

**MANATŪ KAUPAPA  
WAONGA**  
NEW ZEALAND  
MINISTRY OF DEFENCE



# TE PŪRONGO-Ā-TAU 2022

ANNUAL REPORT 2022

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Above: Members of the Foreign Affairs, Defence and Trade Select Committee with the Secretary of Defence and Chief of Air Force during a visit to Base Ohakea.

Cover page: HMNZS *Aotearoa* undertakes its first voyage to Antarctica for the resupply of McMurdo Station and Scott Base – the first in more than 50 years by a Royal New Zealand Navy ship, all thanks to its specialised ice-strengthened hull.

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## OVERVIEW BY THE SECRETARY OF DEFENCE

### TE TIROHANGA WHĀNUI KI TĀ TE TUMU WHAKARAE MŌ TE WAONGA

In December I joined the Minister of Defence, Hon Peeni Henare, when he launched his Priorities for Defence. At the same event the Ministry publicly launched *Defence Assessment 2021: He Moana Pukepuke E Ekeingia E Te Waka: A Rough Sea Can Still Be Navigated*.

This Assessment provided a comprehensive review of New Zealand's strategic environment and our advice on shaping New Zealand's defence policy settings to respond.

*Defence Assessment 2021* describes a much more challenging strategic environment for New Zealand than in recent decades. In it we identified principal challenges as coming from growing strategic competition and the increasing impacts of climate change. These challenges intersect with a wide range of other trends, in particular COVID-19.

Since its launch, those challenges have become somewhat of a reality. Growing geopolitical tensions, threats to the rules based system, the illegal invasion of Ukraine and the ever-present existential threats posed by a changing climate are all factors influencing our strategic security environment, and what it means to New Zealand and our Pacific region.

Our assessment recommended Aotearoa's defence policy shift to a more deliberate and proactive approach that is strategy-led with clear priorities. In June, the Government approved a Defence Policy Review – a comprehensive look at our defence settings to ensure we can respond to this dynamic global security environment.

The Government's investment in Defence capability is another critical component in how we respond to these challenges. The Ministry continues to focus on delivery of major projects with approximately \$5.6 billion in delivery, and capital expenditure next year of about \$1.08 billion. Within this Annual Report is a comprehensive overview of all the projects that are currently in delivery within the Air, Maritime, Land, and Information domains. An external review of our procurement policies and practices by Sir Brian Roche this year also found our capability management system was the leading

example for long-term capital planning within the public sector.

Our assessment also recommended that, as a small nation, Aotearoa's defence efforts should focus on its immediate region where it can make the biggest impact – the Pacific. This is consistent with the Minister's priorities for Defence – Pacific, people and infrastructure.

As you will see in this Annual Report, these priority areas, as well as the conclusions within our Defence Assessment are guiding the work the Ministry does to ensure the security of Aotearoa and its interests. A great example of this is the story of HMNZS *Aotearoa* and what it has been able to achieve as we work toward the ship becoming fully operational. *Aotearoa* has been busy, from supporting the people of Tonga post the devastating Hunga Tonga-Hunga Ha'apai eruption and tsunami in January to the vital resupply of McMurdo Station in Antarctica – read more about the value the ship is providing communities on page 74.

In September 2021, the Expert Review Group (ERG), chaired by former Auditor-General Lyn Provost, concluded its work and reported its findings to the Minister. The ERG was established in response to a recommendation from the Government Inquiry into Operation Burnham and related matters. It subsequently made nine recommendations and the Ministry has been working with the New Zealand Defence Force on implementation of these. This year the Ministry has also been leading the development of policy advice relating to the Inquiry's second recommendation and in June the establishment of an Inspector-General of Defence was announced.

In addition, from deployments within our region and further afield, the beginning of a two year review into defence policy, our continued engagement with defence industry and an ongoing and comprehensive programme of delivering defence capability, Ministry staff have continued to focus on delivery for Aotearoa New Zealand this year.

With border restrictions easing, we have also been able to return to face-to-face international engagements – primarily in the Pacific but also

taking the opportunity to engage with counterparts in forums such as the Shangri-La Dialogue. While we have endeavoured to stay connected during COVID-19 restrictions, it has been refreshing to once again meet in person, reconnect and look for new opportunities to progress areas of mutual interest.

There is no doubt we are faced with increasing challenges to peace and security. Our response must be to continue to engage on a global stage, to work with our partners and be unflinching advocates for the rules based system.

Here at Manatū Kaupapa Waonga New Zealand Ministry of Defence we continue to hold firm to our purpose of safeguarding New Zealand / Kia tū pakari ai te pā tūwatawata o Aotearoa.



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



Above: From left: Personnel from the New Zealand Defence Force, Willie Apiata VC, Secretary of Defence Andrew Bridgman during the Guadalcanal Commemorations in Solomon Islands.





**THE MINISTRY'S PERFORMANCE AND  
OPERATIONS  
NGĀ MAHI ME NGĀ WHAKAHAERE A  
TE MANATŪ**

## THE ROLE OF THE MINISTRY TE WĀHI KI TE MANATŪ

The Ministry of Defence is the Government's lead civilian advisor on defence. We provide civilian advice on defence matters to enhance the security and interests of New Zealand and its people. We also purchase major equipment which become capabilities when used by the service men and women of the Defence Force.

Ko mātou ngā kaitohutohu matua ki te kāwanatanga mo ngā kaupapa waonga. Nā mātou hoki, ngā taputapu nunui i hoko, hei āheitanga i roto i ngā ringa o ngā tāne me ngā wahine o Te Ope Kātua o Aotearoa.

The Ministry's role is to:

- provide analysis and advice on New Zealand's defence interests and the security environment we operate in, and challenges, across both the short and long terms
- advise the Government on how our Defence Force can meet current challenges (such as potential deployments) and possible future challenges
- purchase major defence equipment for use by the Defence Force as a defence capability<sup>1</sup>
- build and maintains strong defence relationships internationally
- advise on Defence's performance and effectiveness as a system.

The figure on the next page illustrates how the Ministry works closely with our strategic partner the NZDF and other agencies, as required within the National security sector to carry out these activities.

The Ministry also builds and maintains strong defence connections through defence diplomacy with other governments throughout the world, including our ally Australia, so that New Zealand can contribute to the security of the Pacific region, and play our part in addressing defence and security challenges internationally.

