high threat environments.



Personnel from 3 Field and Emergency Response Squadron helping manage the Port Hills fires

### Case study: The changing role of 'radios'

Technological advances are providing new ways of working, new skills, and new opportunities for the New Zealand Army.

The Network Enabled Army Programme is delivering a land tactical information network. Underpinned by secure military radios, the programme is transforming how our soldiers communicate by delivering maps, imagery, video and data, along with real-time situational awareness.

Ironically, despite the cost of radios being one of the biggest programme expenses of Network Enabled Army, the information they transmit means the need for soldiers to talk has decreased.

Whether for military operations or humanitarian aid and disaster relief assistance, improved situational awareness and information means faster decision making at all levels of command and control. Interoperability with international partners means greater protection for our personnel.



## Garrison, Administration and Training Support Vehicles

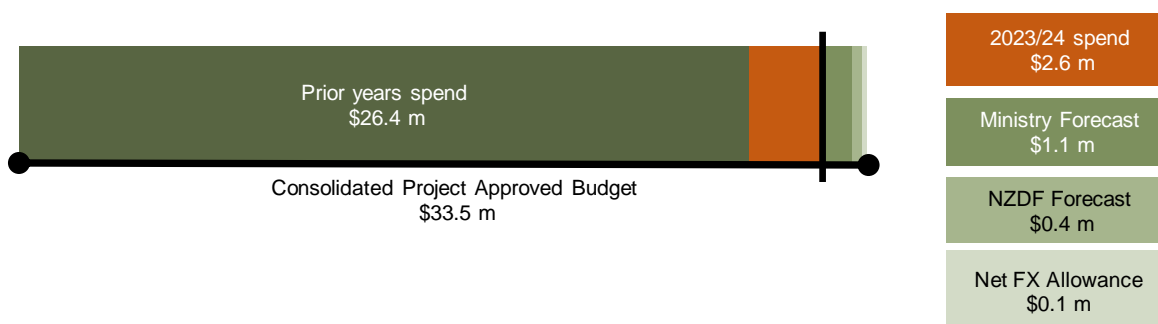
Fire appliances and medical response vehicles may not be the first types of fleets the public would think of when considering the range of vehicles the NZDF might need to use.

However this project's initial phase has delivered 19 fire appliances that include rural and domestic vehicles used for New Zealand camps and bases, and airfield response vehicles to respond to

emergencies. The project has also delivered 12 medical response vehicles, and six tanker trucks for refuelling large aircraft.

All vehicles have now been delivered, training and operational testing have been underway and the vehicles have been used, including – in the first half of 2024 – two of the rural fire appliances that were deployed for use in the Port Hills fires.

Infrastructure has also been delivered at RNZAF Base Woodbourne to support the airfield response vehicles.



### At 30 June 2024 project costs were:

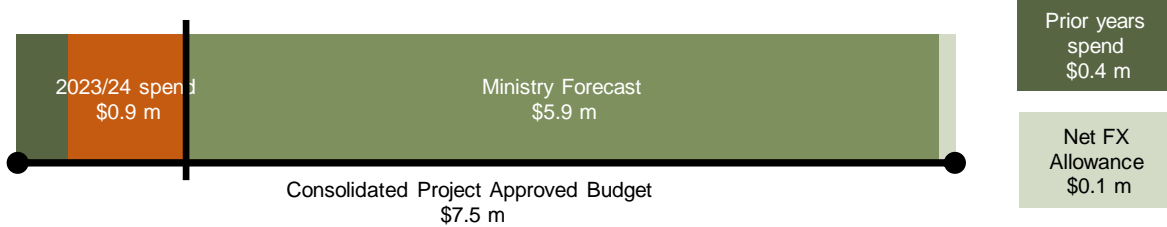
		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	33,017	456	33,473
	Allowance for foreign exchange movements	635	-	635
	Original approved project budget	32,382	456	32,838
Forecast	Forecast total project cost	30,112	384	30,496
	Effect of foreign exchange movements	487	-	487
	Forecast cost using hedged rates	29,626	384	30,010
	Forecast project variance	2,756	72	2,828

## Land Force Protection: Electronic Counter Measures devices

Electronic Counter Measures are devices used to act against radar, sonar, infrared or other detection systems. The devices can be used defensively or offensively, as they disrupt targeted information.

This project will deliver a suite of equipment that can be used for simultaneous land missions, across the broad range of environments the NZDF will likely operate in.

Phase One will deliver a new domestic capability. Phase Two will deliver a new expeditionary capability. The funding below is for Phase One.



At 30 June 2024 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	7,485	-	7,485
	Allowance for foreign exchange movements	685	-	685
	Original approved project budget	6,800	-	6,800
Forecast	Forecast total project cost	7,146	-	7,146
	Effect of foreign exchange movements	564	-	564
	Forecast cost using hedged rates	6,582	-	6,582
	Forecast project variance	218	-	218

## The Network Enabled Army (NEA) programme

Systems delivered under the Network Enabled Army (NEA) Programme are designed to provide real-time gathering, processing, evaluation and sharing of information, including to the soldier on the ground.

The Programme has received funding for Command, Control, Communications, and Computers capability, for communications systems for the new Bushmaster fleet of protected vehicles, and for Intelligence, Surveillance, and Reconnaissance equipment and systems.

### NEA Command, Control, Communications and Computers (C4) project

Over the year, new systems and equipment acquired for the Command, Control, Communications, and Computers (C4) project have been rolled out for use by the New Zealand Army.

They are currently undergoing a period of trial and development, ahead of an Operational Testing and Evaluation phase.

A combination of hardware (radios, servers, routers, and long-distance communications links) and software (such as the battle management system that enables all functions across the network) is being supported by industry specialists, as well as the Ministry's NEA Programme team.

Sets of equipment are being delivered and tested as mounted (vehicle-based) and dismounted (carried by people) capabilities, with users reporting that the digital-based common operating picture and associated information management systems have demonstrated their worth.

There is an increased ability to pass and receive data, and deliver greatly improved situational awareness. Testing and refinement continues with a planned expansion underway, delivering the new C4 capability to more Army units.

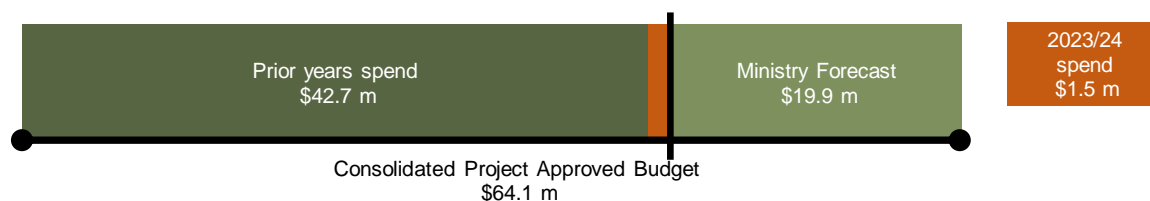
### NEA C4, tranche 1



At 30 June 2024 project costs for NEA C4, tranche 1 were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	107,253	-	107,253
	Allowance for foreign exchange movements	1,253	-	1,253
	Original approved project budget	106,000	-	106,000
Forecast	Forecast total project cost	106,641	-	106,641
	Effect of foreign exchange movements	724	-	724
	Forecast cost using hedged rates	105,917	-	105,917
	Forecast project variance	83	-	83

## NEA C4, tranche 2



At 30 June 2024 project costs for NEA C4, tranche 2 were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	64,091	-	64,091
	Allowance for foreign exchange movements	2,069	-	2,069
	Original approved project budget	62,022	-	62,022
Forecast	Forecast total project cost	64,107	-	64,107
	Effect of foreign exchange movements	2,440	-	2,440
	Forecast cost using hedged rates	61,667	-	61,667
	Forecast project variance	355	-	355

## NEA Bushmaster C4 Integration project

This project will deliver a suite of communications and digital systems for the Bushmaster vehicle fleet.

The Government approved a business case in 2023 and a Request for Proposal was then released to

industry. The Request for Proposal sought a Prime Systems Integrator, who can deliver and support the communications and digital systems, from design through to installation, troop training and equipment disposal. Some systems are being purchased through a separate contract and will be integrated as part of this process.



At 30 June 2024 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	27,700	-	27,700
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	27,700	-	27,700
Forecast	Forecast total project cost	27,104	-	27,104
	Effect of foreign exchange movements	-	-	-
	Forecast cost using hedged rates	27,104	-	27,104
	Forecast project variance	596	-	596

## NEA Intelligence, Surveillance and Reconnaissance (ISR) project

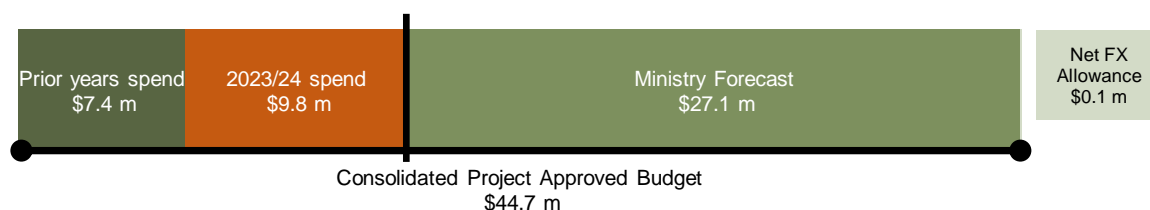
The NEA Intelligence, Reconnaissance and Surveillance Project will deliver a system, including sensors and intelligence processing capability, to the New Zealand Army to improve situational awareness and support deployed commanders' decision-making at all levels.

In 2022, the Ministry sought proposals from industry for military off-the-shelf equipment. Uncrewed Aircraft Systems (UAS) and Remote Ground Sensor Systems were included in the scope:

- Nano, or pocket-sized, systems

- Micro, which are small multi-rotor systems
- Fixed Wing, which are long-range, beyond visual range systems, and
- Remote Ground Sensors.

During 2023/24, contract negotiations have concluded and deliveries commenced. Acceptance testing and training is underway for some capabilities, including the Micro UAS that was tested at Waiouru in early 2024.



At 30 June 2024 project costs for NEA ISR, tranche 2 were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	44,718	-	44,718
	Allowance for foreign exchange movements	259	-	259
	Original approved project budget	44,459	-	44,459
Forecast	Forecast total project cost	44,324	-	44,324
	Effect of foreign exchange movements	204	-	204
	Forecast cost using hedged rates	44,120	-	44,120
	Forecast project variance	339	-	339

## Protected Mobility Capability: Phase One

New Zealand Army vehicles support NZDF operations across a wide range of challenging environments.

Many of the vehicles need to be highly mobile and capable of moving at speed on rugged terrain. They also need high levels of ballistic and blast protection for personnel inside.

Phase One of the Protected Mobility Capability Project (PMCP) is replacing the armoured

Pinzgauer and operational Unimog fleets with a Protected Vehicle–Medium fleet, comprised of 43 Bushmaster NZ5.5 vehicles. Phase One has also delivered a High Mobility–Light fleet of Polaris MRZR vehicles.

The 2023/24 year saw the full fleet of 43 Bushmasters delivered to New Zealand and driver and crew training commence. The fleet is made up of five variants, which are: Troop Carrier, Command and Control, Maintenance, Ambulance and Logistics.

### PMCP-Medium – the Bushmaster NZ5.5 vehicles



At 30 June 2024 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	113,868	-	113,868
	Allowance for foreign exchange movements	6,995	-	6,995
	Original approved project budget	106,873	-	106,873
Forecast	Forecast total project cost	107,650	-	107,650
	Effect of foreign exchange movements	2,487	-	2,487
	Forecast cost using hedged rates	105,163	-	105,163
	Forecast project variance	1,710	-	1,710

## PMCP High Mobility-Light – the Polaris MRZR vehicles



### At 30 June 2024 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	14,619	-	14,619
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	14,619	-	14,619
Forecast	Forecast total project cost	14,619	-	14,619
	Effect of foreign exchange movements	-	-	-
	Forecast cost using hedged rates	14,619	-	14,619
	Forecast project variance	-	-	-



## AIR DOMAIN

Effective monitoring and surveillance for New Zealand’s borders and maritime area of responsibility, as well as the ability to move personnel and equipment regionally and globally are outcomes that are heavily reliant on the NZDF’s air assets.

Replacing the air surveillance and air transport capability account for two-thirds of the approved

funding for the Ministry’s projects that are currently in delivery.

Maintaining NZDF aircraft fleets so they are compliant with civil and military regulations also requires ongoing investment. A series of investment decisions is ensuring navigation and communication systems are being updated across most fleets.

### Case-study: First New Zealand C-130J-30 Hercules test flight

After 18 months construction, New Zealand’s first Lockheed Martin C-130J-30 Hercules successfully took its first test flight over Georgia and Alabama, USA in April 2024.

The aircraft took to the skies for 246 minutes, reaching 10,500 feet and flying 984km. The flight was a significant milestone in the project to replace the NZDF’s existing Hercules fleet.

The same aircraft received its full paint job, which took 14 painters two days to apply 238 litres of paint.

This aircraft is a significant upgrade over the previous C130H:

	C-30H(NZ)	C-130J-30
Wing span	40.41m	40.41m
Height	11.66m	11.85m
Length	29.0m	34.4m
Speed	300kts	330kts
Payload	18.1 Tonnes	21 Tonnes
Pax	92 passengers	128 passengers



## Air Surveillance Maritime Patrol – P-8A Poseidon fleet

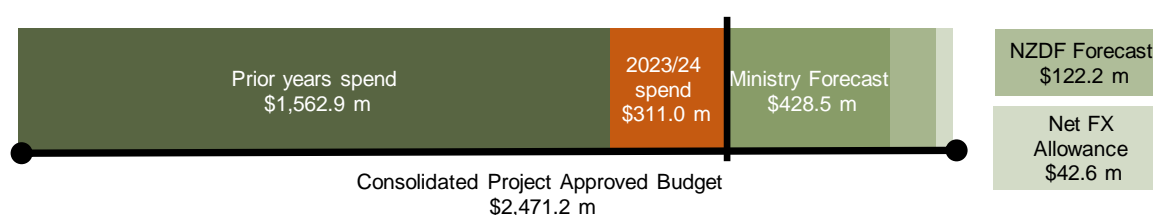
In July 2023, the fourth and final P-8A Poseidon aircraft procured by the Ministry's Air Surveillance Maritime Patrol Project landed in New Zealand.

The new fleet will support NZDF peace and security operations, maritime surveillance, resource protection, humanitarian and disaster responses in New Zealand, the Pacific and further abroad.

A planned and phased process is being used to release the fleet's capability. In June 2023, Phase

One of the aircraft's Interim Operational Release was achieved and the Search and Rescue and Intelligence, Surveillance and Reconnaissance functions were released. In December 2023, Phase Two of Interim Operational Release was achieved and anti-submarine and anti-surface warfare capabilities were released.

Work on the construction and fit out of the new facility at RNZAF Base Ohakea continued throughout the year, with the main contractor expected to complete their works at the end of 2024.



### At 30 June 2024 Air Surveillance Maritime Patrol project costs were:

	Ministry \$000	NZDF \$000	Consolidated project \$000	
Budget	Current approved project budget	2,348,697	122,541	2,471,238
	Allowance for foreign exchange movements	125,140	-	125,140
	Original approved project budget	2,223,557	122,541	2,346,098
Forecast	Forecast total project cost			
	capital expenditure	2,297,111	122,153	2,419,264
	non-capitalised expenditure	5,287	-	5,287
	Effect of foreign exchange movements	82,491	-	82,491
	Forecast cost using hedged rates	2,219,907	122,153	2,342,060
Forecast project variance	3,650	388	4,038	

## What the P-8A surveillance capability delivers

The project has delivered a fleet of four aircraft to replace the former P-3K2 Orion Maritime Patrol fleet. The fleet have a range of 1,200 nautical miles, can fly up to 490kts (903km/h) for up to four hours at a time.

They contain a range of technologies that enable the NZDF to:

- Carry out search and rescue operations along New Zealand's coastline, throughout the Pacific and in Antarctica. The aircraft can drop locator beacons and life rafts to survivors at sea and help to locate items in the water. It can also use marine locator markers (smoke signals) to indicate surface winds.
- Help protect New Zealand's borders from transnational criminal activity such as smuggling, and provide fisheries protection in New Zealand's exclusive economic zone, the Southern Ocean, and around Pacific nations. It has an electro-optic camera and infrared imaging technologies, which can provide high resolution video or images of boats and fishing activities.
- Undertake surveillance activities, such as surface and sub-surface operations, using equipment like sonobuoys that can track submarines.