The separation between the two agencies is part of New Zealand's constitutional arrangements.

The Ministry and Defence Force – collectively 'Defence' – work closely together, drawing on their strong, separate civilian and military perspectives.



Above: The Ministry's Strategic Leadership Team (left to right): Michael Swain, Sarah Minson, Melissa Thorn, Huntley Wright, Pasanka Wickremasinghe and Andrew Bridgman (absent: Mike Yardley).

<sup>1</sup> In the Defence context, 'capability' refers to the personnel, equipment, platforms, and/or other resources that affect the capacity to undertake military operations.



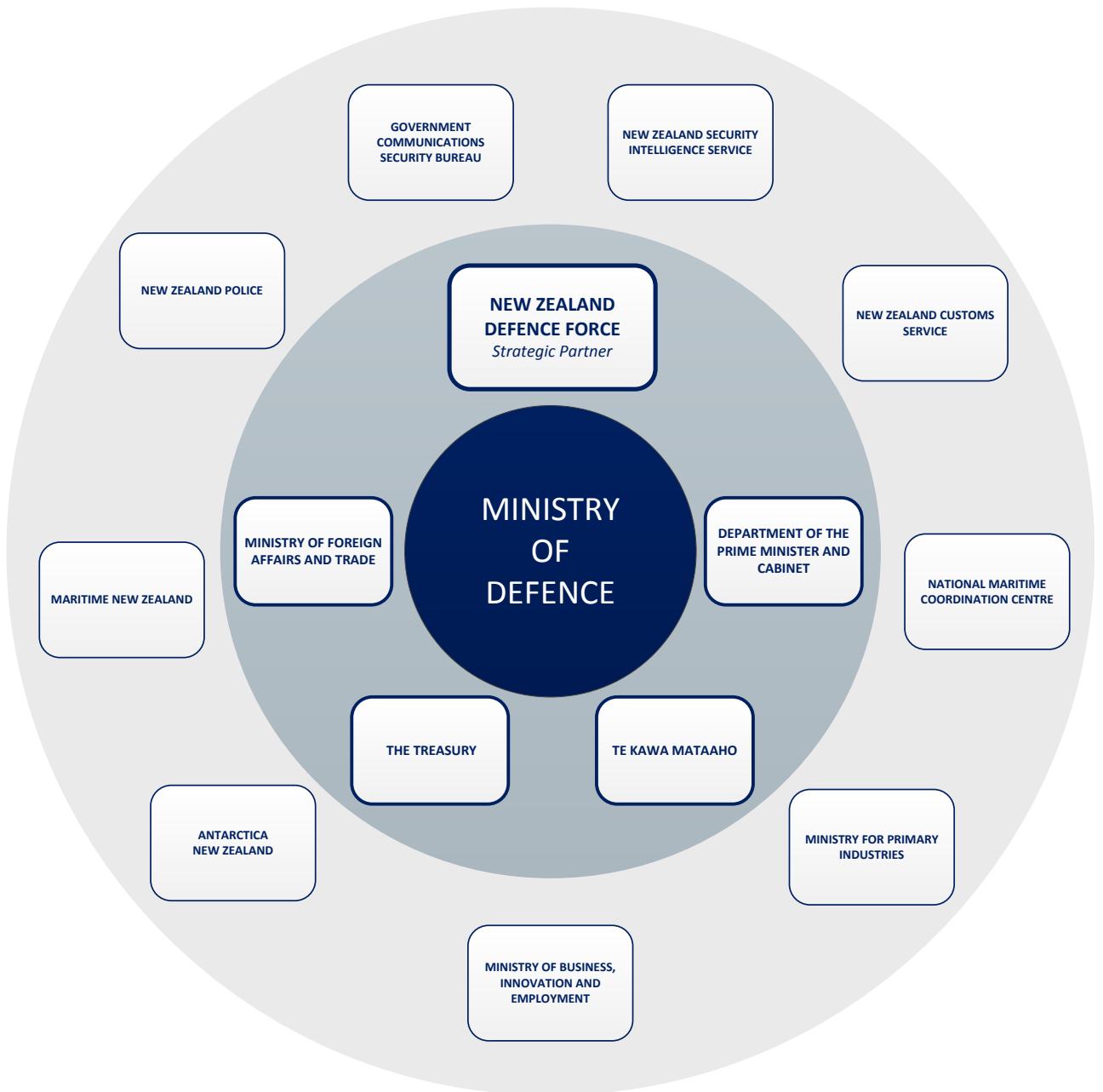


Figure 1: New Zealand Government agencies that the Ministry works with.

# DEFENCE OUTCOMES

## NGĀ HUANGA WAONGA

Defence is a key part of the broader New Zealand national security system, and works alongside other government agencies to protect and advance New Zealand’s security interests. Defence provides value to New Zealand across five key outcomes:



The Ministry contributes to the achievement of these outcomes by:

- providing the Government with policy advice concerning defence and security issues, including the security environment, the deployment of military forces, and the conduct of international defence relations
- acquiring and delivering the major platforms and military capabilities needed by the Defence Force in order to meet the Government’s defence policy objectives
- undertaking audits and assessments to examine and help improve Defence efficiency and effectiveness.

The following pages outline the current strategic environment that defence operates in and how we will ensure that our policy remains fit for purpose.

# NEW ZEALAND'S STRATEGIC ENVIRONMENT

## TE TAIAO RAUTAKI O AOTEAROA

New Zealand faces a substantially more challenging and complex strategic environment than it has for decades. The COVID-19 pandemic has intensified, not displaced, the impacts of other, longer-term strategic trends. Amidst this complexity, we judge that the principal challenges to New Zealand's security interests, now and over the coming decades, will be:

- strategic competition, and
- the impacts of climate change.

These challenges are playing out globally, including in New Zealand's immediate neighbourhood (from Antarctica through to the South Pacific), with direct implications for New Zealand's security and wellbeing.

The impacts of COVID-19 also highlighted the relative importance and dependence on extensive vulnerable supply chains. Dependent on critical imports, New Zealand tends to be at the margin of supply chains which centre on the Northern Hemisphere and traverse several regions facing substantial geostrategic risks.

### STRATEGIC COMPETITION

New Zealand faces a world in which strategic competition is increasingly the background for states' relationships. China's rise is the major driver for this competition. Globally, strategic competition is most visible between China and the United States, but all other states are involved to varying degrees.

Growing strategic competition will increase the potential for confrontation and conflict. Strategic

competition will play out across a range of theatres (including in space and cyber-space) in ways that will threaten New Zealand's security: this is true of both the wider Indo-Pacific and in New Zealand's immediate Pacific region.

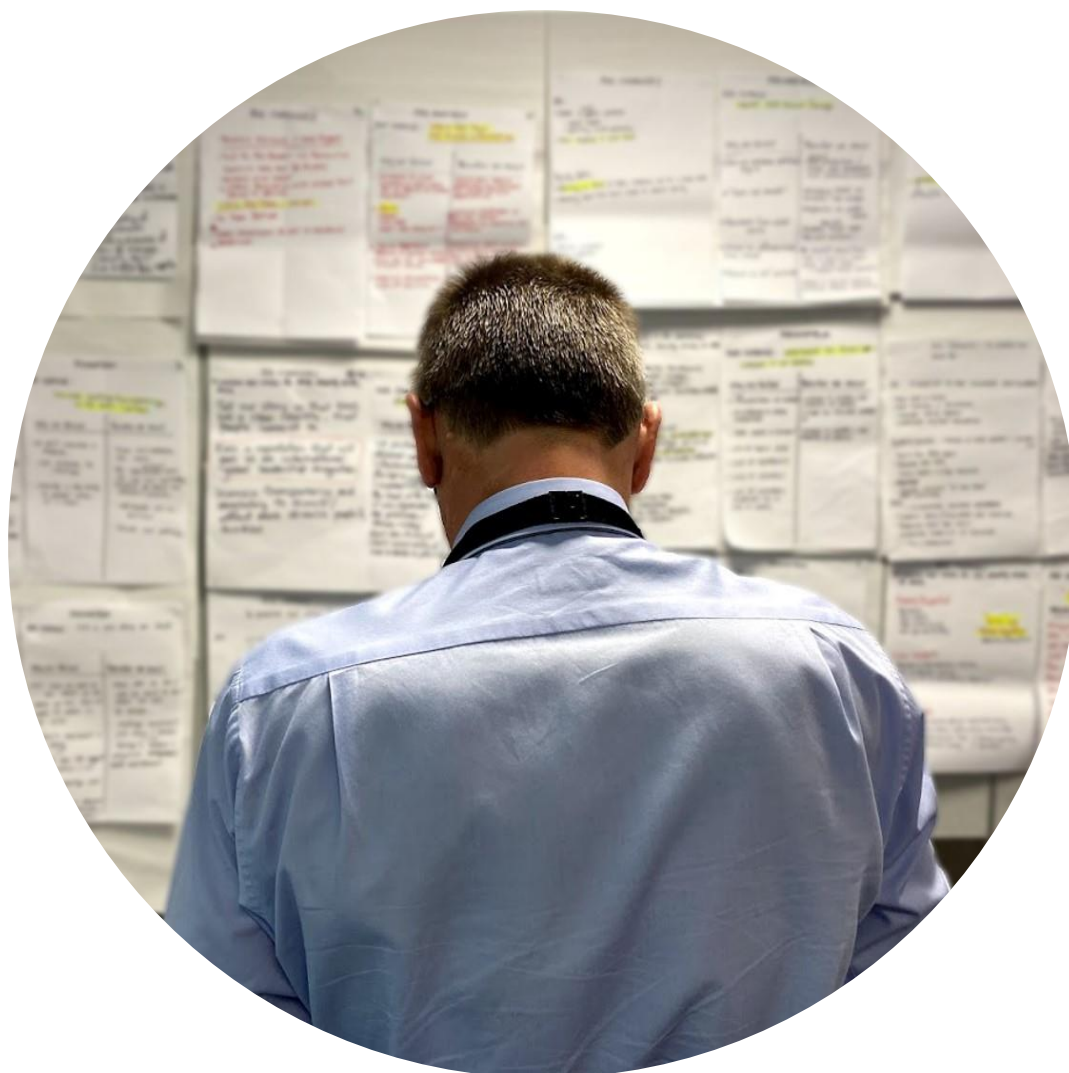
Russia's invasion of Ukraine is an inflection point in global security. The invasion fundamentally challenges the international rules-based system and further degrades the international strategic environment, with consequent impacts for New Zealand's security interests over both the immediate and longer terms.

### CLIMATE CHANGE

The accelerating impacts of climate change will have fundamental effects on global security, but are being felt early and deeply in the Pacific. Climate change is causing more extreme weather patterns and increasing numbers of climate-related natural disasters, and is most acutely affecting states less equipped to respond. The direct human security impacts of climate change will increasingly intersect with and exacerbate national security challenges. For some countries, including in the Pacific, the threat is existential.

Strategic competition and climate change, as well as the continuing impacts of COVID-19, intersect with and are amplified by a range of other sources of insecurity, including in New Zealand's immediate neighbourhood. These include longstanding challenges to governance and human security in the Pacific, the weaponisation of information and emerging technologies, violent extremism, and transnational organised crime.





**DELIVERING ON THE MINISTRY'S  
STRATEGIC INTENTIONS**  
**TE WHAKATINANA I NGĀ WHĀINGA  
RAUTAKI A TE MANATŪ**

# MINISTERIAL PRIORITIES FOR DEFENCE

## NGĀ KAUPAPA WHAKAAROTAU A TE MINITA MŌ TE WAONGA

In December 2021 the Minister of Defence, Hon Peeni Henare, announced his Ministerial Priorities and Principles for the Defence portfolio, covering both the work of the Ministry and Defence Force.

The Ministerial Priorities are:

<p><b>Pacific:</b></p> <p>The Pacific priority reflects the importance that this Government places on Pacific resilience and the important role Defence has in supporting this.</p>	<p><b>People:</b></p> <p>People are Defence’s greatest asset. Defence needs to ensure that personnel are equipped to face the challenges ahead, including those identified in <i>Defence Assessment 2021</i>.</p>	<p><b>Infrastructure:</b></p> <p>The focus on infrastructure in the context of the Ministry is to ensure that capability is delivered and operated in a way that allows Defence personnel to safely undertake tasks, respond and operate with confidence.</p>
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The Defence Principles are:

<p><b>Angitu</b></p> <p>Success, effort and striving.</p>	<p><b>Kotahitanga</b></p> <p>Unity, togetherness, solidarity and collective action.</p>	<p><b>Mana &amp; Pono</b></p> <p>Influence, prestige, authority: to be true, valid, honest and sincere.</p>	<p><b>Kaitiakitanga</b></p> <p>Guardianship, stewardship and trust.</p>
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The following pages set out how the Ministry is contributing to these priorities, and the connections to the Defence principles.