The new facility for 5 Squadron at RNZAF Base Ohakea

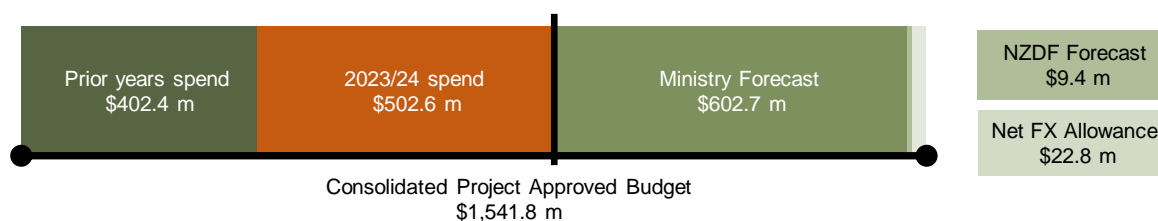
## Future Air Mobility Capability– Tactical

This project is replacing the existing Royal New Zealand Air Force C-130H Hercules fleet, which has been in operation since the 1960s.

The project is on track to deliver five new C-130J-30 Hercules by the end of 2024. The first aircraft to finish construction at the Lockheed Martin factory in Georgia successfully completed its first test flight in March 2024.

Crew training has continued throughout the year in the United States. New Zealand maintainers, loadmasters and pilot trainees were embedded in the United States Air Force operational 41<sup>st</sup> Airlift Squadron at Little Rock.

By the end of June 2024, construction of a building in New Zealand to house the new flight training simulator had progressed to the point of fit out. The simulator itself, which will be used to support ongoing pilot and crew training, is undergoing construction in the United States.



### At 30 June 2023 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	1,532,370	9,392	1,541,762
	Allowance for foreign exchange movements	38,115	-	38,115
	Original approved project budget	1,494,255	9,392	1,503,647
Forecast	Forecast total project cost	1,507,669	9,392	1,517,061
	Effect of foreign exchange movements	15,344	-	15,344
	Forecast cost using hedged rates	1,492,325	9,392	1,501,717
	Project variance	1,930	-	1,930

## Operational and Regulatory Aviation Compliance Sustainment (ORACS)

In response to new aviation regulations and technological upgrades, the Ministry is upgrading the communications, navigation, and air traffic management and identification systems on board NZDF aircraft.

A phased approach has been taken to deliver the Operational and Regulatory Aviation Compliance Sustainment (ORACS) Programme, to time delivery schedules with aircraft availability, planned maintenance periods, and the availability of providers undertaking the work.

Phase 1A successfully updated the civilian identification system Automatic Dependent

Surveillance – Broadcast Out on a number of fleets, including the Boeing 757, the Hercules, the Texan T-6Cs, and the A-109 helicopters.

In the last 12 months, Phase 1B has focused on identifying effective and timely options for upgrading the NH90 helicopter fleet. A proposal has been developed, using equipment that the Australian Defence Force has determined is surplus to its requirements. This approach is expected to deliver the upgrade ahead of schedule.

Phase 2 is delivering secure radio upgrades and a civilian-compliant navigation system to ensure the NH90 helicopter fleet can fly in New Zealand-controlled airspace and operate effectively while on deployment with international partners. These upgrades are being carried out by NATO Helicopter Industries.

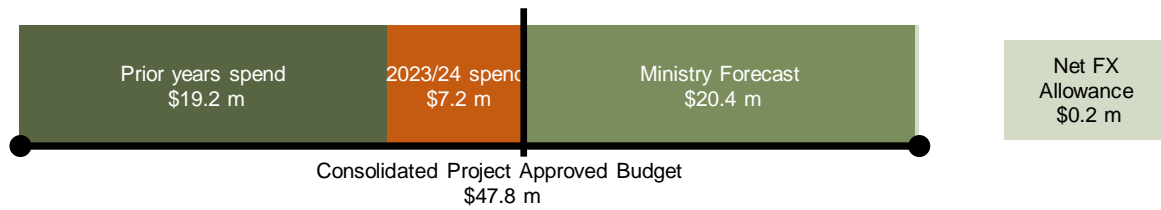
### Phase 1A ORACS



### At 30 June project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	19,544	-	19,544
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	19,544	-	19,544
Forecast	Forecast total project cost	19,230	-	19,230
	Effect of foreign exchange movements	(258)	-	(258)
	Forecast cost using hedged rates	19,488	-	19,488
	Forecast project variance	56	-	56

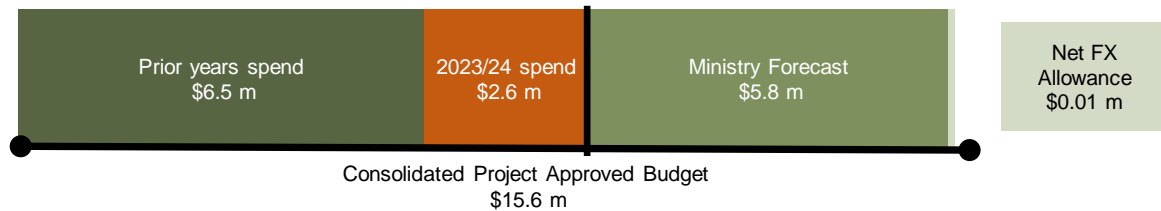
### Phase 1B ORACS



At 30 June 2024 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	47,818	-	47,818
	Allowance for foreign exchange movements	920	-	920
	Original approved project budget	46,898	-	46,898
Forecast	Forecast total project cost	46,788	-	46,788
	Effect of foreign exchange movements	685	-	685
	Forecast cost using hedged rates	46,103	-	46,103
	Forecast project variance	795	-	795

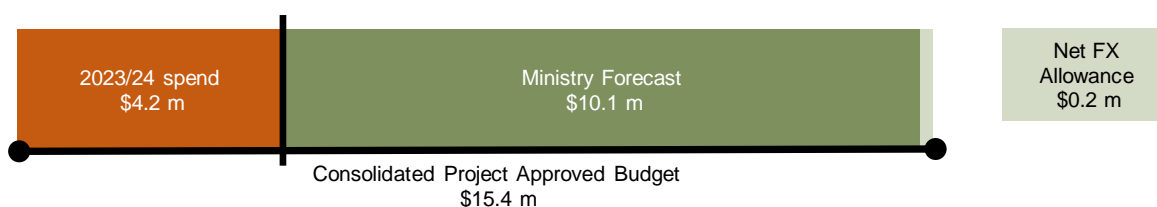
### Phase 2A ORACS



At 30 June 2024 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	15,576	-	15,576
	Allowance for foreign exchange movements	1,518	-	1,518
	Original approved project budget	14,058	-	14,058
Forecast	Forecast total project cost	14,823	-	14,823
	Effect of foreign exchange movements	1,507	-	1,507
	Forecast cost using hedged rates	13,316	-	13,316
	Forecast project variance	742	-	742

Phase 2B ORACS



At 30 June 2024 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	15,429	-	15,429
	Allowance for foreign exchange movements	359	-	359
	Original approved project budget	15,070	-	15,070
Forecast	Forecast total project cost	14,261	-	14,261
	Effect of foreign exchange movements	111	-	111
	Forecast cost using hedged rates	14,150	-	14,150
	Forecast project variance	920	-	920

## INFORMATION DOMAIN

Defence capabilities, at home and overseas, are increasingly reliant on digital technologies and cyberspace. Keeping pace with technological advances requires continued investment in information technologies and their security.

Projects within the Ministry's Information Domain aim to improve the effectiveness and efficiency of existing equipment and assets, deliver enhanced situational awareness, and improve response times and options, information fidelity, and command and control ability.

The Ministry has been delivering one project under this domain during the year, replacing the NZDF's fixed high frequency capability, ensuring this communications system remains available for Defence platforms.

### Fixed High Frequency Radio Refresh

The Defence Force's high frequency radio infrastructure is used to communicate with ships and aircraft across long distances, when satellite communications are unavailable – such as in the

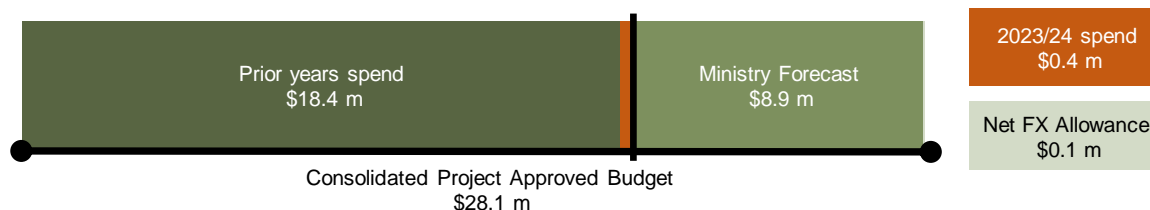
Southern Ocean – and for communicating with deployed forces that are not equipped with satellite communications capability. The current resources are a mix of fixed, owned and leased.

The project is consolidating and upgrading communications installations, facilities and transmitter stations.

The new system is being designed at the UK-based Babcock facility and development and testing is underway. In New Zealand, all transmitter and receiver antennae have been upgraded over the past year.

Delays encountered in the previous year have been managed, and an independent quality assurance process completed to identify lessons learned. A technical quality assurance process has verified the system's technical maturity.

The project schedule was re-baselined in October 2023.



At 30 June 2024 Fixed High Frequency Radio Refresh project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	28,110	-	28,110
	Allowance for foreign exchange movements	457	-	457
	Original approved project budget	27,653	-	27,653
Forecast	Forecast total project cost	27,767	-	27,767
	Effect of foreign exchange movements	394	-	394
	Forecast cost using hedged rates	27,373	-	27,373
	Forecast project variance	280	-	280



## SECTION FOUR | WĀHANGA TUAWHA

# Partner | Te whakahoa

The Ministry of Defence works with the Defence Force to shape New Zealand's relationships with foreign militaries and security organisations. We provide advice to Government and direction on defence relationships to maximise New Zealand's security and broader interests. Having a network of strong international relationships serves to protect and advance our interests.

Mahi tahi ai te Manatū Kaupapa Waonga ki Te Ope Kātua o Aotearoa hei waihanga i ngā hononga o Aotearoa ki ngā ope taua me ngā whakahaere whakahaumarutanga nō tāwāhi. Ka tuku kupu tohutohu mātou ki te Kāwanatanga, ka tuku hoki i te tohutohu mō ngā hononga waonga hei whakapiki rawa i ngā pānga.

This work contributes to the Ministry focus area:  
*Delivering to strengthen national security*



## DEFENCE DIPLOMACY

Defence diplomacy at the Ministry encompasses a wide range of activities, carried out by Ministry staff and NZDF personnel.

Many of the Ministry's diplomatic activities are dual purpose. In addition to strengthening international relationships, they can also contribute to introducing a new capability into service or provide new skills for Defence personnel.

## BUILDING INTERNATIONAL RELATIONSHIPS

Staff at the Ministry undertake a range of activities to strengthen ties with New Zealand's international defence partners. They regularly take part in bilateral and multilateral engagements.

They support the Minister of Defence and senior Defence officials in their international engagements.

The Ministry works in lock-step with the NZDF, Ministry of Foreign Affairs and Trade, and other government agencies to ensure its advice and engagements are aligned to broader domestic policies and priorities.

Face-to-face meetings are an important part of building and maintaining international defence relationships. They are an opportunity for New Zealand to demonstrate it is internationally engaged and able to play its part in addressing security challenges in the Pacific and beyond.

## ENGAGEMENT WITH AUSTRALIA

Australia is New Zealand's closest friend and our only formal military ally. We have a long-standing and deep history of military cooperation, supporting peace and stability both globally and in our Pacific region.

Our people work seamlessly together at the Defence policy and operational levels, to uphold the international rules-based system and foster a safe and prosperous Pacific region.

The Ministry works with the NZDF to support New Zealand Ministers and senior Defence officials when they engage with Australian counterparts, focusing on increasing interoperability and integration between our respective defence forces.

This work includes exploring options for combined procurement and increasing the opportunities to train and deploy together.

**70%**

**Assessing Defence Policy Support:** the Ministry surveys the Minister of Defence on the quality of the Ministry's policy support. A key part of this is briefings to the Minister to support her international engagements.

The Minister rated the Ministry's policy support 70% for the 2023/24 year.

## Case-study: Supporting the 2 + 2 Foreign Affairs and Defence Ministers' Meeting

In February 2024, the Ministry's International Branch supported the Minister of Defence and Minister of Foreign Affairs and Trade, during the inaugural Australia-New Zealand Defence and Foreign Ministers' Meeting in Melbourne.

Ministry advisors worked closely with NZDF personnel and their counterparts at the Ministry of Foreign Affairs and Trade to provide advice and briefing information.

At the meeting, Ministers reaffirmed their shared commitment on a number of key areas, including the Australia-New Zealand Alliance. They also reaffirmed their focus on increasing interoperability between our respective defence forces, and ensuring our shared region remains open, stable and prosperous.

Ministers agreed to meet again under the 2+2 meeting format next year.



Australian and New Zealand Ministers at the 2+2 meeting in February 2024

## ENGAGEMENT WITH PACIFIC PARTNERS

The Ministry is focused on engaging with New Zealand's Pacific partners, to strengthen Defence relationships and discuss common defence challenges, regional security issues and defence policy.

Every year, the Ministry organises and takes part in formal talks with Fiji, Papua New Guinea, Tonga

and Vanuatu. Ministry advisors also organise meetings at regional fora with Pacific Ministers.



This work contributes to the Ministry's objective *The Ministry is influential internationally and across the national security sector*

### Case-study: Providing support to the Minister of Defence at the 10<sup>th</sup> South Pacific Defence Ministers' Meeting in Noumea

In December 2023, the Ministry provided support to the Minister of Defence at the 10<sup>th</sup> South Pacific Defence Ministers' Meeting in Noumea. The South Pacific Defence Ministers' Meeting is the premier ministerial dialogue for regional defence ministers to discuss defence and security cooperation in the region. Members work collectively to assess shared regional security challenges, and identify new ways to improve cooperation and coordination on defence issues.

The Ministry is the lead advisor for this meeting, and works with NZDF personnel to ensure that New Zealand's objectives and Pacific nations' objectives are progressed.

Key outcomes from this event included the commitment to form a Pacific Response Group to respond to natural disasters that occur in the region, and an agreement to work on information sharing among member states.

New Zealand is now preparing to host the next meeting in Auckland in October 2024.



Attendees at the 2023 South Pacific Defence Ministers' Meeting

## Pacific secondments

The Ministry has two staff seconded to equivalent Ministries in Fiji and Papua New Guinea. These secondments have been established to strengthen defence relationships, deepen mutual understanding of security priorities, and build regional civilian defence capability together.

Since May 2023, the Ministry has had a policy analyst seconded to Fiji's Ministry of Home Affairs and Immigration. They have been part of the policy division team, supporting the development of civilian-led policy advice on defence and national security matters.



Working with the Fiji Ministry of Home Affairs and Immigration

A core focus has been helping the Fijian Ministry advance its commitment to diversity and inclusion through the *United Nations' Women, Peace and*

*Security Agenda*, including the development of an internal Gender Policy that codifies the Ministry's commitment to equity and non-discrimination. The advisor has also been helping the Ministry progress Fiji's first *Women, Peace and Security National Action Plan*.

Since February 2024, a policy analyst has also been embedded in Papua New Guinea's Department of Defence in Port Moresby. A key focus of their work has been contributing to the Department's development of a refreshed Defence White Paper.

They have also been helping the Department's International team prepare senior leaders for bilateral and multilateral engagements, as well as defence diplomacy events hosted in Papua New Guinea.



Working with the PNG Department of Defence

## Case-study: POLAD to the Solomon Islands

The Ministry's Policy Advisor (POLAD) programme is designed to embed civilian expertise across the NZDF's operational lifecycle, as well as providing policy advice to NZDF commanders at the tactical and operational levels. This programme supports greater policy-military integration, as recommended by the report of the Expert Review Group conducted following the *Government inquiry into Operation Burnham and related matters*.

As part of this programme, in March the Ministry sent a Policy Advisor to Solomon Islands to help the NZDF plan the nature and scope of its logistics support deployment for the country's General Election.

They provided civilian policy advice to NZDF personnel deploying to Solomon Islands and supported the NZDF during their engagement with civilian agencies, such as the New Zealand High Commission and Solomon Islands government agencies.

The Ministry has previously deployed Policy Advisors to the Middle East during the evacuation of civilians in Afghanistan in 2021, and the Solomon Islands following civil unrest in Honiara in 2021.