# THE GOVERNMENT'S PRIORITIES

## NGĀ KAUPAPA WHAKAAROTAU A TE KĀWANATANGA

The Ministry's work also supports the Government's overarching policy goals and wellbeing objectives.

**1** **To keep New Zealanders safe from COVID-19:** The New Zealand Defence Force performed a critical role in providing personnel to support the Government's COVID-19 response. The Ministry's work delivering major defence capabilities ensures the Defence Force is well-placed to respond when tasked by Government to safeguard New Zealand.

**2** **To accelerate our economic recovery:** the Ministry's work on major Defence capability projects creates opportunities for New Zealand businesses – either directly or indirectly through partnership with international prime contractors. This includes major infrastructure work (Te Whare Toroa) at Base Ohakea to support the new P-8A Poseidon maritime surveillance aircraft that will be based there from 2023.

At a cost of around \$250 million, the building and supporting works at Ohakea is one of the largest and most complex construction projects undertaken by Defence. On completion it will deliver crew and maintenance facilities that support both a high-end capability and a modern workforce.

Additional to the investment in Te Whare Toroa, a further \$206 million will be spent on resolving pre-existing infrastructure issues at Ohakea and providing new facilities, including new and upgraded accommodation.

This investment is also designed to benefit local industry, local workers and regional Aotearoa. For example, the construction work currently under contract at Ohakea will create employment for up to 400 workers. For every dollar spent acquiring a new capability, three to four dollars are spent introducing

that capability into service, operating it, and supporting it over its life. Much of this is spent locally.

**3** **To lay the foundations for a better future:** The most important Defence capability is people. This includes looking carefully at gender equity, diversity and inclusion. This will ensure that the Ministry reflects the community it serves. Implementing the recommendations of the *Report of the Government Inquiry into Operation Burnham and related matters* will ensure Defence structures and processes are robust, fit for purpose as well as transparent and accountable into the future. Ministry assessments, advice and engagement with international partners contributes to ensuring a secure, stable, and resilient region and that New Zealand can make contributions to global security into the future. The Ministry's work on engagement in the Pacific is an important part of this.

To deliver on government policy intentions, the Defence agencies undertake long-term planning to allow for sustainable, high-value investments to be considered.

Delivering on Government investment decisions will provide the Defence Force with the capabilities required to give effect to the Government's policy intentions.

This includes key once in a generation platform replacements – including five C-130J-30 Hercules transport aircraft to replace the existing fleet of C-130H Hercules, and four P-8A Poseidon maritime patrol aircraft to replace New Zealand's aging P-3K2 Orion fleet.

# SAFEGUARDING NEW ZEALAND: THE MINISTRY'S ORGANISATIONAL STRATEGY

## TE TAUTIAKI I A AOTEAROA: TE RAUTAKI WHAKAHAERE A TE MANATŪ

In early 2021, the Ministry brought all staff together to develop a new organisational strategy to apply from 1 July 2021. This strategy identifies a new purpose and vision for the Ministry:

The complexity and risk of our strategic environment are well understood by New Zealanders. They have confidence New Zealand can respond, and that response reflects the unique values of Aotearoa. We are continuously at the leading edge. We strengthen the National Security System and our advice is sought after as a result of our thought leadership. Our impact comes from our people, who are talented, diverse, passionate and innovative.

He mea mārāma te whīwhiwhi me te tūraru o tō tātou taiao rautaki ki a Ngāi Aotearoa whānui. E whakamanawa ana rātou ki te āheinga urupare o Aotearoa, ā, ka whakaatu taua urupare i ngā mātāpono ahurei o Aotearoa. Ko mātou kei te tauihu ināianei, ā haere ake nei. E whakakaha ana mātou i te Pūnaha Whakahaumarū ā-Motu, ā, ka kaha whāia ā mātou tohutohu nā tō mātou mahi tātaki whakaaro. Ka ahu mai tā mātou whakaaweawe i ā mātou kaimahi matahuhua, e mau pūkenga ana, e kaingākau ana, e auaha ana i te kaupapa

### Our purpose

#### Tā mātou kaupapa

Safeguarding New Zealand

Kia tū pakari ai te pā tūwatawata o Aotearoa

### Our vision

#### Tā mātou wawata

Thought leaders strengthening national security in an uncertain world

Ko mātou ngā kaitātaki whakaaro e whakakaha ana i tō tātou haumarutanga ā-motu i tēnei ao pāhekeheke

To deliver this vision, the Ministry developed a programme of objectives and activities spanning three years, framed around four focus areas:

- Supporting talented and diverse people
- Informing decisions with strategic insight
- Delivering to strengthen national security
- Engaging New Zealanders on defence

This strategic intent is reflected in the Ministry's *Statement of Intent 2021-2025*, and the following pages also address the progress and performance of delivery against this. Where key pieces of work deliver on an objective of the strategy, it has been indicated. Not all strategic objectives will be delivered on in the first year of the three-year plan.





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

1.1

A place where talented and diverse people feel included and able to do their best work

1.2

Ministry people are consistently supported and developed to be successful in their work

1.3

The Ministry is culturally competent



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

2.1

Everyone brings whole-of-Ministry insight to their work

2.2

Our decisions are visibly evidence-based

2.3

We bring a deep understanding of NZDF to decisions

2.4

We engage thoughtfully with our stakeholders



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

3.1

The Ministry is influential internationally and across the national security sector

3.2

A coherent and integrated policy and strategy system

3.3

Delivering capability as promised

3.4

The impact of our delivery is measured to inform future decisions

3.5

Implement Operation Burnham Inquiry recommendations



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

4.1

New Zealanders understand security issues, Defence's role and the value of the Ministry

4.2

We actively seek the input of New Zealanders on our work





**PACIFIC: WE ARE IN AND OF THE  
PACIFIC**  
**TE MOANA-NUI-A-KIWA: KEI ROTO,  
NŌ ROTO MĀTAU I TE MOANA-NUI-A-  
KIWA**



## **Pacific: We are in and of the Pacific** **Te Moana-nui-a-Kiwa: Kei roto, nō roto** **mātau i te Moana-nui-a-Kiwa**

The security of New Zealanders and the Pacific are interconnected. The core drivers for New Zealand's engagement in the region are: our hononga (connections) with the Pacific; our collective kaitiakitanga (stewardship) responsibilities for shared resources and the environment (especially in relation to the Blue Ocean Continent); our economic and health connectivity with the region; and our national security interests, including the transboundary nature of threats facing the Pacific.

The Pacific is also the area where Defence can have the greatest material impact. By global standards, New Zealand is a small state but a significant actor in its immediate region.

*Kotahitanga* reflects our whanaungatanga (family, relationships) with the Pacific region and the importance of ensuring that our partnerships with Pacific Island Countries reinforce a region of stable, secure, resilient and independent states.

The strong relationships we maintain in the Pacific and with wider partners work to amplify New Zealand's voice internationally and support our security.

This work connects to the following focus areas for the Ministry's Strategy:



### **INFORM**

**Informing decisions with strategic insight**

**Te whakamōhio i ngā whakatau mā te rautaki**



### **DELIVER**

**Delivering to strengthen national security**

**Te koke kia kaha ake ai te haumarutanga ā**

# SUPPORTING A SECURE, STABLE AND RESILIENT PACIFIC

## KEI TE TAUTOKO I TE MOANA-NUI-A-KIWA KIA HAUMARU, KIA TAU, KIA WHAKAMĀROHIROHI HOKI

Defence works with our regional partners, including through the regional security architecture, and through assisting Pacific partners to address security challenges. The Ministry's work supports engagement and regular dialogue in the region. Our support to the Pacific is strengthened through our people-to-people linkages and engagement which combined create opportunities for shared solutions.

Regional architecture plays a critical role by promoting shared understanding, formalising regular dialogue and enabling practical cooperation. The Ministry continues to be an active supporter of regional architecture in our Pacific region and further afield. These engagements both advance New Zealand's defence interests, and our defence relationships, internationally.

While a number of defence engagements continue to take place virtually, easing of border restrictions globally has opened up opportunities to meet partners face-to-face again.

The Ministry has supported international travel by the Minister of Defence, which has included:

- bilateral visits to the Republic of Fiji and Australia where the Minister met with his Fijian and Australian counterparts;
- attendance at the annual Shangri-La Dialogue in Singapore; and
- a bilateral and operational visit to the Republic of Korea.

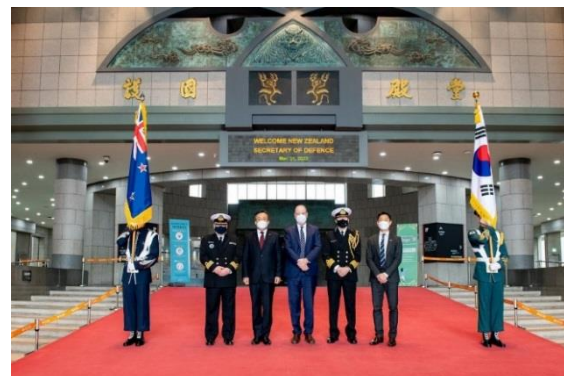
The Shangri-La dialogue is the premier forum for Defence Ministers in the Indo-Pacific region. The high levels of attendance from Ministers, defence force leaders and senior security agency officials make it an important focal point for major power relationships and for discussion on contemporary strategic issues. Whilst at Shangri-La, the Minister engaged with various counterparts. These engagements enabled the Minister to discuss security challenges in the Indo-Pacific and discuss New Zealand's key priorities for Defence including the Pacific.

In addition to this, the Ministry supported over 80 international engagement activities in 2021/22

involving the Minister of Defence as well as senior defence officials. Given the challenges of the COVID-19 pandemic these have been a mixture of virtual and in-person engagements, including:

- bilateral counterpart calls including with Australia, Fiji, Tonga, Papua New Guinea, Solomon Islands, the United States, France, Canada, the United Kingdom, Japan, China, and Singapore.
- bilateral in-person meetings including with Fiji, Solomon Islands, Australia, the United States, Singapore, Republic of Korea, Japan, China, the United Kingdom and France.
- multilateral meetings including the Shangri-La Dialogue, South Pacific Defence Ministers' Meeting, Five Power Defence Arrangements Defence Ministers' Meeting and the Association of Southeast Asian Nations (ASEAN) Defence Ministers' Meeting-Plus.

The Ministry's international defence engagement is aligned with the Government and Defence priorities through our International Defence Engagement Strategy (IDES). The IDES prioritises New Zealand's international defence relationships and determines the key initiatives to maintain and develop our defence relationships. Defence engagement with New Zealand's international partners advances our wider policy goals, builds and maintains our capability and supports our operations.



Above: The Secretary of Defence in the Republic of Korea to mark New Zealand's 60<sup>th</sup> anniversary of diplomatic relations.

The Ministry and New Zealand Defence Force have finalised a refreshed International Defence Engagement Strategy for the 2022-2026 period. Important themes of the new IDES include recognising the Pacific region as a priority for New Zealand's defence engagement; being more considered on how we approach cross-cutting issues including climate change, gender and te ao Māori; and using a more focused framework to measure the impact of our defence activities and engagements.

The updated IDES has been developed within the context of the *Defence Assessment 2021*, and with the impact of COVID-19 in mind.



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

**90%**

**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 his international engagements.

The Minister rated the Ministry's policy support 90% for the 2021/22 year.

## DEPLOYMENT ADVICE IS COMPREHENSIVE AND ENABLES THE GOVERNMENT TO MAKE INFORMED CHOICES

### HE WHĀNUI TE AROĀ O NGĀ TOHUTOHU TUKU TAUA, MĀNA KA TAEA E TE KĀWANATANGA NGĀ KŌWHIRINGA WHAI MŌHIOHIO TE KŌWHIRI

The Ministry led the development of advice to the Government on a range of deployments of New Zealand Defence Force personnel and assets.

In line with New Zealand's national security priorities, this advice supported Government decisions on a number of deployments that reinforce the international rules-based system, contribute to collective security efforts, and have foreign policy and operational benefits for New Zealand.