## Case-study: Facilitating the 2023 ASEAN Partners' Future Leaders' Workshop

In November 2023, the Ministry facilitated the 2023 Future Leaders' Workshop for ASEAN partners in Wellington.

Twelve Defence officials from across South East Asia attended a series of presentations from experts across academia, Defence, and other government agencies, all focused on the workshop theme, Climate Change – The Implications for Defence.

The workshop highlighted the pivotal role Defence in New Zealand plays in responding to climate change and showcased New Zealand's climate change expertise.

New Zealand's approach to defence leadership was also shared with participants, including diversity and practices of good governance.

The workshop was conducted as part of the Plan of Action to Implement the ASEAN-New Zealand Strategic Partnership (2021 – 2025). The plan was designed to help New Zealand forge a deeper, stronger and mutually beneficial partnership with ASEAN.

The Future Leaders Workshop is one of two annual courses the Ministry provides for ASEAN partners, the other being the Defence Policymakers' Course.



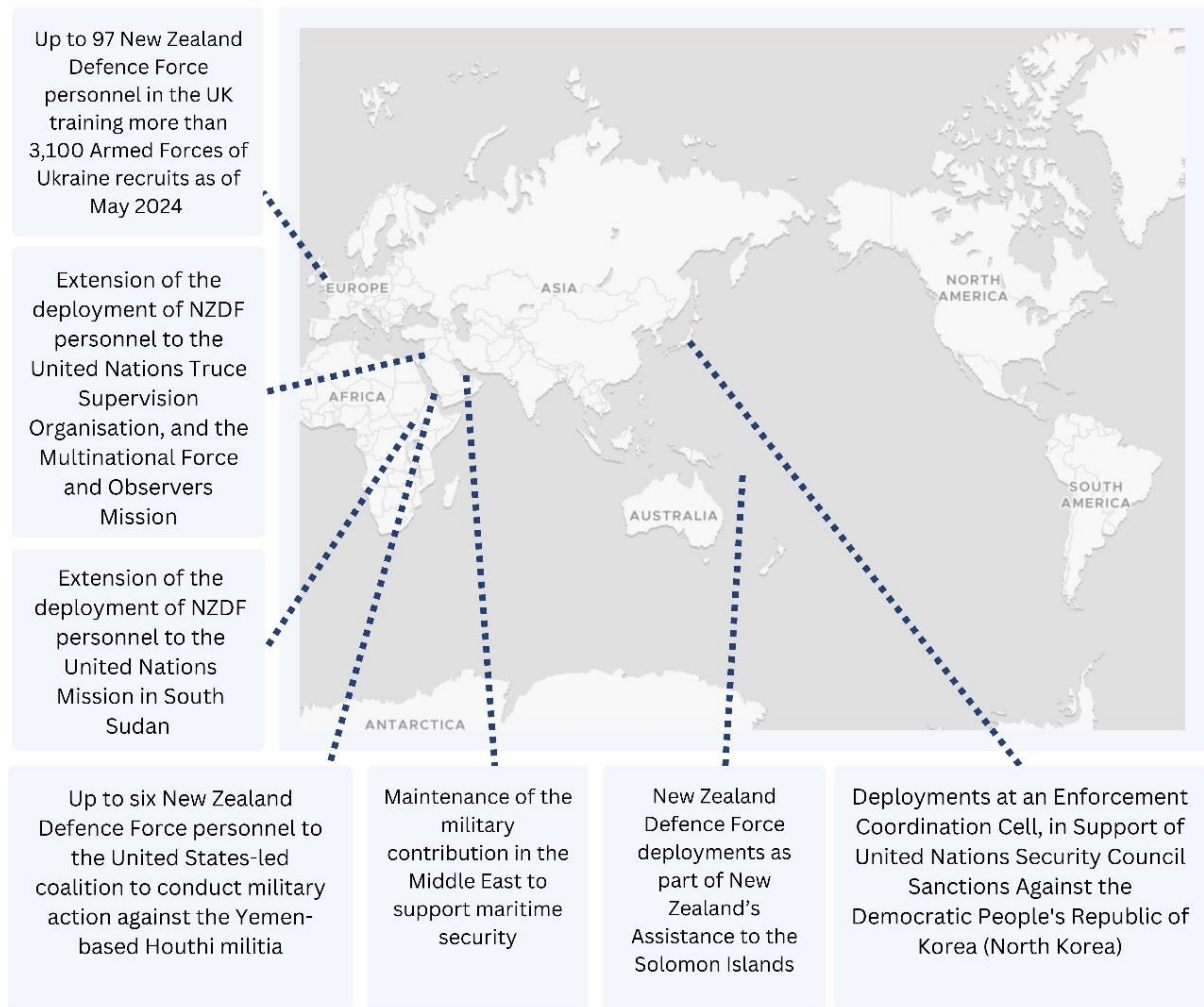
Participants for the 2023 ASEAN Partners' Future Leaders' Workshop

## DEPLOYMENT ADVICE

The Ministry works closely with the NZDF and other government agencies to provide advice to the Government on options for deploying NZDF personnel offshore in response to instances of instability and in support of the rules-based international system.

In partnership with the NZDF, the Ministry produced 13 deployment proposals for Cabinet. In 2023/24 our deployment advice has led to:

### In 2023/24 our deployment advice has led to



## RED SEA MARITIME SECURITY DEPLOYMENT ADVICE

In late-2023, Red Sea maritime security deteriorated significantly as a result of illegal Houthi attacks on international shipping. The Ministry worked with the NZDF and Ministry of Foreign Affairs and Trade to keep Ministers updated on the evolving situation and consequences for New Zealand.

In early 2024, the Government requested advice on options for deploying the NZDF to assist partners, given the impact on key New Zealand trade routes.

In January 2024, Cabinet agreed to deploy six personnel to the US-led coalition based in the Middle East, conducting strikes on Houthi military targets.



This work contributes to the Ministry's objective *We bring a deep understanding of the NZDF to decisions*

### 3.4 / 5

**Assessing Defence Policy Advice:** the Ministry commissions an annual assessment of Defence policy advice by the New Zealand Institute of Economic Research. In 2023/24 the Ministry scored an average of **3.4 out of 5** for a random selection of its policy advice, against the Department of the Prime Minister and Cabinet's Policy Quality Framework.

The assessment of the mandate renewal for the Red Sea deployment paper to Cabinet identified: *The nuances of this briefing give the reader an appreciation of why New Zealand needs to be involved in this type of deployment. Based on the solid foundations of a strong purpose statement and a well-defined problem. Good analysis of operational effectiveness and strategic intent.*

### Attacks on commercial shipping in the Red Sea by Houthis are disrupting the trade of goods between New Zealand and Europe

The Red Sea is a vital shipping lane that facilitates around 15% of global maritime trade volume<sup>2</sup>, and over 22,000 transit calls annually<sup>3</sup>.

In the year to September 2023, New Zealand exported \$7.7 billion worth of goods to Europe, the United Kingdom and North Africa, which made up about 11% of New Zealand's exports. In the same period, 20% of New Zealand's goods imports came from these countries<sup>3</sup>.

Attacks on commercial shipping in the Red Sea by Houthis have disrupted the trade of goods between New Zealand and Europe<sup>3</sup>. Because of this, many shipping companies have been diverting ships around the Cape of Good Hope, one of the southernmost points of Africa, instead of transiting through the Red Sea. This alternative route increases delivery times by 10 days or more on average<sup>4</sup>.

Shipping delays, increased transportation costs and cancelled export orders due to the Houthis attacks and resultant transit route changes are impacting businesses worldwide, including here in New Zealand.

<sup>2</sup> IMF, "Port Watch," <https://portwatch.imf.org/pages/573013af3b6545deae50ed1cbaf9444>.

<sup>3</sup> MFAT, "Implications of shipping disruptions in the Red Sea – February 2024," <https://www.mfat.govt.nz/en/trade/mfat-market-reports/implications-of-shipping-disruptions-in-the-red-sea-february-2024>; also includes latest update on goods figures from MFAT's Economic Division.

<sup>4</sup> IMF Blog, "Red Sea Attacks Disrupt Global Trade," 7 March 2024, <https://www.imf.org/en/Blogs/Articles/2024/03/07/Red-Sea-Attacks-Disrupt-Global-Trade>.



As at June 2024, transit volumes through the Strait of Bab-el-Mandeb (the Red Sea's Eastern entry point) have dropped by 70% compared to December 2023.

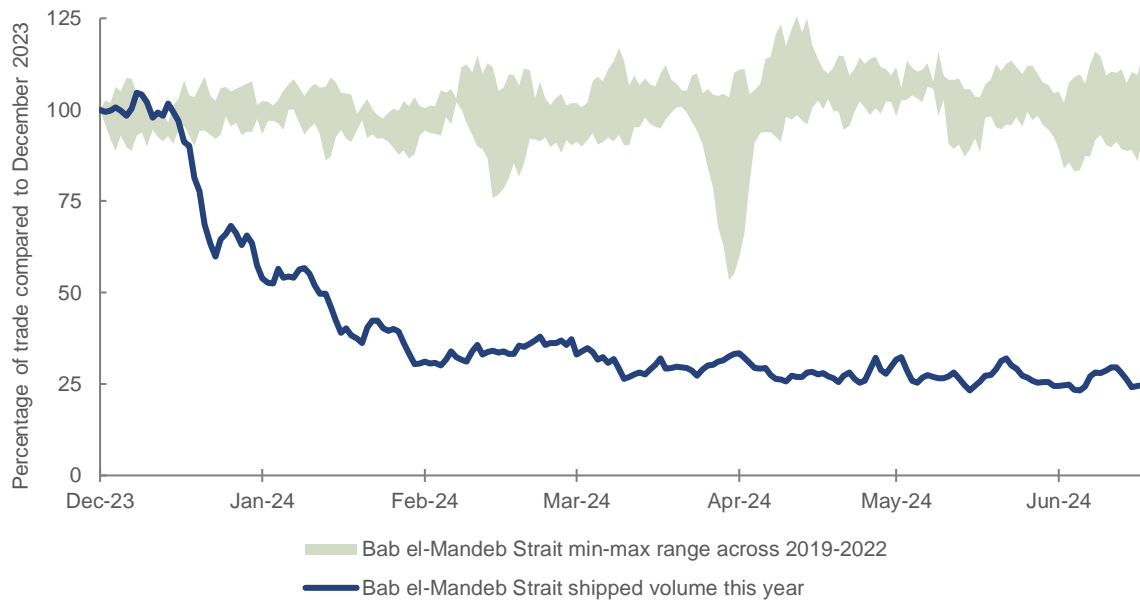


Figure 6: There has been a significant drop in transit volumes through the Bab el-Mandeb Strait (dark blue) when compared to the previous volumes for 2019-2022 (green: 7-day moving average; source: IMF Port Watch, data up to 18 June 2024)

## 3.4 / 5

**Assessing Defence Policy Advice:** each year the Ministry surveys the Minister of Defence on the quality of the Ministry's policy advice using a questionnaire set by the Department of the Prime Minister and Cabinet.

The Minister reviews our advice on international deployments, Defence policy and Defence major capability projects. The Minister rated the quality of the Ministry's policy advice **3.4 out of 5** for the 2023/24 year.

# Assess | Te arotake

The Ministry of Defence undertakes audits and assessments to ensure there is a clear understanding of the performance of the Defence system. This demonstrates system credibility, supports continuous improvement and strengthens the Ministry's ongoing advice to decision makers.

Ka whakahaere a Te Manatū Kaupapa Waonga i ngā tātari kaute me ngā aromatawai ki te whakarite e tino mārama ana ngā mahi a te pūnaha Waonga. Ka whakaatu tēnei i te hāpono o te pūnaha, ka tautoko i ngā mahi whakapaipai haere, ka whakakaha hoki i ngā mahi tohutohu a te Manatū ki te hunga whakatau take.

This work contributes to the Ministry's focus area:  
*Informing decisions with strategic insight*



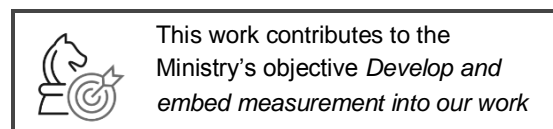
# MEASURING DEFENCE SYSTEM PROGRESS AGAINST POLICY AND STRATEGY

The Strategy Management and Assessment Division reports on progress being made by the Defence system toward the Government's defence policy and strategy, and how the system is performing.

A growing amount of objective data and evidence support these reports and measures progress.

This work informs strategic decision-making, continuous improvement of the Defence system,

and the development of future iterations of policy and strategy.



## AUDIT AND ASSESSMENT

The Ministry conducts audits and assessments of the NZDF and the Ministry's military procurements to support continuous improvement. The audit and assessment work programme is approved by the Minister of Defence.

The audits and assessments undertaken by the Ministry provide valuable insights to Defence decision-makers on how well the Defence system is operating, and whether it is fit for purpose to deliver Defence's outcomes and objectives.

Observations from audit and assessment activities also generate insights that are used to improve the performance of the Defence system.

The audits and assessments undertaken cover a wide range of topics, including:

- annual reporting of Defence system performance against the Government's defence policy and strategy settings
- reviewing Defence operations while they are underway and assessing operations when they end – as part of the Defence Operations Lifecycle Framework, and

- conducting thematic audits and assessments of NZDF functions, duties, or projects, and audits and assessments relating to the Ministry's procurement, replacement, or repair of major military capabilities.

### Designing the audit and assessment work programme

The Ministry's annual audit and assessment work programme is focused on high-risk Defence matters and operations that do not currently have another programme of work looking to identify and mitigate risk.

It is designed to demonstrate system credibility, support continuous improvement and strengthen the Ministry's ongoing advice to decision makers.

This work programme is also driving increased use of performance measurement and data insights to improve decision making and evaluation across Defence.

The 2024 and 2025 audit and assessment work programme was approved by the Minister of Defence in April 2024.

## Case-study: Auditing the management of hazardous substances

In 2024, the Ministry commissioned an audit to systematically evaluate the effectiveness of the NZDF's management, practices and policies for hazardous substances.

The audit evaluated the currency and relevance of NZDF's code of practice, as a result of legislative or regulatory changes introduced by the Government in relation to hazardous substances and health and safety practices.

The Secretary of Defence is obliged to conduct this audit under section 3(6) of the Hazardous Substances and New Organism Act 1996 and it is part of the 2024 audit and assessment work programme approved by the Minister of Defence.

Phase one of the audit has concluded and included the auditing of storage, usage, handling and disposal of Class 2-9 hazardous substances at Southern Base Royal New Zealand Air Force Woodbourne, New Zealand Army's Burnham Camp, and 2/4 Battalion at Kensington Army Hall, Dunedin.

Phase two, which focuses on North Island camps and bases, will be delivered in the 2024/25 financial year. Phase three, which will audit the storage, usage, handling and disposal of Class 1 hazardous substances (i.e. explosives) will be delivered in 2025.

The audits will help the NZDF to strengthen internal control procedures for managing hazardous substances, protect the health and safety of personnel dealing with those substances, and mitigate any environmental impacts due to operational activities.



Burnham Military Camp, Christchurch

# DEFENCE'S APPROACH TO DEPLOYMENTS

In 2021 the Expert Review Group (ERG) released a report of recommendations for current and future deployments on the themes of social licence, democratic oversight, and transparency.

The work of the ERG was wide ranging and covered four main areas:

1. legislative and working arrangements between the NZDF, Ministry and other government agencies involved in complex operations
2. the structure, function and purpose of NZDF Headquarters
3. the role, culture, and structure of New Zealand's Special Forces, and
4. NZDF's information management systems and practices, and the flow of defence knowledge to the Minister of Defence.

Co-led by the Defence agencies, the Operations Lifecycle Enhancement Programme team was established to ensure a cohesive and consistent approach to the implementation of the ERG recommendations.

These recommendations vary significantly in scale, scope and timeframe, from swiftly achievable to those underpinned by large-scale dependencies. The objectives of this programme span the breadth of Defence agencies and the programme has a range of key stakeholders.

The recommendations are designed to:


- Improve decision-making processes with regards to Defence operations,
- Increase the provision of timely and transparent information to operational decision makers, and

- Improve collaboration between NZDF operational and Ministry policy personnel.

Over 2023/24 the Ministry and NZDF worked together to jointly:

- codify Defence agencies' participation throughout the lifecycle of military operational missions and increase consultation with other relevant government agencies
- implement an 'In Operation Strategic Monitoring' process which has to date reviewed the NZDF's contributions and delivery of the strategic objectives related to the United Nations' peacekeeping operations
- establish the Defence Policy Advisor (POLAD) programme and a Memorandum of Arrangement between the NZDF and Ministry to support their deployment within NZDF operations
- deepen security sector awareness of military operational missions.