These decisions include support to peace and stability in our immediate region, including deploying in support of the Royal Solomon Islands Police Force to restore law and order in the Solomon Islands, and to the Kingdom of Tonga to support the humanitarian response to the Hunga Tonga-Hunga Ha'apai volcanic eruption and tsunami.

In the wider Indo-Pacific region, the Ministry also supported advice leading to an extension of New Zealand's contribution to the Counter-Terrorism Information Facility in Singapore;

maritime surveillance operations countering North Korean United Nations sanctions evasion; and an extension of the mandate and personnel footprint of New Zealand's contribution to United Nations Command on the Korean Peninsula.

Further afield, on the basis of advice provided, Cabinet also agreed to the extension of New Zealand's contributions to peace support operations in the Middle East and Africa, including Multinational Force Observers (Egypt), United Nations Mission in South Sudan, United Nations Truce Supervision Organisation (Golan Heights, Lebanon) and the Defeat-ISIS Coalition (Iraq). New Zealand also continued support to maritime security in the Middle East, through a contribution to coalitions with which New Zealand has a history of cooperation, including the Combined Maritime Forces Headquarters (Bahrain). Further details about the purpose and role of current NZDF deployments are provided in the next section.

## 4.6 / 5

**Assessing Defence Policy Advice:** 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. This surveys advice on international deployments, as well as the security environment (see the Defence Assessment work below) and Defence major capability projects (see the Infrastructure section).

The Minister rated the Ministry's policy advice 4.6 out of 5 for the 2021/22 year.

The Ministry continues to develop our deployable Policy Advisor (POLAD) capability in support of deployed forces. The first two contemporary deployed POLADs supported the response to the Afghanistan Non-Combatant Evacuation Operation (NEO) and Solomon Islands stability mission, both undertaken in the reporting period. The ongoing development of this Ministry capability supports the findings of the report of the Expert Review Group, conducted following the *Government Inquiry into Operation Burnham and Related Matters*.

More about the POLAD capability and its connection to the Operation Burnham Inquiry recommendations are provided on page 38 and in the following case study.



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

## 3.8 / 5

**Assessing Defence Policy Advice:** The Ministry commissions an annual assessment of Defence policy advice by the New Zealand Institute of Economic Research. A majority of policy advice items submitted to the Minister of Defence relate to deployment activities.

In 2021/22, the Ministry scored an average of 3.8 for a random selection of its policy advice, against the Department of the Prime Minister and Cabinet's *Policy Quality Framework*. This is a consistent increase year on year over 2019/20, 2020/21 and 2021/22.

The review assessed a number of deployment papers, with highlights including ratings of 4.5 for defence advice on deployments to the UN missions in South Sudan (UNMISS) and in Golan Heights, Lebanon and Syria (UNTSO). The UNTSO paper was described as:

*A well-structured paper builds on strong contextual information to provide Ministers options. Each option is well canvassed, and free and frank advice is given on each. It is the sort of paper that gives the reader confidence that Defence knows what it is doing in sometimes tricky situations. It is also linked to government defence priorities. And the risks are well summarised.*

## Case Study: Policy support for New Zealand's deployment to Solomon Islands

*The Ministry is developing a deployable Policy Advisor (POLAD) capability to support future operational deployments undertaken by the NZDF. This 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.*

On 1 December 2021, at the request of the Solomon Islands Government and following civil unrest and rioting in Honiara, NZDF and Police personnel deployed to assist in maintaining stability and security in the Pacific Island nation. As part of the mission, a Ministry POLAD deployed alongside their NZDF counterparts.

The New Zealand contingent worked with partner nations including Australia, Papua New Guinea and Fiji to support the Royal Solomon Islands Police Force in restoring law and order.

This was the second operational POLAD deployment the Ministry has undertaken within the past year, with the other being the Afghanistan non-combatant evacuation in August 2021. The POLAD's role was to provide policy advice to the NZDF Senior National Officer to ensure that decisions made relating to the operational conduct were in alignment with New Zealand Government policy and strategic interests. The position also played a role in supporting engagement between the deployed personnel, New Zealand diplomatic and other agency staff in Honiara, and Defence Headquarters in Wellington.

The POLAD and the majority of deployed NZDF personnel returned to New Zealand in late December, with a small number remaining in Honiara to work alongside Australian and Fijian security personnel as part of the Multinational Police Support Group.





New Zealand is very much in and of the Pacific and remains committed to the security of our region. However, threats to the international rules based system, no matter where they occur, are of concern which is why we support our allies when asked.

Over the last 12 months, this has included deployments to Afghanistan, Solomon Islands,

Tonga and significantly New Zealand’s ongoing support to the people of Ukraine. As a result, since February 2022 the Ministry, in conjunction with the NZDF and other government agencies, provided advice to the Government on Ukraine. Further details are provided below.

## Case Study: New Zealand’s Support to the People of Ukraine

*Russia’s invasion of Ukraine fundamentally challenges the international rules-based system, and further degrades the international strategic environment, impacting New Zealand’s immediate and long-term security interests. By July 2022 New Zealand had provided over \$33 million in support to Ukraine across diplomatic, economic and military dimensions in support of the protection of their territorial integrity and sovereignty. We sought to answer Ukraine’s requests for support where New Zealand could make meaningful contributions. This took significant cross-government effort.*

Following Russia’s invasion of Ukraine on 24 February, the Ministry worked with the NZDF and Ministry of Foreign Affairs and Trade (MFAT) to consider military options as part of an overall support package to Ukraine. The Ministry of Defence provided a range of Ministers advice on issues, such as the implications of different types of military aid and how a small military could best provide military support. It also supported the Minister of Defence with his engagements with counterparts. The Ministry, MFAT and NZDF provided Cabinet with recommendations, resulting in the following:

### 21 March

The provision of 1,066 body armour plates, 473 helmets and 571 camouflage vests/harness webbing to the Ukrainian Armed Forces.

### 28 March

The deployment of seven NZDF intelligence analysts and two liaison officers to support partners’ responses.

The provision of the NZDF’s open source intelligence capabilities within New Zealand to support partners’ responses.

### 11 April

The deployment of a C-130 Hercules carrying 50 associated personnel to assist with aerial transport.