Ongoing work will establish system and information flows to ensure these mechanisms work together seamlessly to realise the ERG's intent. The final stage of this implementation will be in embedding the new mechanisms and systems.



This work contributes to the Ministry's objective *Implement Operation Burnham Inquiry Recommendations*

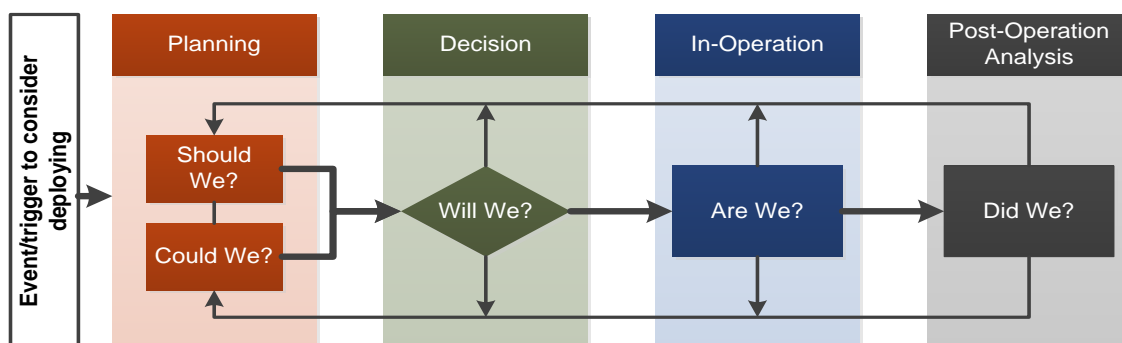


Figure 7: The operations lifecycle for considering a deployment. The Ministry is expanding its work in relation to the 'Should We' element, and also coordinating the new 'Are We' reviews and 'Did We' analysis.

SECTION SIX | WĀHANGA TUAONO

# Organisational health and capability | Te hauora ā-whakahaere me te āheinga

This work relates to our focus area:  
*Supporting talented and diverse people*



# DELIVERING OUR STRATEGY FOR 2021–2024

**Our vision:** Safeguarding New Zealand

**Our purpose:** Thought leaders strengthening national security in an uncertain world

To deliver our vision and purpose, the Ministry’s *Statement of Intent 2021–2024* identified a programme of objectives and activities framed around four key focus areas. Sections 2–5 identify how activities relate to the delivery of this strategy.



**Supporting talented and diverse people** | Te taunaki i ngā tangata ihumanea matahuhua



**Informing decisions with strategic insight** | Te whakamōhio i ngā whakatau mā te rautaki



**Delivering to strengthen national security** | Te koke kia kaha ake ai te haumarutanga ā-motu



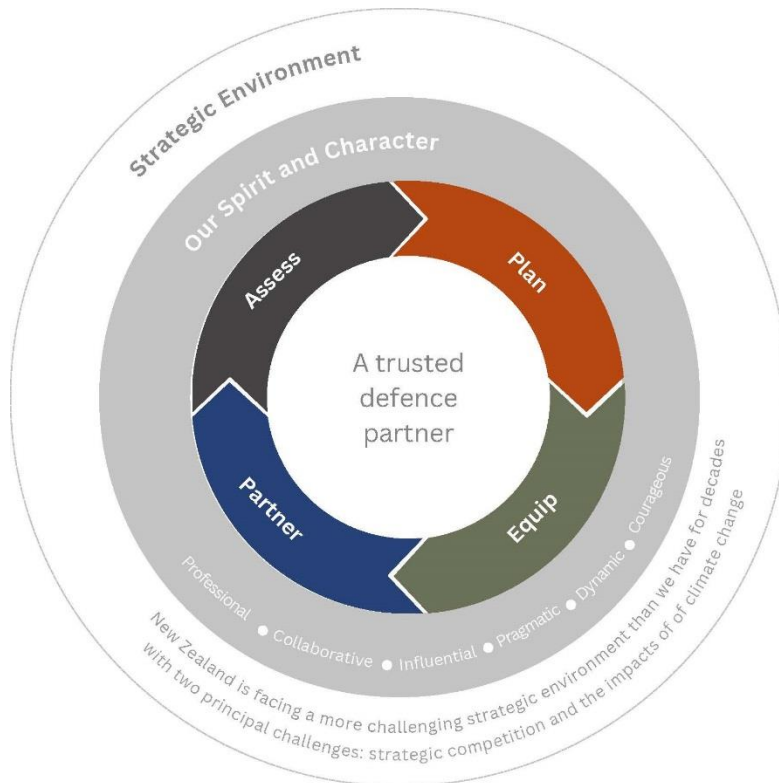
**Engaging New Zealanders on defence** | Te whakatoro i te kaupapa waonga ki a ngāi Aotearoa

<b>1.1</b>	<b>2.1</b>	<b>3.1</b>	<b>4.1</b>
A place where talented and diverse people feel included and able to do their best work	Everyone brings a whole of Ministry insight to their work	The Ministry is influential internationally and across the national security sector	New Zealanders understand security issues, Defence's role and the value of the Ministry
<b>1.2</b>	<b>2.2</b>	<b>3.2</b>	<b>4.2</b>
Ministry people are consistently supported and developed to be successful in their work	Our decisions are visibly evidence-based	A coherent and integrated policy and strategy system	We actively seek the input of New Zealanders on our work
<b>1.3</b>	<b>2.3</b>	<b>3.3</b>	
The Ministry is culturally competent	We bring a deep understanding of the NZDF to decisions	Delivering capability as promised	
	<b>2.4</b>	<b>3.4</b>	
	We engage thoughtfully with our stakeholders	The impact of our delivery is measured to inform future decisions	
		<b>3.5</b>	
		Implement Operation Burnham Inquiry recommendations	

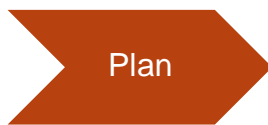
## OUR STRATEGY FOR 2024 – 2029

### Our new vision: A trusted defence partner

In 2024 the Ministry updated its Statement of Intent for the period July 2024 – June 2029. The update reflects the need to continue to deliver high-quality advice to the Government and fit for purpose equipment to the NZDF in what is an increasingly challenging strategic environment. The revised statement builds on the work done in the previous Statement of Intent period and is designed to support the Ministry's Spirit and Character, and its new vision: to be a trusted defence partner.



The revised Statement of Intent introduces four new strategic objectives, along with related key indicators and milestones. The Ministry's 2024/25 annual report will report delivery against this strategy.



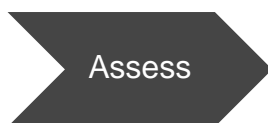
**Objective:** New Zealand's national security is enhanced by defence planning that is able to foresee strategic challenges, shapes Defence policy to match them and delivers a credible defence capability investment pipeline to respond to the challenges to New Zealand's interests now and in the future.



**Objective:** The NZDF is equipped to meet New Zealand's defence and security needs. The Ministry delivers major defence capabilities that are timely and fit for purpose.



**Objective:** Our partners have confidence in the New Zealand Defence system. We provide a valuable contribution to addressing security challenges that impact New Zealanders. The Ministry is respected for its expertise.



**Objective:** New Zealand understands the performance of the Defence system. A series of assessments demonstrate system credibility, support continuous improvement of the system, and strengthen the Ministry's ongoing advice to decision makers.



# TE RAUTAKI TANGATA Ā MĀTOU | OUR PEOPLE STRATEGY (2022-2024)

The Ministry's *Te Rautaki Tangata ā Mātou | Our People Strategy (2022-2024)* articulates the Ministry's priorities for growing our people and organisational capability to deliver on the Ministry's vision.

Our spirit and character is to be:



## **Influential** | Kia whai mana

Our work shapes the agenda and our advice is persuasive



## **Dynamic** | Kia hihiri

We see where change will improve results, we self-start it, and we see it through



## **Collaborative** | Kia mahi tahi

We work together and in partnership. We build trusted relationships to understand what's going on and get things done



## **Pragmatic** | Kia whai kiko

We find a way; we are practical, resourceful, and hard-nosed



## **Courageous** | Kia kaha

We do the right thing, even when that is personally and professionally hard



## **Professional** | Kia ngaio

People know us for our integrity, skills and attitude


The vision in our *People Strategy 2022–2024* has three elements:

- A place where talented and diverse people feel included and able to do their best work
- Ministry people are consistently supported and developed to be successful in their work
- The Ministry is culturally competent.

Delivery for this strategy is framed around four focus areas:

- Increased diversity and inclusion
- Wellbeing
- Building leadership
- Public Service Pay Gaps Action Plan.

These focus areas reflect the Ministry's commitment to initiatives within the public service such as: *papa pounamu* – diversity and inclusion; positive workplace cultures; and *kia toipoto* – pay gaps.



This work contributes to the Ministry's objective *A place where talented and diverse people feel included and able to do their best work*

## Diversity and inclusion

Diversity and inclusion is a key tenet of the Ministry's *People Strategy* and supporting talented and diverse people.

The five priority commitments of the public service initiative *Papa Pounamu* also shapes the Ministry's diversity and inclusions actions:

- Addressing bias
- Fostering diverse leadership
- Cultural competence
- Employee-led networks
- Inclusive leadership.


We provide new staff with training covering cultural competence, bias and behaviour expectations, and provide access to a range of employee led networks.

## Leadership

The Ministry believes the success of its leaders is integral to its overall performance.

The Ministry works to create opportunities for its leaders, of all levels, to discuss and improve collective and individual leadership challenges through its leadership programme.

In the last 12 months, the focus has been on supporting people to perform to their best by creating an inclusive environment and being mindful of mental health.



This work contributes to the Ministry's objective *Ministry people and consistently supported and developed to be successful in their work*

### Action plan on pay gaps

The Ministry pays women the same as men for doing the same work and has protocols in place to ensure this is maintained.

The Ministry's gender pay gap currently sits at 24%. This is a reduction from 46% in 2016 – the year before the Ministry committed to an action plan with targets for the first time.

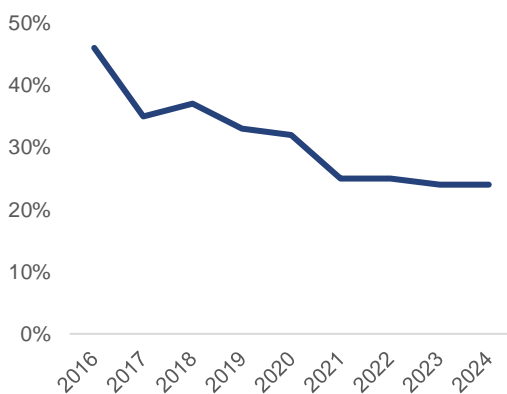


Figure 8: The Ministry's gender pay gap

The two key drivers for the Ministry's gender pay gap are occupational and seniority differences. They are not gaps in pay for the same role. A higher proportion of senior project staff are men and these specialist staff are drawn from a pool of traditionally male dominated STEM and military backgrounds.

The Ministry is focused on two specific targets to reduce the gender pay gap. They are:

**Target One:** To increase the percentage of women in senior leadership roles (tier 2 and tier 3) to 50% during the three years 2022 – 2025.

	30 June 2022	30 June 2023	30 June 2024
Female	44%	50%	42%
Male	56%	50%	58%

**Target Two:** to increase the percentage of women in tier 4 and lower management roles in the Ministry to a minimum of 40% over the next 5 years 2022 – 2027.

	30 June 2022	30 June 2023	30 June 2024
Female	17%	24%	26%
Male	83%	76%	74%

Despite improvements in the “Tier 4 and below” management target, the gender pay gap has remained static over this year. This is due to reduced recruitment activity.

Diverse ethnic representation is low across the Ministry. Some pay gaps exist with regards to ethnicity, however, the most significant gaps are attributable to gender.

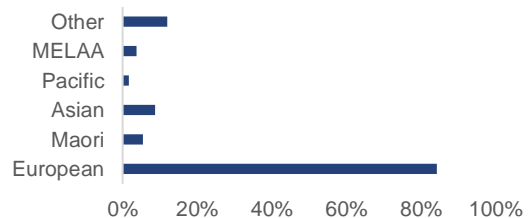


Figure 9: Ethnicities that Ministry staff identify with, as at June 2024

For further information on Ministry pay gap trends, targets and plans, please see the Annual Action Plan published on the Ministry's website. The Ministry will publish its combined *Papa Pounamu* and Pay Gaps Plan externally later in 2024.

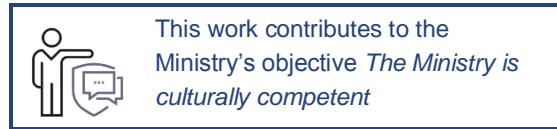
### Building people capability

The Ministry-wide working group, Hīnāture rōpū supports the delivery of the organisational strategy objective ‘the Ministry is culturally competent’. The rōpū has progressed work to build staff capability in te reo Māori, te ao Māori and knowledge of the Treaty of Waitangi, pulling together a number of resources and courses staff can access in one place, called *Kete Tuatahi*. This has been incorporated into the Ministry's performance management framework to enable formalised management and the recognition of staff growth in key competency areas.

Much of the work of the Hīnāture rōpū over this last year has been embedding their work and enabling others in the Ministry to:

- attend training and development opportunities to build cultural competency

- promote and use a cultural competency app
- regularly use karakia, waiata and mihi whakatau within the Ministry
- create and participate in staff celebration and educational opportunities for Matariki and Te Wiki o te Reo Māori.



### Employee-led networks

Employee-led networks work closely together and support each other to build a sense of community and inclusion across the Ministry. They provide education, social opportunities, advocacy and support for staff and the communities they represent. This supports an environment of engagement, productivity and innovation. The networks also support professional development and give visibility of emerging talent and future leaders.

Network leads meet regularly to collaborate on Ministry-wide initiatives. They provide input into people policies and processes and run combined education campaigns for mental health awareness week.

The established networks are:

- Pasifika network
- Women’s network
- Pride network
- Young Professionals

- Social Club.

The Executive Sponsor for Diversity and Inclusion at the Ministry takes an active interest in the employee led networks ensuring they have access to the Strategic Leadership Team to share insights and modest funds to support initiatives.

## TREATY SETTLEMENTS AND ENGAGEMENT

Currently the Ministry has no Treaty settlements, either historical or pending. The Ministry is not directly involved with any current Tribunal claims, but monitoring this as there may be broader Defence implications stemming from current inquiries involving the NZDF and subsequent reporting.

Work is underway to increase understanding of how the Treaty of Waitangi intersects with Ministry work, as well as when and how to engage with Māori and to understand Māori perspectives.

The Ministry has been working through how to apply Te Arawhiti (the Office for Māori Crown Relations) guidance on how to consider the Treaty of Waitangi’s implications in Defence policy development and implementation.

## HEALTH AND SAFETY

The Ministry’s Health and Safety Committee brings staff and managers together to consider health and safety matters; identify risks and hazards and actions to address them; and engage to promote the level of awareness of health and safety in the Ministry.



## LEVERAGING TECHNOLOGY AND A DIGITAL FUTURE

The Ministry regularly assesses what technical skills and capability we need to deliver our work. We employ people who are responsive and adaptable. Professional development opportunities ensure we continually develop our staff in key areas.

We continued to build our leaders' workforce-planning capabilities through business planning and forecasting, talent management, and recruitment planning conversations.

The Ministry receives property services from the Defence Force, who are the primary tenant of

Defence House in Wellington. The Ministry also receives communications, ICT, and some security services from the Defence Force. This enables the ministry to leverage economies of scale and support collaboration in developing advice on Defence policy and deployments, and the delivery of military capability.

The Ministry utilises a range of all-of-Government tools provided by the Government's functional leads, including the use of the common web platform for the Ministry's website, the Government Electronic Tender Service, and benefits from all-of-government procurement contracts.

### Case-study: Exercise RŪ WHENUA – testing our Business Continuity Plan

The Ministry's Business Continuity Plan allows us to respond to business disruption and manage the restoration of business activities following an incident or emergency. It includes the plan, procedures and resources required to implement a response to a range of incidents, from natural disasters and loss of critical systems to cyber-attacks on our Defence networks.

On 12 June 2024 the Ministry of Defence successfully tested the Business Continuity Plan by enacting the real challenges that could be faced in a disaster scenario. The test involved collaboration with multiple Government agencies such as the NZDF, New Zealand Police, the National Emergency Management Agency, and the National Cyber Security Centre. This was an excellent opportunity for Ministry staff to test our own resilience in a controlled manner, identify lessons learned, and plan for future disaster scenarios.

## REDUCING THE MINISTRY'S CARBON EMISSIONS

The Ministry is committed to meeting the Carbon Neutral Government Programme requirements. The Ministry will measure, reduce and report its emissions profile, and have its data externally validated.



In 2023/24, the Ministry emitted 1,053 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e), which was a very similar result to 2022/23, but a 50% reduction from 2018/19 (the Ministry's base year).

The Ministry's greenhouse gas emissions measurement (emissions data and calculations) have been independently verified against ISO14064-1:2018 by Toitū Envirocare. The Ministry has achieved the Toitū carbonreduce certification for the six years from 2018/19 to 2023/24.

The Ministry's largest emissions source is air travel, and more specifically international air travel. The Ministry's emissions for the last 6 years are illustrated below:



Following the closure of New Zealand's international borders in March 2020 due to COVID-19, the Ministry's travel and resulting emissions reduced significantly. 2018/19, 2022/23 and 2023/24 were the only years included in Figure 10 where New Zealand's borders were fully open for the whole 12 months. The comparison between these years therefore provides the best illustration of the reduction in the Ministry's carbon emissions.

Figure 10: The Ministry's total carbon emissions from 2018/19 to 2023/24

The emissions for 2023/24 are further broken down below.

Source	Category	Scope <sup>5</sup>	tCO <sub>2</sub> e	% of total
International Flights	Indirect Emissions from transportation	3	859.2	81.6%
Domestic Flights	Indirect Emissions from transportation	3	81.6	7.7%
Other	Indirect emissions from other sources	3	63.6	6.0%
Accommodation	Indirect Emissions from transportation	3	35.7	3.4%
Electricity Generation	Indirect Emissions from imported energy	2	13.0	1.2%
<b>Total Emissions for 2023/24</b>			<b>1,053.1</b>	<b>100%</b>

Table 1: 2023/24 emissions broken down by scope and source

The intensity of the Ministry's emissions is tracked by the number of Full Time Equivalents (FTE) and the value of expenditure incurred each year. This is illustrated in the following table:

KPI	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
FTEs	150	162	165	166	197	198
Expenditure (\$M)	354	298	537	811	982	929
<b>Emissions Intensity</b>						
Total gross emissions per FTE in tCO <sub>2</sub> e	14	10	2	5	5	5
Total gross emissions per million dollars of expenditure in tCO <sub>2</sub> e	5.9	5.4	0.7	0.9	1.1	1.1

Table 2: Emission intensity by FTE and expenditure

<sup>5</sup> Scope 1 and 2 emissions are those that are owned or controlled by the entity, whereas scope 3 emissions are a consequence of activities of the entity but from sources not controlled or owned by it.

The Ministry's expenditure can vary significantly depending on the stage, size and number of major projects the Ministry is delivering in any given year. Expenditure has increased in recent years. Gross emissions per million dollars of expenditure in 2023/24 remained consistent with 2022/23, which aligns with expectations as there were no significant project changes throughout the year.

## Emissions context

Ministry staff travel overseas for two main reasons:

- to engage with international defence partners in order to maintain and enhance relationships with these partners, and
- to meet with suppliers of defence equipment that the Ministry is procuring equipment from, on behalf of the NZDF.

International travel will continue to be one of the cornerstones of the Ministry's business. However, the Ministry has proactively changed its approach to international travel in order to reduce its carbon emissions, whilst still ensuring that critical international travel takes place. The Ministry's travel policy has resulted in reduced emissions against our 2018/19 baseline as a result of:

- ensuring that travel is necessary and justifiable in every case and that the objectives of the engagement cannot be met remotely
- setting clearer guidelines on the class of travel so that it is appropriate to meet business needs whilst minimising emissions, and
- providing the Strategic Leadership Team with monthly reporting on emissions and travel statistics.

## Our reduction targets

In line with the requirements of the Carbon Neutral Government Programme, the Ministry has set the following targeted emissions levels:

- In 2024/25 – the Ministry will emit no more than 1,650 tCO<sub>2</sub>e (a 21% reduction from 2018/19), and
- In 2029/30 – the Ministry will emit no more than 1,211 tCO<sub>2</sub>e (a 42% reduction from 2018/19).

The impact of COVID-19 and closed international borders resulted in the Ministry's emissions being well below the targeted levels in 2019/20 and 2020/21. 2022/23 was the first full financial year with the borders open since 2018/19, which – along with the 2023/24 results – provides a clear indication that the Ministry is on track to meet these targets.

The Ministry expects to achieve these targets through its new approach to international travel as noted above.

## Emissions sources

The Ministry is meeting the requirements for capturing emissions from all mandated sources. The quality of the source data is considered sound, with some minor improvements to data collection practices planned for the coming year.

The Ministry has not reported emissions generated from its procurement of major defence capabilities on behalf of the NZDF. Most of the Ministry's procurement contracts are with overseas suppliers, and information on the emissions generated during the construction process is not currently available. However, once these capabilities have been procured and transferred to the NZDF, the emissions generated from their use will be tracked and monitored by the NZDF as part of their obligations.

SECTION SEVEN | WĀHANGA TUAWHITU

# Vote Defence by Appropriation |

Te Pūtea Kaupapa Waonga: Ngā Mahi kei ia Rārangi Pūte

## THE MINISTRY'S DELIVERY

The Ministry of Defence is a New Zealand government department as defined by section 5 of the Public Service Act 2020. The relevant legislation governing the Ministry's operations includes the Defence Act 1990, the Public Finance Act 1989 and the Public Service Act. The Ministry's ultimate parent is the New Zealand Crown.

Under the Defence Act, the Ministry is the Government's lead civilian advisor on defence. It provides civilian advice on defence matters to enhance the security and national interests of New Zealand and its people. The Ministry also purchases major capabilities to be used by the service personnel of the NZDF. Page 8 provides further context on the Ministry's role.

## SIGNIFICANT NEW INITIATIVES

The table below illustrates the significant projects that the Ministry has gained funding approval for over the last three years, and how the performance of these projects are being tracked. These projects are all being delivered under the Defence Capabilities non-departmental multi-category appropriation.

Policy Initiative	Funding (\$000)	Year of approval	Reference to performance measures
Operational and Regulatory Aviation Compliance Sustainment Phase 2C: Navigation and Encrypted Radios Upgrade for the NH90 Medium Helicopter Fleet	66,567	2023/24	Performance measures for all these capability projects are included within the non-departmental measures below. Further descriptions on each project can be found in the capability delivery section on pages 24–48.
Bushmaster Communications	27,700	2023/24	
Frigate Sustainment – Communications	92,841	2020/21 and 2022/23 <sup>6</sup>	
Frigate Sustainment Programme – Phase 1	57,000	2022/23	
Operational and Regulatory Aviation Compliance Sustainment: Phase Two	19,588	2021/22	

## STATEMENT OF COMPLIANCE

This performance report of the Ministry has been prepared in accordance with the requirements of the Public Finance Act, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and PBE Standards Reduced Disclosure Regime.

The performance report set out on pages 13–61 and 72–78 provides service performance information. In preparing this report, the Ministry has made judgements on the application of reporting standards and has made estimates and assumptions concerning the future. The estimates and assumptions may differ from subsequent actual results.

The main judgements, estimates, and assumptions are discussed below.

## STRATEGIC INTENTIONS

The Ministry's high level outcomes are set by the Government strategic defence policy, including the *Defence Policy and Strategy Statement 2023*, the *Future Force Design Principles 2023* and the *Defence Capability Plan 2019* (DCP). The Government is currently completing work on an updated DCP. Further details are provided on page 16.

<sup>6</sup> Project approved in two phases – funding for design in 2020/21, and then the build and installation phase was approved in 2022/23.



The Ministry's own organisational strategy is set in its *Statement of Intent 2021–2025* and, from 2024, its *Statement of Intent 2024–2028*. This provides a series of milestone objectives framed around four focus areas. Further details are provided on pages 63 and 64. Pages 15–61 report progress against the objectives in the *Statement of Intent 2021–2025*.

In order to deliver its work, the Ministry has two departmental appropriations, and a non-departmental appropriation for the delivery of the defence capability to the NZDF on behalf of the Minister of Defence.

This section provides details of the appropriations under Vote Defence that fund the delivery of the Ministry's work, including the performance measures and targets for delivering this work. The Ministry's Strategic Leadership Team receives quarterly reporting on progress against these measures. The measures are reviewed annually to ensure they remain fit for purpose and accurately reflect our work, and to review if targets are appropriate. Additional detail about the specific projects delivering major defence capabilities are provided on pages 24–48.

## CRITICAL REPORTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Performance measures have been selected for each of the activities that the Ministry performs. In selecting performance measures for these activities, judgements must be made in determining which aspects of performance are relevant and material to users of the performance report.

There is also judgement involved in determining how to measure performance against the measures selected. The judgements that have the most significant impact on selection and measurement are disclosed below.

The Ministry has grouped its activities under the following subsets, which broadly describes what the Ministry does. To disclose material judgements, the Ministry has aggregated performance into the following subsets:

- policy advice, policy support, Ministerial servicing, and audit and assessment
- the delivery of major defence capabilities.

## Policy advice and related services to Ministers

### Policy advice

The Ministry:

- provides long and short-term analysis and advice on New Zealand's defence interests and the security environment we operate in
- advises the Government on how the NZDF can meet current and future challenges (such as potential deployments)
- provides advice on the purchase of major defence equipment for use by the NZDF as a defence capability

As part of assessing the performance of Defence policy advice, the Ministry annually:

- commissions a technical review of a sample of its advice to the Minister of Defence and
- surveys the Minister on their satisfaction with the policy advice provided by the agency.

The technical review draws on experienced independent reviewers using common standards set in the Department of the Prime Minister and Cabinet's *Policy Quality Framework*. The Ministry commissions external experts to review at least 22 randomly selected items of policy advice from the period. The advice is reviewed against the all-of-government *Policy Quality Framework* and provides both a score for each piece of policy advice and an average score across all of the randomly selected items. This is assessed using a scale from 1 (unacceptable) to 5 (outstanding). Results are reviewed by Ministry and policy leadership, as well as the individual authors, and drive the focus for work to improve the Ministry's policy advice.

The satisfaction survey contains a common set of questions to assess the Minister's satisfaction with the services provided by the policy advice function, also aligned with the *Policy Quality Framework*. The publication of the Ministry's score and target provides external accountability and supports the Ministry's work to improve the way it engages with the Minister. The score reflects an average across themes of general satisfaction, quality of policy advice, overall trust, and overall confidence, on a scale from 1 (never) to 5 (always). Results are reviewed by Ministry and policy leadership, as well as the individual authors, and drive the focus for work to improve the Ministry's policy advice.

These shared performance measures are used by departments with appropriations for policy advice. Additional details are provided on the Department of the Prime Minister and Cabinet's webpages about The Policy Project: <https://dpmc.govt.nz/our-programmes/policy-project/progress-and-performance>.

An element of the Ministry's policy work is advice to the Minister of Defence on options for investment in defence capabilities – including business cases for decisions on the refurbishment or procurement of defence equipment. As part of maintaining performance in this work, the Ministry sets targets that all capability advice will:

- meet high level user requirements and be affordable within the Defence Capital Plan that is agreed annually through the Budget process
- be managed to the agreed schedule, except where there are circumstances beyond the control of the Ministry.

Both of these measures are managed within the Ministry. At the point that a business case is submitted to the Minister it is judged against the high level user requirements, and this is considered as part of the shared Defence capability governance. The schedule of business cases is managed as part of regular reporting to the Minister of Defence on major capability projects, based on information provided by project teams and reviewed by shared capability governance bodies.

## Policy support

The Ministry provides a range of policy support to the Minister of Defence. This includes background briefings, briefings to support international engagement, and regular reporting on Defence portfolio developments.

To assess the performance of this work, the Ministry conducts an annual survey on the Minister's perception of the Ministry's policy support. The survey was developed by the Ministry. On a scale of 1-10 (extremely dissatisfied to extremely satisfied), the survey asks about the Minister's perception of the quality and timeliness of the policy support received. The results are reviewed by Ministry leadership as a feeder for continuous improvement.

## Ministerial servicing

The Ministry provides support to the Minister of Defence for Ministerial correspondence, parliamentary questions and other information requests to the Minister. To assess and support improvement of performance in Ministerial servicing, the Ministry sets targets and tracks performance in relation to the quality and timeliness of proposed responses.

Quality is assessed by identifying the proportion of first drafts accepted by the Minister. Timeliness is assessed by identifying the proportion of proposed responses provided to the Minister's Office within timeframes set by the Official Information Act 1982 or as agreed with the Minister's Office. The Ministry tracks these statistics on an ongoing basis.

## Departmental Expenses: Ministry Of Defence Outputs

*This appropriation is limited to the development, procurement and delivery of defence capability for the New Zealand Defence Force and providing policy advice, audit and assessments, and other support to Ministers to discharge their policy decision-making and other portfolio responsibilities relating to defence.*

Performance Measures	2022/23		2023/24
	Actual	Budget	Actual
<b>Quality of Ministerial Support Papers:</b> as assessed by the percentage of first draft of all correspondence accepted by the Minister.	96% (254 of 264 items unchanged)	≥90%	99% (230/232 items unchanged)
<b>Timeliness of Ministerial Support:</b> assessed by the percentage of papers that were submitted by the timeframe set in legislation, or otherwise agreed with the Minister.	97% (257 of 264 items on time)	≥95%	100% (232 of 232 items on time)

Performance Measures	2022/23	2023/24	
	Actual	Budget	Actual
<b>Technical Quality of Policy Advice:</b> as assessed by independent review of a sample of policy papers.	3.5 / 5	≥3.5 / 5	3.4 / 5
<b>Minister's Satisfaction with Quality of Policy Advice:</b> as assessed by survey.	4.8 / 5 <sup>1</sup>	≥3.5 / 5	3.4 / 5 <sup>2</sup>
<b>Minister's Satisfaction with Quality of Policy Support:</b> as assessed by survey.	93% <sup>1</sup>	≥70%	70% <sup>2</sup>
<b>Minister's Satisfaction with Quality of Audits and Assessments:</b> as assessed by survey.	N/A <sup>3</sup>	≥70%	N/A <sup>3</sup>
<b>Quality of Capability Advice:</b> options 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%
<b>Schedule of Capability Advice:</b> 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%

Note 1: This is the weighted average from an annual survey completed by each of the two Ministers of Defence during the reporting period.

Note 2: These scores are based on a survey completed by Minister of Defence Hon Judith Collins, who was appointed in November 2023.

Note 3: The Minister of Defence reprioritised the Ministry's 2022/23 and 2023/24 audit and assessment funding and resources to the implementation of the External Review Group findings and establishing the Inspector-General of Defence, as well as supporting the Defence Policy Review.

**Expenditure for the year ended 30 June 2024:**

Actual	Appropriation	Main estimates	Supp estimates	Actual
2023		2024	2024	2024
\$000		\$000	\$000	\$000
28,580	Ministry of Defence Outputs	26,050	28,760	28,432

## DEPARTMENTAL CAPITAL EXPENDITURE

The Ministry manages a relatively small appropriation for departmental capital expenditure, recognising that it receives property, ICT and some security services from the NZDF.

As part of assessing the effectiveness of its modest departmental capital expenditure, the Ministry ensures expenditure is within the Ministry's agreed capital plan.

### Departmental capital: Ministry of Defence – Capital expenditure permanent legislative authority

*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.*

Performance Measures	2022/23	2023/24	
	Actual	Budget	Actual
Capital expenditure is within Capital Plan	Within Capital Plan	Within Capital Plan	Within Capital Plan

### Expenditure for the year ended 30 June 2024:

Actual	Appropriation	Main estimates	Supp estimates	Actual
2023		2024	2024	2024
\$000		\$000	\$000	\$000
-	Ministry of Defence – capital expenditure PLA	350	50	-

### Delivering major defence capabilities

Once policy decisions are made on the procurement, modification or refurbishment of a defence capability, the Ministry manages the delivery of the projects and programmes on behalf of the Minister of Defence.

Details about the performance of each individual project are provided in the project pages on pages 24–48, which includes details about the progress of the project or programme over the year. This draws from ongoing shared capability management governance by the Ministry and NZDF, and regular reporting on the progress of projects and programmes to the Minister of Defence.

The Ministry also assesses the performance of the capability delivery portfolio as a whole through a series of performance measures covering all projects and programmes that are in delivery:

- **Cost:** All projects must operate within the approved appropriation.