The deployment of eight logistics personnel to further assist with transport.

The provision of \$7.5 million in funding to the United Kingdom to procure weapons for the Ukrainian Armed Forces. The provision of \$4.1 million to support commercial satellite access for Ukraine.

### 23 May

The deployment of a 30 personnel artillery training team to train Ukrainian Armed Forces personnel in the operation of L119 Light Field Guns.

The provision of approximately 40 L119 Light Gun sights and small levels of ammunition to support the training.

### 27 June

The extension of six intelligence, two liaison and four logistics personnel from the NZDF already deployed to Europe.

The deployment of an additional liaison officer and six NZDF intelligence analysts.

Current deployments (as at 30 June 2022)

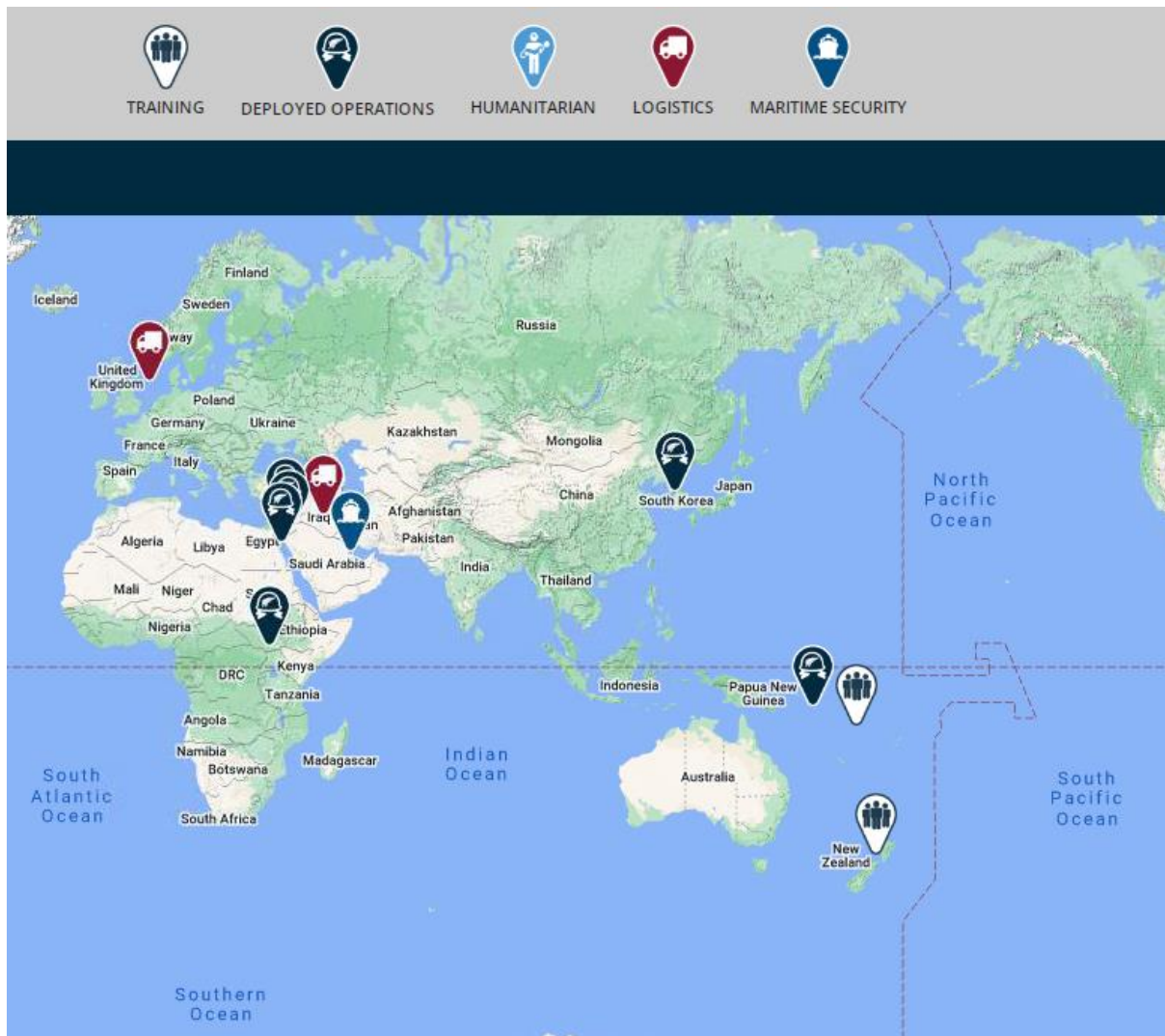


Figure 2: Defence Force deployments as at early September 2022. This map also includes logistics support and capacity-building work in the Pacific and Southeast Asia.

The following section provides information about the current NZDF international deployments.

## Operation Solomon Islands Assistance



Approximately four New Zealand Defence Force personnel are deployed to Solomon Islands as Pacific-led Solomon Islands International Assistance Force (SIAF). The SIAF deployed to Honiara from late November 2021 to support the Royal Solomon Islands Police Force (RSIPF) in restoring peace and stability following a period of civil unrest. The SIAF has since continued to support the RSIPF in maintaining peace and stability including through community engagement and reassurance. The NZDF personnel deployed operate alongside their New Zealand Police colleagues to achieve this.

## Defeat ISIS Coalition – Iraq, Kuwait



New Zealand first deployed as part of the Defeat-ISIS Coalition in 2015, and has held a variety of Coalition Headquarters, support, and intelligence roles. The majority of New Zealand's personnel were deployed to the Australia-New Zealand Building Partner Capacity (BPC) mission at Taji Military Complex, Iraq. Over 47,000 Iraqi Security Forces (ISF) personnel were trained by New Zealand and Australian personnel at Taji between 2015 and March 2020, when responsibility for training was successfully handed over to the ISF.

New Zealand continues to maintain a military contribution to the Defeat-ISIS Coalition. Two NZDF personnel remain deployed to Coalition Headquarters in Iraq and Kuwait.

## Combined Maritime Forces - Bahrain



New Zealand's economic prosperity depends on open sea, air and electronic lines of communication. The New Zealand Defence Force makes an important contribution to international efforts supporting freedom of navigation, including participation in multinational counter-piracy and maritime security operations in the Arabian Gulf and Indian Ocean. New Zealand contributes to the Combined Maritime Forces Headquarters in Bahrain, a multinational naval partnership that promotes security, stability and prosperity across approximately 8.3 million square

kilometres of international waters encompassing some of the world's most important shipping lanes.