- **Quality:** All projects must meet the high level user requirements set by an Acquisition Review Board. This is assessed as part of the test and evaluation of the capability.
- **Schedule:** The Ministry sets a target for the number of projects that will be delivered to schedule milestones. Each project has a colour: Green, Yellow, Amber or Red. Projects with a Green or Yellow status are counted as on-track, and those with an Amber or Red status are not. The result is the proportion of relevant projects on-track at the end of the reporting period. This is tracked throughout the year through shared Defence governance for major capability projects, and reported in regular reporting to the Minister of Defence. Assessments of project schedule have a process for considering where delays are beyond the control of the Ministry.
- **Benefits:** a benefits realisation plan is approved for each project. This plan forecasts the timeframe over which benefits are expected to be delivered. Benefits are forecast to be realised incrementally, usually over a period of years. Reporting of the aggregate proportion of benefits realised shows progress against the project's plans. Benefits realisation looks at a range of

measures to assess whether a project has delivered the benefits to Government identified in the case for investment. It has both post-delivery measures and pre-delivery indicators. The Ministry's performance measure is focused on the benefits indicators – specific, measureable, and time-bound milestones that describe the completion of activity that ensures projects are on a trajectory to realise their intended benefits through their delivery.

- Reporting on cost forecasting supports the efficient use of Government funding allocated for defence capability projects and programmes. The Ministry identifies the effectiveness of Ministry forecasting across the portfolio by comparing actual spend against the most recent Crown forecast.

**Non-departmental Multi-Category Appropriation: Defence Capabilities**

*The single overarching purpose of this appropriation is to purchase, modify or refurbish defence capabilities for the New Zealand Defence Force.*

Performance Measures	2022/23	2023/24	
	Actual	Budget	Actual
<i>Overarching Measure for Multi-category Appropriation</i>			
The performance of the MCA as a whole will be assessed by the aggregate percentage of planned benefits expected to have been realised by quarter, as set out in approved project benefits realisation plans.	73%	≥80%	89%
<b>Non-Departmental Other Expenses – Procurement Expenses</b>			
<b>Cost:</b> Each procurement or refurbishment project will be managed within its approved budget, inclusive of approved variations to the contract price and project budget Measured by the percentage of all projects that have project-related capital or other expenditure incurred in the year within the approved project expenditure budget.	100%	100%	100%
<b>Non-Departmental Other Expenses – Defence Capability Delivery</b>			
<b>Cost:</b> Each procurement or refurbishment project will be managed within its approved budget, inclusive of approved variations to the contract price and project budget. Measured by the percentage of all projects that have project-related expenditure incurred in the year within the approved project expenditure budget.	100%	100%	100%
<b>Quality of Deliverable:</b> Each procurement or refurbishment project will achieve on delivery the agreed/contracted specifications that are critical to acceptance. Measured by the percentage of all projects in the delivery phase that meet all specifications that are critical to acceptance.	100%	100%	100%
<b>Schedule:</b> Each procurement or refurbishment project will be managed to schedule, without avoidable schedule over-run. Measured by the percentage of all projects in the delivery phase progressed within agreed schedule.	46% (11 of 24 projects to schedule)	≥80%	54% <sup>1</sup> (15 of 28 to schedule)
<b>Cost forecasting:</b> The aggregate capital expenditure on procurement and refurbishment projects compared to the forecast capital expenditure. Measured by comparing actual expenditure in the year with the most recent Crown forecast. It is calculated at hedged exchange rates to remove the impact of movements in exchange rates.	(0.2%)	Within ±10% of forecast	(19.8%) <sup>2</sup>

Note 1: The schedule impact of COVID-19 continues to create resourcing, operational, and supply chain issues for many of the main vendors involved in the projects, resulting in delays to benefits realisation. The following projects have missed a governance milestone: 81mm Mortar Replacement; Dive and Hydrographic Vessel; Anzac Frigate Systems Upgrade; Garrison and Training Support Vehicles Phase 1; Maritime Sustainment Capability; Network Enabled Army: Surveillance and Reconnaissance; Network Enabled Army: Information and Intelligence; Network Enabled Army: Electronic Warfare; ORACS Phase 1A; ORACS Phase 1B; ORACS Phase 2A; Protected Mobility Capability Project –High Mobility Light and Risk Reduction; Protected Mobility Capability Project – Protected Vehicle Medium.

Note 2: Our cost forecasting measure is outside of target due to delays in Foreign Military Sales case disbursement – particularly arising from the Air Surveillance Maritime Patrol and Future Air Mobility–Tactical projects. This does not impact delivery of the projects.

**Expenditure for the year ended 30 June 2024:**

<b>Actual</b>	<b>Appropriation</b>	<b>Main estimates</b>	<b>Supp estimates</b>	<b>Actual</b>
<b>2023</b>		<b>2024</b>	<b>2024</b>	<b>2024</b>
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
-	Other expenses – Procurement expenses	-	-	-
953,352	Capital expenditure – Defence capability delivery	1,339,869	1,297,845	901,032
<b>953,352</b>	<b>Defence capabilities MCA</b>	<b>1,341,869</b>	<b>1,297,845</b>	<b>901,032</b>

**Performance measures footnotes**

The Ministry includes footnotes for some of its non-financial performance measures where they provide meaningful additional information. These provide context, such as the projects covered by an aggregate measure, or where there have been:

- major variances between the current and prior year results, or
- material changes in performance measures for an appropriation.

**SECTION EIGHT | WĀHANGA WARU**

**Statement of Responsibility and Audit Report |  
Te Tauāki Takohanga me te Ripoata Arotake**



# STATEMENT OF RESPONSIBILITY

I am responsible, as Chief Executive of the Ministry of Defence (the Ministry), for:

- the preparation of the Ministry's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ensuring that end-of-year performance information on each appropriation administered by the Ministry is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this Annual Report and
- the accuracy of any end-of-year performance information prepared by the Ministry, whether or not that information is included in the Annual Report.

In my opinion:

- the financial statements fairly reflect the financial position of the Ministry as at 30 June 2024 and its operations for the year ended on that date
- the annual report fairly reflects the operations, progress, and the organisational health and capability of the Ministry, and
- the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2024 and its operations for the year ending on that date.

Signed by:



Brook Barrington

**Secretary of Defence**  
**Te Tumu Whakarae mō te Waonga**

26 September 2024



# INDEPENDENT AUDITOR'S REPORT

To the readers of the Ministry of Defence's Annual Report for the year ended 30 June 2024

The Auditor-General is the auditor of Ministry of Defence (the Ministry). The Auditor-General has appointed me, John Whittal, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of the Ministry on pages 89 to 106, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2024, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information for the appropriations administered by the Ministry for the year ended 30 June 2024 on pages 15 to 61 and 72 to 78;
- the statement of expenses and capital expenditure of the Ministry for the year ended 30 June 2024 on pages 86 and 87; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 108 to 119 that comprise:
  - the schedules of assets; liabilities; commitments; and contingent liabilities and contingent assets as at 30 June 2024;
  - the schedules of expenses; revenue; capital receipts; and capital expenditure for the year ended 30 June 2024; and
  - the notes to the schedules that include accounting policies and other explanatory information.

## Opinion

In our opinion:

- the financial statements of the Ministry:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2024; and
    - its financial performance and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.
- the performance information for the appropriations administered by the Ministry for the year ended 30 June 2024:
  - presents fairly, in all material respects:
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
  - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Ministry are presented, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown present fairly, in all material respects, in accordance with the Treasury Instructions:
  - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2024; and

- expenses; revenue; capital receipts; and capital expenditure for the year ended 30 June 2024.

Our audit was completed on 26 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Secretary of Defence and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

### **Basis for our opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of the Secretary of Defence for the information to be audited**

The Secretary of Defence is responsible on behalf of the Ministry for preparing:

- financial statements that present fairly the Ministry's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of the Ministry, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Ministry on behalf of the Crown.

The Secretary of Defence is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Secretary of Defence is responsible on behalf of the Ministry for assessing the Ministry's ability to continue as a going concern. The Secretary of Defence is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Ministry, or there is no realistic alternative but to do so.

The Secretary of Defence's responsibilities arise from the Public Finance Act 1989.

### **Responsibilities of the auditor for the information to be audited**

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Ministry's 2021 2025 Statement of Intent, Estimates and Supplementary Estimates of Appropriation 2023/24 for Vote Defence, and the 2023/24 forecast financial figures included in the Ministry's 2022/23 annual report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary of Defence.
- We evaluate the appropriateness of the reported performance information for the appropriations administered by the Ministry.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Secretary of Defence and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Secretary of Defence regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The Secretary of Defence is responsible for the other information. The other information comprises the information included on pages 1 to 12, 62 to 71 and 79 to 85, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the Ministry in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this audit, we carried out an assurance review of the Major Projects Report 2023 prepared by the Ministry of Defence and the New Zealand Defence Force and provided probity assurance on the process used for the Electronic Warfare procurement as part of the ISREW (Intelligence, Surveillance and Reconnaissance and Electronic Warfare programme).

Other than the audit and the assurance reviews, we have no relationship with, or interests, in the Ministry.

A handwritten signature in blue ink, appearing to read 'John Whittal', is positioned above the printed name.

John Whittal  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

SECTION NINE | WĀHANGA TUAIWA

# Appropriation Statements | Te Tauāki Rohenga Pūtea

## Statement of expenses and capital expenditure against appropriations

For the year ended 30 June 2024 (refer to pages 72–78 for performance information on these appropriations)

Actual		Main estimates not audited	Supp estimates not audited	Actual	Main estimates not audited
2023 \$000		2024 \$000	2024 \$000	2024 \$000	2025 \$000
	<b>Vote: Defence</b>				
	<b>Departmental Appropriations</b>				
	<b>Output expenses</b>				
28,580	Ministry of Defence outputs	26,050	28,760	28,432	25,252
<b>28,580</b>	<b>Total appropriations for output expenses</b>	<b>26,050</b>	<b>28,760</b>	<b>28,432</b>	<b>25,252</b>
	<b>Departmental capital expenditure</b>				
-	Ministry of Defence – capital expenditure PLA	350	50	-	50
<b>28,580</b>	<b>Total Departmental appropriations</b>	<b>26,400</b>	<b>28,810</b>	<b>28,432</b>	<b>25,302</b>
	<b>Non-Departmental Appropriations</b>				
	<b>Multi-category appropriations (MCA)</b>				
	Defence capabilities MCA				
	<b>Other expenses</b>				
-	Procurement expenses	2,000	-	-	15
	<b>Capital expenditure</b>				
953,352	Defence capability delivery	1,339,869	1,297,845	901,032	814,503
<b>953,352</b>	<b>Total Non-Departmental appropriations</b>	<b>1,341,869</b>	<b>1,297,845</b>	<b>901,032</b>	<b>814,518</b>
<b>981,932</b>	<b>Total annual appropriations administered by the Ministry of Defence</b>	<b>1,368,269</b>	<b>1,326,655</b>	<b>929,464</b>	<b>839,820</b>

# NOTES TO THE STATEMENT OF EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

## Ministry of Defence – capital expenditure PLA

The departmental capital expenditure appropriation is given by permanent legislative authority (PLA) under section 24(1) of the Public Finance Act 1989.

## Accounting policies

Cost allocation policy: The Ministry has determined the cost of outputs using a cost allocation system:

- Direct costs are those costs directly attributable to an output. Direct costs are charged directly to outputs.
- Indirect costs are those costs that cannot be attributed to a specific output in an economically feasible manner. Indirect costs are charged to outputs based on a predetermined ratio, which is assessed annually based on the services expected to be provided for each output over the ensuing year.

There have been no changes in cost allocation policies since the date of the last audited financial statements.

## Performance information

Performance information for all departmental appropriations are reported in this Annual Report.

Performance information for all non-departmental appropriations are reported on page 76–78 in this Annual Report.

## Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority

For the year ended 30 June 2024

The Ministry has not incurred any expenses or capital expenditure without, or in excess of, appropriation or other authority (2023 – Nil).

## Statement of departmental capital injections without, or in excess of, authority

For the year ended 30 June 2024

The Ministry has not received any capital injections during the year without, or in excess of, authority (2023 – Nil).

## Transfers under section 26A of the Public Finance Act 1989

For the year ended 30 June 2024

The Ministry has not made any transfers under Section 26A of the Public Finance Act 1989 (2023 – Nil).

SECTION TEN | WĀHANGA TUATEKAU

# Departmental Statements | Te Tauāki Pūtea Ā-tari



## Statement of comprehensive revenue and expense

For the year ended 30 June 2024

Actual		Note	Forecast not audited	Actual	Forecast not audited
2023			2024	2024	2025
\$000			\$000	\$000	\$000
<b>Revenue</b>					
25,540	Revenue Crown	2	26,050	25,760	25,252
5,456	Other revenue	2	-	3,089	-
<b>30,996</b>	<b>Total revenue</b>		<b>26,050</b>	<b>28,849</b>	<b>25,252</b>
<b>Expenses</b>					
19,238	Personnel expenses	3	19,272	21,674	19,547
9,135	Operating expenses	4	6,578	6,759	5,573
89	Depreciation and amortisation expense	7,8	80	39	12
118	Capital charge	5	120	118	120
28,580	Total expenses		26,050	28,590	25,252
<b>2,416</b>	<b>Surplus</b>		-	<b>259</b>	-
-	Other comprehensive revenue and expense		-	-	-
<b>2,416</b>	<b>Total comprehensive revenue and expense</b>		-	<b>259</b>	-

The accompanying notes form part of these financial statements. Explanations of major variances against the 2024 forecast financial statements are shown in note 15.

## Statement of financial position

As at 30 June 2024

Actual		Note	Forecast not audited	Actual	Forecast not audited
2023			2024	2024	2025
\$000			\$000	\$000	\$000
<b>Assets</b>					
<b>Current assets</b>					
6,693	Cash and cash equivalents		3,371	5,032	4,115
1,506	Receivables	6	1,846	333	837
40	Prepayments		34	18	63
8,239	<b>Total current assets</b>		5,251	5,383	5,015
<b>Non-current assets</b>					
38	Property, plant and equipment	7	61	10	118
11	Intangible assets	8	-	-	-
49	<b>Total non-current assets</b>		61	10	118
<b>8,288</b>	<b>Total assets</b>		<b>5,312</b>	<b>5,393</b>	<b>5,133</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
2,230	Creditors and other payables	9	1,704	1,284	1,187
2,416	Return of surplus to the Crown	10	-	259	-
1,106	Employee entitlements	11	943	1,294	1,239
5,752	<b>Total current liabilities</b>		2,647	2,837	2,426
<b>Non-current liabilities</b>					
183	Employee entitlements	11	312	203	354
183	<b>Total non-current liabilities</b>		312	203	354
<b>5,935</b>	<b>Total liabilities</b>		<b>2,959</b>	<b>3,040</b>	<b>2,780</b>
<b>2,353</b>	<b>Net assets</b>		<b>2,353</b>	<b>2,353</b>	<b>2,353</b>
<b>Equity</b>					
2,353	Taxpayers' funds	12	2,353	2,353	2,353
<b>2,353</b>	<b>Total equity</b>		<b>2,353</b>	<b>2,353</b>	<b>2,353</b>

The accompanying notes form part of these financial statements. Explanations of major variances against the 2024 forecast financial statements are shown in note 15.

## Statement of cash flows

For the year ended 30 June 2024

<b>Actual</b>		<b>Forecast not audited</b>	<b>Actual</b>	<b>Forecast not audited</b>
<b>2023</b>		<b>2024</b>	<b>2024</b>	<b>2025</b>
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Cash flows from operating activities</b>				
25,540	Receipts from Revenue Crown	26,050	25,760	25,252
4,995	Receipts from other revenue	-	4,262	-
(19,089)	Payments to employees	(19,272)	(21,467)	(19,488)
(9,221)	Payments to suppliers	(6,578)	(6,944)	(5,632)
(118)	Payments for capital charge	(120)	(118)	(120)
219	Goods and services tax (net)	-	(738)	-
2,326	Net cash flow from operating activities	80	755	12
<b>Cash flows from investing activities</b>				
-	Receipts from sale of property, plant and equipment	-	-	-
-	Purchase of property, plant and equipment	(60)	-	(72)
-	Purchase of intangible assets	-	-	-
-	Net cash flow from investing activities	(60)	-	(72)
<b>Cash flows from financing activities</b>				
(5,320)	Return of operating surplus	(1,216)	(2,416)	(87)
(5,320)	Net cash flow from financing activities	(1,216)	(2,416)	(87)
<b>(2,994)</b>	<b>Net increase/(decrease) in cash</b>	<b>(1,196)</b>	<b>(1,661)</b>	<b>(147)</b>
9,687	Cash at the beginning of the year	4,567	6,693	4,262
<b>6,693</b>	<b>Cash at the end of the year</b>	<b>3,371</b>	<b>5,032</b>	<b>4,115</b>

The accompanying notes form part of these financial statements. Explanations of major variances against the 2024 forecast financial statements are shown in note 15.

## Statement of changes in equity

For the year ended 30 June 2024

Actual		Note	Forecast not audited	Actual	Forecast not audited
2023 \$000			2024 \$000	2023 \$000	2025 \$000
2,353	<b>Balance at 1 July</b>		2,353	2,353	2,353
2,416	Total comprehensive revenue and expense		-	259	-
(2,416)	Return of operating surplus to the Crown	<b>10</b>	-	(259)	-
<b>2,353</b>	<b>Balance at 30 June</b>	<b>12</b>	<b>2,353</b>	<b>2,353</b>	<b>2,353</b>

## Statement of contingent liabilities and contingent assets

As at 30 June 2024

### Contingent Liabilities

The Ministry has no quantifiable or unquantifiable contingent liabilities (2023 – Nil).

### Legal proceedings and disputes

The Ministry has no pending legal proceedings and disputes (2023 – Nil).

### Contingent Assets

The Ministry has no contingent assets (2023 – Nil).

*The accompanying notes form part of these financial statements. Explanations of major variances against the 2024 forecast financial statements are shown in note 15.*

## Statement of commitments

As at 30 June 2024

### Capital Commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that have not been paid for or not recognised as a liability at the balance date.

The Ministry has no capital commitments (2023 – Nil).

### Non-cancellable Operating Lease Commitments

The Ministry leases property, plant and equipment in the normal course of its business. In October 2019 the Ministry moved to its long-term accommodation in Defence headquarters (Defence House). The sublease with the New Zealand Defence Force has a non-cancellable leasing period of around 15 years remaining. The commitments below all relate to this accommodation lease, which includes the associated fit-out and furniture:

<b>Actual 2023 \$000</b>		<b>Actual 2024 \$000</b>
	<b>Non-cancellable operating lease commitments</b>	
2,103	Not later than one year	2,056
2,117	Later than one year and not later than two years	2,154
6,421	Later than two years and not later than five years	6,587
19,634	Later than five years	17,727
<b>30,275</b>	<b>Total non-cancellable operating lease commitments</b>	<b>28,524</b>

*The accompanying notes form part of these financial statements. Explanations of major variances against the 2024 forecast financial statements are shown in note 15.*

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES

### Reporting entity

The Ministry of Defence (the Ministry) is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled and operates in New Zealand. The relevant legislation governing the Ministry's operations includes the Public Finance Act 1989 and the Defence Act 1990. The Ministry's ultimate parent is the New Zealand Crown.

In addition, the Ministry has reported on Crown activities that it administers in the non-departmental statements and schedules on pages 108–119.

The Ministry's primary objective is to provide services to the New Zealand public. The Ministry does not operate to make a financial return. The Ministry has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice.

The financial statements of the Ministry are for the year ended 30 June 2024 and were approved for issue by the Secretary of Defence of the Ministry on 26 September 2024.

### Basis of preparation

The financial statements have been prepared on a going-concern basis, and the accounting policies have been applied consistently throughout the year.

### Statement of compliance

The financial statements of the Ministry have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP), and Treasury Instructions.

The financial statements have been prepared in accordance and comply with Tier 2 PBE accounting standards. The Ministry meets the requirements of Tier 2 and is eligible for reduced disclosure reporting as its expenses are less than \$30 million and does not have public accountability.

### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Ministry is New Zealand dollars.

### Changes in accounting policies

There have been no changes in the Ministry's accounting policies since the date of the last audited financial statements.

### Standards issued and not yet effective and not early adopted

There are no relevant financial accounting standards and amendments issued but not yet effective that have not been early adopted.

### Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

### Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions.

### Goods and Services Tax

All items in the financial statements, including appropriation statements, are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

## Income tax

The Ministry is a public authority and consequently is exempt from income tax. Accordingly, no provision has been made for income tax.

## Forecast figures

The 2024 forecast figures are for the year ended 30 June 2024 and were published in the 2022/23 Annual Report. They are consistent with the Ministry's best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 30 June 2024.

The 2025 forecast figures are for the year ending 30 June 2025, which are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 30 June 2025.

The forecast financial statements have been prepared as required by the Public Finance Act 1989 to communicate forecast financial information for accountability purposes. Forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The 2025 forecast financial statements ("Forecast") are prepared in accordance with and comply with PBE FRS 42 Prospective Financial Statements.

The forecast financial statements were authorised for issue by the Secretary of Defence of the Ministry on 22 April 2024.

While the Ministry regularly updates its forecasts, updated forecast financial statements for the year ended 30 June 2025 will not be published.

The significant assumptions underlying the forecast financial statements are:

- the functions performed and the appropriations administered by the Ministry will not change over the forecast period
- the Ministry will not receive any additional funding beyond that voted in the Estimates of Appropriations during the forecast period.

The actual financial results achieved for 30 June 2025 are likely to vary from the forecast information, and the variations may be material.

## Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no estimates or assumptions that are considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Critical judgements in applying the Ministry's accounting policies

The Ministry has not exercised any critical judgements in applying the Ministry's accounting policies for the year ended 30 June 2024.

## Comparative information

Comparatives have been restated where necessary to maintain consistency with current year amounts.

## NOTE 2: REVENUE

### Accounting policy

#### Revenue Crown

Revenue from the Crown is measured based on the Ministry's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, the Ministry may only incur expenses within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

#### Other revenue

Costs incurred by the Ministry in the pre-acquisition stages of acquisition projects are recovered from the Defence Force. This is classified as an exchange transaction.

Other cost recoveries relate to contributions from other government agencies to reimburse costs incurred by the Ministry for activities contributing to both agencies.

Expenses incurred under Administration and Use Agreements are reimbursed by the administering agency. Expenses incurred by the Ministry, as the user, are included in the administrator's appropriated expenditure and are not included in the Ministry's appropriated expenditure.

#### Breakdown of other revenue

<b>Actual 2023 \$000</b>		<b>Actual 2024 \$000</b>
5,358	Project costs recovered from NZDF	2,806
80	Other cost recoveries	121
-	Reimbursement of expenses incurred under Administration and Use Agreement	158
18	Other gains	4
<b>5,456</b>	<b>Total other revenue</b>	<b>3,089</b>



## NOTE 3: PERSONNEL EXPENSES

### Accounting policy

#### Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

#### Superannuation schemes

Employee contributions to the State Sector Retirement Savings Scheme, KiwiSaver, and the Government Superannuation Fund are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

<b>Actual 2023 \$000</b>		<b>Actual 2024 \$000</b>
18,441	Salaries and wages	20,848
576	Employer contributions to defined contribution plans	644
221	Increase/(decrease) in employee entitlements	182
<b>19,238</b>	<b>Total personnel expenses</b>	<b>21,674</b>

## NOTE 4: OPERATING EXPENSES

### Accounting policy

Operating expenses are recognised when goods and services are received.

<b>Actual 2023 \$000</b>		<b>Forecast not audited 2024 \$000</b>	<b>Actual 2024 \$000</b>	<b>Forecast not audited 2025 \$000</b>
190	Audit fees for financial statements	204	204	210
49	Fees paid to Audit New Zealand for other services	35	36	-
4,401	Consultants and contractors	1,245	1,950	751
271	Professional services	29	17	-
982	Travel and related costs	1,140	955	353
324	Courses, conferences and exhibitions	256	381	311
1,393	Rental of premises	1,954	1,535	2,990
251	Legal	165	221	140
209	Grants and contributions	288	170	318
1,065	Other operating costs	1,262	1,289	500
<b>9,135</b>	<b>Total operating expenses</b>	<b>6,578</b>	<b>6,759</b>	<b>5,573</b>

Fees paid to Audit New Zealand for other services are for a \$36,000 annual assurance review of the Major Projects Report prepared jointly by the Ministry and the Defence Force (2023 – \$49,000).

In addition, included in non-departmental capital expenditure is \$6,000 paid to the Ministry's auditors, Audit New Zealand, for probity assurance on the process used for various tenders in the Network Enabled Army programme (2023 – \$33,000).

## NOTE 5: CAPITAL CHARGE

### Accounting policy

The capital charge is recognised as an expense in the period to which the charge relates.

### Further information

The Ministry pays a capital charge to the Crown on its equity as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2024 was 5.0% (2023 5.0%).

## NOTE 6: RECEIVABLES

### Accounting policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The Ministry applies the simplified expected credit loss model of recognising expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis where they possess shared credit risk characteristics.

Short-term receivables are written-off when there is no reasonable expectation of recovery.

<b>Actual 2023 \$000</b>		<b>Actual 2024 \$000</b>
	<b>Receivables from exchange transactions</b>	
1,506	Debtors	333
-	Less allowance for credit losses	-
1,506	Net debtors	333
<b>1,506</b>	<b>Total receivables from exchange transactions</b>	<b>333</b>
-	Receivables from non-exchange transactions	-
<b>1,506</b>	<b>Total receivables</b>	<b>333</b>

The carrying value of debtors and other receivables approximates their fair value.

# NOTE 7: PROPERTY, PLANT AND EQUIPMENT

## Accounting policy

Property, plant and equipment consists of leasehold improvements, furniture and office equipment.

Property, plant and equipment is measured at cost, less accumulated depreciation and impairment losses.

## Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

Individual assets, or groups of assets, are capitalised if their cost is greater than \$5,000. The value of an individual asset that is less than \$5,000 and is part of a group of similar assets is capitalised.

In most instances, an item of property, plant and equipment is recognised at its cost.

## Disposals

Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus/deficit.

## Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

## Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Office equipment	5-10 years
Computer equipment	3-5 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

## Impairment

The Ministry does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

Any impairment loss or reversal of an impairment loss is recognised in the surplus or deficit.

## Restrictions on title

There are no restrictions over the title of the Ministry's property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

	Actual	
	Office and computer equipment \$000	Total \$000
<b>Cost or valuation</b>		
Balance at 1 July 2022	367	367
Additions	-	-
Disposals	-	-
<b>Balance at 30 June 2023</b>	<b>367</b>	<b>367</b>
Balance at 1 July 2023	367	367
Additions	-	-
Disposals	-	-
<b>Balance at 30 June 2024</b>	<b>367</b>	<b>367</b>
<b>Accumulated depreciation and impairment losses</b>		
Balance at 1 July 2022	252	252
Depreciation expense	77	77
Eliminate on disposal	-	-
<b>Balance at 30 June 2023</b>	<b>329</b>	<b>329</b>
Balance at 1 July 2023	329	329
Depreciation expense	28	28
Eliminate on disposal	-	-
<b>Balance at 30 June 2024</b>	<b>357</b>	<b>357</b>
<b>Carrying amounts</b>		
At 30 June and 1 July 2023	38	38
<b>At 30 June 2024</b>	<b>10</b>	<b>10</b>

The sublease from the Defence Force in Defence headquarters (the former Bowen State Building) includes all required building fit-out and furniture. As a result, from 30 June 2020 onwards the Ministry has not purchased any leasehold improvements or furniture.

## NOTE 8: INTANGIBLE ASSETS

### Accounting policy

#### Additions

Software development costs, including licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

#### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3-5 years
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#### Impairment

Refer to the policy for impairment of property, plant, and equipment in Note 7. The same policy applies to the impairment of intangible assets.

### Critical accounting estimates and assumptions

#### Useful lives of software

The useful life of software is determined at the time the software is acquired and brought into use and is reviewed at each reporting date for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Ministry will receive benefits from the software, but not exceeding the licence term.

## Restrictions on title

There are no restrictions over the title of the Ministry's intangible assets, nor are any intangible assets pledged as security for liabilities.

	<b>Actual</b>	
	<b>Software \$000</b>	<b>Total \$000</b>
<b>Cost</b>		
Balance at 1 July 2022	637	637
Additions	-	-
Disposals	-	-
<b>Balance at 30 June 2023</b>	<b>637</b>	<b>637</b>
Balance at 1 July 2023	637	637
Additions	-	-
Disposals	-	-
<b>Balance at 30 June 2024</b>	<b>637</b>	<b>637</b>
<b>Accumulated amortisation and impairment losses</b>		
Balance at 1 July 2022	614	614
Amortisation expense	12	12
Disposals	-	-
<b>Balance at 30 June 2023</b>	<b>626</b>	<b>626</b>
Balance at 1 July 2023	626	626
Amortisation expense	11	11
Disposals	-	-
<b>Balance at 30 June 2024</b>	<b>637</b>	<b>637</b>
<b>Carrying amounts</b>		
At 30 June and 1 July 2023	11	11
<b>At 30 June 2024</b>	<b>-</b>	<b>-</b>

## NOTE 9: CREDITORS AND OTHER PAYABLES

### Accounting policy

Short-term creditors are recorded at the amount payable.

<b>Actual 2023 \$000</b>		<b>Actual 2024 \$000</b>
2	Creditors	-
1,714	Accrued expenses	1,213
514	GST payable	71
<b>2,230</b>	<b>Total creditors and other payables</b>	<b>1,284</b>

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

## NOTE 10: RETURN OF OPERATING SURPLUS

<b>Actual 2023 \$000</b>		<b>Actual 2024 \$000</b>
2,416	Net surplus	259
-	Approved retention of surplus	-
<b>2,416</b>	<b>Total return of operating surplus</b>	<b>259</b>

The return of operating surplus to the Crown is required to be paid by 31 October of each year.

## NOTE 11: EMPLOYEE ENTITLEMENTS

### Accounting policy

#### Short-term employee entitlements

Entitlements expected to be settled within twelve months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within twelve months, and sick leave.

#### Long-term employee entitlements

Employee entitlements that are due to be settled beyond twelve months after the end of the reporting period in which the employee renders the related service, such as long service leave and retiring leave, are calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, contractual entitlement information and the likelihood that staff will reach the point of entitlement
- the present value of the estimated future cash flows.

## Critical accounting estimates and assumptions

### Long service leave and retirement gratuities

The measurement of the long service leave and retirement gratuities obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using a weighted average discount rate of 4.97% (2023 5.04%) and an inflation factor of 3.33% (2023 3.35%) based on Treasury discount rates.

If either the discount rate or the salary inflation factor were to change by 1% from the Treasury's discount rates, with all other factors held constant, the carrying amount of the liability and the surplus/deficit would change by less than \$15,000 (2023 less than \$14,000).

Actual 2023 \$000		Actual 2024 \$000
	<b>Current provisions are represented by:</b>	
915	Annual leave	1,076
39	Sick leave	46
152	Retirement and long service leave	172
<b>1,106</b>	<b>Total current provision</b>	<b>1,294</b>
	<b>Non-current employee entitlements are represented by:</b>	
183	Retirement and long service leave	203
<b>1,289</b>	<b>Total employee entitlements</b>	<b>1,497</b>

## NOTE 12: EQUITY

Actual 2023 \$000		Actual 2024 \$000
	<b>Taxpayers' funds</b>	
2,353	Balance at 1 July	2,353
2,416	Net surplus/(deficit)	259
-	Capital contribution from the Crown	-
(2,416)	Provision for repayment of surplus to the Crown	(259)
<b>2,353</b>	<b>Taxpayers' funds at 30 June</b>	<b>2,353</b>



## NOTE 13: RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

The Ministry is a wholly-owned entity of the Crown.

All transactions with related parties have been undertaken either:

- within a supplier/client relationship on terms and conditions no more or less favourable than those it is reasonable to expect of the Ministry would have adopted in dealing with the party on an arm's length basis, and/or
- with other government agencies consistent with the usual operating arrangements between the Ministry and those agencies.

### Key management personnel compensation

Actual 2023 \$000	Leadership team, including the Secretary of Defence	Actual 2024 \$000
2,280	Remuneration	2,568
6.7	Full-time equivalent staff	8

Key management personnel include the Secretary of Defence and the seven members (2023 – seven) of the Leadership Team.

The above key management personnel compensation excludes the remuneration and other benefits received by the Minister of Defence. The Minister's remuneration and other benefits are not received only for their role as a member of key management personnel of the Ministry. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Members of Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority, and not paid by the Ministry of Defence.

## NOTE 14: FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities in each of the financial instrument categories are as follows:

Actual 2023 \$000		Actual 2024 \$000
	<b>Financial assets measured at amortised cost</b>	
6,693	Cash and cash equivalents	5,032
1,506	Debtors and other receivables	333
40	Prepayments	18
8,239	Financial assets measured at amortised cost	5,383
	<b>Financial liabilities measured at amortised cost</b>	
2,230	Creditors and other payables	1,284

## **NOTE 15: EXPLANATION OF MAJOR VARIANCES AGAINST FORECAST**

Explanations for major variances from the forecast financial statements for 2023/24 are as follows:

### **Statement of comprehensive revenue and expense**

#### **Other revenue**

The increase in Other Revenue primarily results from the recovery of costs from the New Zealand Defence Force for costs incurred in the definition and pre-acquisition stages of acquisition projects.

#### **Personnel expenses**

Overall Personnel Expenses were higher than forecast due to the Ministry employing fixed term staff to work on time-limited projects including the Defence Policy Review, and the establishment of the Inspector-General of Defence. In addition, fixed term staff were also hired to work on Information Domain projects in the pre-acquisition phase, with the cost of these staff being recovered from the NZDF.

#### **Operating expenses**

Consultants and Contractors and Other Operating Costs increased due to definition and pre-acquisition stage acquisition projects which were not budgeted at the start of the financial year. The Ministry is reimbursed by the NZDF for its expenditure on pre-acquisition stage projects.

### **Statement of financial position**

#### **Cash and cash equivalents**

The value of Cash and cash equivalents is higher than forecast due to the timing of payments and receipts.

#### **Statement of cash flows**

Variances in cashflows largely reflect the above explanations.

## **NOTE 16: EVENTS AFTER BALANCE DATE**

There are no events after balance date (2023 – Nil).

SECTION ELEVEN | WĀHANGA TUANGAHURU MĀ TAHI

**Non-Departmental Statements and Schedules** |  
Te Tauāki Me Ngā Hōtaka Ehara nā Te Tari

The following non-departmental statements and schedules record the revenue, expenses, assets, liabilities, commitments, contingent liabilities and contingent assets that the Ministry manages on behalf of the Crown.

## SCHEDULE OF NON-DEPARTMENTAL REVENUE

For the year ended 30 June 2024

<b>Actual 2023 \$000</b>		<b>Actual 2024 \$000</b>
24,687	Realised foreign exchange gains	2,745
19,011	Realised gains on derivatives	17,625
19,246	Unrealised gains on derivatives	833
1,431	Interest	2,658
-	Other income	1,073
<b>64,375</b>	<b>Total non-departmental revenue</b>	<b>24,934</b>

## SCHEDULE OF NON-DEPARTMENTAL EXPENSES

For the year ended 30 June 2024

<b>Actual 2023 \$000</b>		<b>Actual 2024 \$000</b>
23,467	Realised foreign exchange losses	17,890
148	Realised losses on derivatives	2,510
13,119	Unrealised losses on derivatives	2,380
177,470	GST input expense	77,149
<b>214,204</b>	<b>Total non-departmental expenses</b>	<b>99,929</b>

*The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2024.*

## SCHEDULE OF NON-DEPARTMENTAL ASSETS

As at 30 June 2024

Actual 2023 \$000		Note	Actual 2024 \$000
<b>Current assets</b>			
361,570	Cash and cash equivalents		300,803
601,434	Receivables from exchange transactions	2	143,332
661,385	Prepayments		612,017
20,193	Derivative financial instruments	4	11,926
1,644,582	Total current assets		1,068,290
<b>Non-current assets</b>			
13,586	Derivative financial instruments	4	1,212
13,586	Total non-current assets		1,212
<b>1,658,168</b>	<b>Total non-departmental assets</b>		<b>1,069,290</b>

## SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

As at 30 June 2024

Actual 2023 \$000		Note	Actual 2024 \$000
<b>Current liabilities</b>			
44,517	Creditors and other payables	3	22,824
5,809	Derivative financial instruments	4	25,923
50,326	Total current liabilities		48,747
<b>Non-current liabilities</b>			
25,301	Derivative financial instruments	4	477
25,301	Total non-current liabilities		477
<b>75,627</b>	<b>Total non-departmental liabilities</b>		<b>49,224</b>

The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2024.

## SCHEDULE OF NON-DEPARTMENTAL CAPITAL RECEIPTS

For the year ended 30 June 2024

Actual 2023 \$000		Actual 2024 \$000
1,292	81mm Mortar Replacement	225
481,710	Air Surveillance Maritime Patrol	311,010
9,995	Anzac Frigate Systems Upgrade	6,371
-	- Bushmaster Communications	6,702
964	Dive and Hydrographic Vessel	930
67	Fixed High Frequency Radio Refresh	405
18,603	Frigate Sustainment Phase 1 - Communications	16,303
-	- Frigate Sustainment Programme	3,210
321,255	Future Air Mobility Capability - Tactical	502,626
13,783	Garrison and Training Support Vehicles: phase one	2,601
10,139	HMNZS <i>Canterbury</i> and Offshore Patrol Vessel Communications Upgrade	2,184
376	Land-Force Electronic Counter Measures	903
7,321	Maritime Sustainment Capability	6,452
1,291	Network Enabled Army - tranche one	2,789
24,942	Network Enabled Army - tranche two	11,290
1	NH90 Simulator	-
1,345	Operational and Regulatory Aviation Compliance Sustainment: Phase One (A)	562
5,675	Operational and Regulatory Aviation Compliance Sustainment: Phase One (B)	7,169
6,060	Operational and Regulatory Aviation Compliance Sustainment: Phase Two (A)	2,605
2	Operational and Regulatory Aviation Compliance Sustainment: Phase Two (B)	4,191
701	Protected Mobility	112
47,713	Protected Mobility – Protected Vehicle Medium	12,371
117	Strategic Bearer Network	21
<b>953,352</b>	<b>Total non-departmental capital receipts</b>	<b>901,032</b>

*The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2024.*

## SCHEDULE OF NON-DEPARTMENTAL CAPITAL EXPENDITURE

For the year ended 30 June 2024

Actual 2023 \$000		Actual 2024 \$000
1,292	81mm Mortar Replacement	225
481,710	Air Surveillance Maritime Patrol	311,010
9,995	Anzac Frigate Systems Upgrade	6,371
-	- Bushmaster Communications	6,702
964	Dive and Hydrographic Vessel	930
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5,675	Operational and Regulatory Aviation Compliance Sustainment: Phase One (B)	7,169
6,060	Operational and Regulatory Aviation Compliance Sustainment: Phase Two (A)	2,605
2	Operational and Regulatory Aviation Compliance Sustainment: Phase Two (B)	4,191
701	Protected Mobility	112
47,713	Protected Mobility – Protected Vehicle Medium	12,371
117	Strategic Bearer Network	21
<b>953,352</b>	<b>Total non-departmental capital receipts</b>	<b>901,032</b>

*The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2024.*

## SCHEDULE OF NON-DEPARTMENTAL CAPITAL COMMITMENTS

As at 30 June 2024

<b>Actual 2023 \$000</b>		<b>Actual 2024 \$000</b>
	<b>Non-cancellable capital commitments</b>	
750,092	Not later than one year	203,259
195,979	Later than one year and not later than two years	80,233
100,864	Later than two years and not later than five years	22,483
-	Later than five years	24
<b>1,046,935</b>	<b>Total non-cancellable capital commitments</b>	<b>305,999</b>

Capital commitments are the aggregate amount of capital expenditure contracted for the purchase, modification or refurbishment of defence capabilities for the New Zealand Defence Force that have not been paid for or not recognised as a liability at the balance date.

## SCHEDULE OF NON-DEPARTMENTAL CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2024

### Contingent Liabilities

The Ministry on behalf of the Crown has no contingent liabilities (2023 – Nil).

### Contingent Assets

The Ministry on behalf of the Crown has no contingent assets (2023 – Nil).

*The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2024.*



# NOTES TO THE NON-DEPARTMENTAL SCHEDULES

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES

### Reporting entity

These non-departmental statements and schedules present financial information on public funds managed by the Ministry on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government for the year ended 30 June 2024. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should also be made to the Financial Statements of the Government for the year ended 30 June 2024.

### Basis of preparation

The non-departmental statements and schedules have been prepared in accordance with the accounting policies of the Financial Statements of the Government, Treasury Instructions, and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental statements and schedules are consistent with New Zealand generally accepted accounting practice (Tier 1 Public Sector Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

### Changes in accounting policies

There have been no changes in the Ministry's accounting policies since the date of the last audited financial statements.

### Standards issued and not yet effective and not early adopted

There are no relevant financial accounting standards and amendments issued but not yet effective that have not been early adopted.

### Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

### Revenue

Interest income is recognised using the effective interest method.

### Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the schedule of non-departmental income or expenses.

### Goods and Services Tax

All items in the financial statements, including appropriation statements, are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST inclusive basis. In accordance with Treasury instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the Financial Statements of the Government.

### Commitments

Expenses yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the value of that penalty or exit cost.

### Comparative information

Comparatives have been restated where necessary to maintain consistency with current year amounts.

## NOTE 2: RECEIVABLES

### Accounting policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The Ministry applies the simplified expected credit loss model of recognising expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis where they possess shared credit risk characteristics.

Short-term receivables are written-off when there is no reasonable expectation of recovery.

<b>Actual 2023 \$000</b>		<b>Actual 2024 \$000</b>
	<b>Receivables from exchange transactions</b>	
601,434	Debtors	143,332
-	- Less allowance for credit losses	-
601,434	Net debtors	143,332
<b>601,434</b>	<b>Total receivables from exchange transactions</b>	<b>143,332</b>
-	- Receivables from non-exchange transactions	-
<b>601,434</b>	<b>Total receivables</b>	<b>143,332</b>

The carrying value of receivables approximates their fair value.

At 30 June 2024 the Ministry had no past due debtors (2023 – Nil). Due to the credit quality of debtors no allowance for credit losses was made at balance date (2023 – Nil).

## NOTE 3: CREDITORS AND OTHER PAYABLES

<b>Actual 2023 \$000</b>		<b>Actual 2024 \$000</b>
540	Creditors	3
43,977	Accrued expenses	22,821
<b>44,517</b>	<b>Total creditors and other payables</b>	<b>22,824</b>

## NOTE 4: FINANCIAL INSTRUMENTS

### Accounting policy

The Ministry uses derivative financial instruments to hedge its exposure to foreign exchange movements. In accordance with its Foreign Exchange Management Policy, the Ministry does not hold or issue derivative financial instruments for trading purposes. The Ministry has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. Movements in the fair value of derivative financial instruments are recognised in the schedule of non-departmental income or schedule of non-departmental expenses.

The full fair value of a foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, foreign exchange derivatives are classified as non-current.

### Financial instrument categories

The carrying amounts of financial assets and financial liabilities in each of the financial instrument categories are as follows:

Actual 2023 \$000		Actual 2024 \$000
	<b>Financial assets measured at amortised cost</b>	
361,570	Cash and cash equivalents	300,803
601,434	Receivables from exchange transactions	143,332
661,385	Prepayments	612,017
1,624,389	Financial assets measured at amortised cost	1,056,152
	<b>Fair value through surplus or deficit – designated as such upon initial recognition</b>	
33,779	Derivative financial instrument assets	13,138
31,110	Derivative financial instrument liabilities	26,400
	<b>Financial liabilities measured at amortised cost</b>	
44,517	Creditors and other payables	22,824

The notional principal amount of outstanding forward exchange contract derivatives at 30 June 2024 is NZD 1,410.2 million (2023 – NZD 902.3 million). The contracts consist of the purchase/(sale) of (amounts in foreign currency):

Actual 2023 fx 000		Actual 2024 fx 000
8,225	Australian dollars	(11,000)
7,143	Great British pounds	3,224
3,483	Euros	27,632
530,753	United States dollars	94,192

## Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

1. Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
2. Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
3. Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

	Total	Valuation technique		
		Quoted market price	Observable inputs	Significant non-observable inputs
	\$000	\$000	\$000	\$000
<b>2024</b>				
<b>Financial assets</b>				
Derivative financial instruments	13,138	-	13,138	-
<b>Financial liabilities</b>				
Derivative financial instruments	26,400	-	26,400	-
<b>2023</b>				
<b>Financial assets</b>				
Derivative financial instruments	33,779	-	33,779	-
<b>Financial liabilities</b>				
Derivative financial instruments	31,110	-	31,110	-

There were no transfers between the different levels of the fair value hierarchy.

## Financial instrument risks

The Ministry's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Ministry has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

### Market risk

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Ministry purchases capital equipment internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the United States, Canadian and Australian dollars, British pounds and Euro. Currency risk arises from future capital purchases and recognised liabilities, which are denominated in a foreign currency.

The Ministry's Foreign Exchange Management Policy requires the Ministry to manage currency risk arising from future transactions and recognised liabilities by entering into foreign exchange forward contracts to hedge the entire foreign currency risk exposure. The Ministry's policy has been approved by the Treasury and is in accordance with the requirements of the Treasury *Guidelines for the Management of Crown and Departmental Foreign Exchange Exposure*.

## Credit risk

Credit risk is the risk that a third party will default on its obligation to the Ministry, causing the Ministry to incur a loss. In the normal course of its business, credit risk arises from debtors, deposits with banks and derivative financial instrument assets.

The Ministry is only permitted to deposit funds and enter into foreign exchange forward contracts with approved counterparties. These entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors (note 2), and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

## Liquidity risk

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

## Contractual maturity of financial liabilities, excluding derivatives

The table below analyses the Ministry's financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

<b>At 30 June 2024</b>	<b>Less than 6 months \$000</b>	<b>6-12 months \$000</b>	<b>1-5 years \$000</b>	<b>Over 5 years \$000</b>	<b>Total \$000</b>
<b>2024</b>					
Creditors and other payables	22,824	-	-	-	22,824
<b>2023</b>					
Creditors and other payables	44,517	-	-	-	44,517

## Contractual maturity analysis of derivative financial instrument liabilities

The table below analyses the Ministry's forward foreign exchange contract derivatives into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount \$000	Contractual cash flows NZ \$000	Less than 6 months NZ \$000	6-12 months NZ \$000	1-2 years NZ \$000	2-5 years NZ \$000	Over 5 years NZ \$000
Gross settled forward foreign exchange contracts:							
<b>2024</b>							
Asset value	13,138						
Liability value	26,400						
- outflow		1,437,073	832,444	441,071	137,848	25,710	-
- inflow		1,421,567	833,962	424,908	138,192	24,505	,
<b>2023</b>							
Asset value	33,779						
Liability value	31,110						
- outflow		2,696,351	728,392	647,266	1,197,354	123,339	-
- inflow		2,696,086	738,456	651,128	1,182,715	123,787	,

## Sensitivity analysis

The table below shows the net effect on the reported gains and losses from movements in exchange rates and derivative values if the New Zealand dollar had been either 5% stronger or weaker at balance date.

	2023			2024		
	Cash and cash equivalents	Derivatives	Net gain/(loss)	Cash and cash equivalents	Derivatives	Net gain/(loss)
	\$000	\$000	\$000	\$000	\$000	\$000
Effect on surplus if NZ dollar strengthened by 5%						
AUD	(1,482)	(423)	(1,905)	(1,240)	570	(670)
CAD	(321)	-	(321)	(82)	-	(82)
EUR	(1,589)	(290)	(1,879)	(1,040)	(2,211)	(3,251)
GBP	(494)	(680)	(1,174)	(611)	(319)	(930)
NOK	(9)	-	(9)	(9)	-	(9)
SEK	-	-	-	-	-	-
USD	(34,657)	(40,048)	(74,705)	(33,130)	(7,117)	(40,247)
<b>Total</b>	<b>(38,552)</b>	<b>(41,441)</b>	<b>(79,993)</b>	<b>(36,112)</b>	<b>(9,077)</b>	<b>(45,189)</b>
Effect on surplus if NZ dollar weakened by 5%						
AUD	1,638	467	2,105	1,371	(630)	741
CAD	355	-	355	91	-	91
EUR	1,756	321	2,077	1,150	2,444	3,594
GBP	546	752	1,298	675	353	1,028
NOK	10	-	10	10	-	10
SEK	-	-	-	-	-	-
USD	38,305	44,264	82,569	36,617	7,866	44,483
<b>Total</b>	<b>42,610</b>	<b>45,804</b>	<b>88,414</b>	<b>39,914</b>	<b>10,033</b>	<b>49,947</b>

## NOTE 5: NON-DEPARTMENTAL CAPITAL EXPENDITURE

Included in non-departmental capital expenditure is \$6,000 paid to the Ministry's auditors, Audit New Zealand, for probity assurance on the process used for various tenders in the Network Enabled Army project (2023 – \$33,000).

In addition, included in departmental expenditure is \$36,000 paid to Audit New Zealand for an assurance review of the Major Projects Report prepared jointly by the Ministry and the New Zealand Defence Force (2023 - \$49,000).

## NOTE 6: EVENTS AFTER BALANCE DATE

There have been no significant events after balance date (2023 – nil).



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