## Multinational Force and Observers – Egypt



New Zealand's contribution to the Multinational Force and Observers (MFO) is one of its longest standing deployments, participating in the MFO mission since it was established in 1982. The MFO mission aims to ensure compliance with the commitments of the 1979 Treaty of Peace between Egypt and Israel and supports regional peace and stability. New Zealand personnel perform a number of roles including drivers, driver trainers, electricians, engineers and command functions.

New Zealand currently fills the MFO Force Commander role, with Major General Evan Williams being confirmed in the role since October 2019.

## Operation Gallant Phoenix – Jordan



Operation Gallant Phoenix is an intelligence fusion centre that enhances the capacity of New Zealand and member nations to share information and understand and respond to current, evolving and future violent extremist threats – regardless of ideology. Our participation supports and expedites the growth of several valuable capabilities for New Zealand.

## Support of United Nations Security Council sanctions against North Korea – North Asia



Since 2018, New Zealand has deployed P-3K2 Orion maritime patrol aircraft to North Asia in support of UN Security Council sanctions against North Korea. Maritime surveillance patrols detect and deter sanctions evasion activities such as ship-to-ship transfers of illicit goods at sea. Pursuing the complete, verifiable and irreversible denuclearisation of North Korea is an important part of New Zealand's strong stance on nuclear non-proliferation. This deployment is another example of New Zealand's active contribution to collective security efforts to address common security challenges in the Indo-Pacific region. The deployments are beneficial to the Defence Force,

exposing personnel to operational environments not achievable within exercises, and enhancing interoperability with close partners.

### United Nations Command and its Military Armistice Commission in the Republic of Korea – Republic of Korea



New Zealand's longstanding deployment of Defence Force personnel to the Republic of Korea supports the maintenance of peace and stability on the Korean

Peninsula, and more broadly, collective security in the Indo-Pacific region. Defence Force personnel contribute to the planning and coordination functions of the United Nations Command Headquarters, and support the administration of the Korean Armistice Agreement. Defence Force personnel operating in the Demilitarised Zone perform a very visible role in upholding the Armistice Agreement. This important contribution also ensures that New Zealand remains well-connected to developments related to the security situation on the Korean Peninsula.

### United Nations Mission in South Sudan – Republic of South Sudan



UNMISS was established in 2011 and plays an important role in protecting civilians, peace-making and facilitating the delivery of

humanitarian aid. New Zealand's participation in UNMISS contributes to our collective security responsibilities, addresses humanitarian concerns, and provides a small but tangible demonstration of New Zealand's commitment to peace and security in Africa.

### United Nations Truce Supervision Organisation – Golan Heights, Lebanon and Syria



UNTSO is the United Nations' oldest peacekeeping operation, and an important and visible

demonstration of UN efforts to preserve peace between Israel and its neighbours. The New Zealand Defence Force has been a longstanding contributor since 1954, supporting the mission through the deployment of military observers based in the Golan Heights, Lebanon and Syria.

Deployed personnel patrol and monitor ceasefires and military activity in contested areas, supporting conflict prevention. It is currently our largest contribution to a United Nations-led peacekeeping mission.

### Support to Ukraine



As of 30 June up to 104 NZDF personnel were approved by Cabinet to be deployed throughout Europe as part of Operation Tīeke, contributing to international efforts

to assist Ukraine in its self-defence.



Above: NZDF personnel in Solomon Islands as part of New Zealand's assistance to the Solomon Islands International Assistance Force.





**PEOPLE: DEFENCE REPRESENTS  
AND REFLECTS NEW ZEALAND  
HE TĀNGATA: KA WHAKAKANOHĪ, KA  
WHAKAATA A TE MANATŪ KAUPAPA  
WAONGA I A AOTEAROA**



## People: Defence represents and reflects New Zealand

**He Tāngata: Ka whakakanohi, ka whakaata a te Manatū Kaupapa Waonga i a Aotearoa**

People are Defence's most important capability. This priority includes the following key pillars:

- Ensure Defence people are well-trained and effective for work at home, and also ready for international peace and security commitments. Defence is lifting its focus on culture and diversity to ensure our people not only reflect New Zealand but can also effectively serve our communities and those they are mandated to protect offshore, for example as part of NZDF's contribution to the United Nations Mission in South Sudan. This work is in line with the changes to the Public Service Act 2020 that enable a more adaptive, agile and collaborative public service.
- Implement the recommendations of the *Report of the Government Inquiry into Operation Burnham and related matters* to ensure Defence agencies are fit for purpose. This includes work on the Expert Review Group report on NZDF operational structures and recordkeeping and related processes, and establishment of an Inspector-General of Defence, and work on civilian casualties.

A foundational element of Defence's *angitu* is the *mana* afforded its people. Defence needs to support this *mana* by ensuring its people represent and reflect the communities from which they come and that the reputation and credibility of its people is supported and maintained.

*Kotahitanga* is expressed through ensuring diversity of people and equitable representation of women.

This work connects to the following focus areas for the Ministry's Strategy:



### SUPPORT

Supporting talented and diverse people

Te taunaki i ngā tangata ihumanea



### INFORM

Informing decisions with strategic insight

Te whakamōhio i ngā whakatau mā te rautaki



### DELIVER

Delivering to strengthen national security

Te koke kia kaha ake ai te haumarutanga ā-motu



## MINISTRY PEOPLE NGĀ TĀNGATA O TE MANATŪ

The Ministry has focused on supporting a talented and diverse workforce that is ready for the challenges ahead, including those identified in *Defence Assessment 2021*.

During this year the Ministry has worked to develop a new People Strategy. This will set out the priorities to develop and support our staff. A core tenet to this Strategy is the commitment to diversity and inclusion.

### PAPA POUNAMU

Diversity and inclusion is a focus for the Ministry and is central to meeting our commitment to *supporting talented and diverse people*.

We deliver this work by actively contributing to a common set of five public service Papa Pounamu priority commitments:

- Strengthening cultural competence
- Addressing bias and discrimination
- Building inclusive leadership
- Developing relationships that are responsive to diversity
- Supporting and engaging with employee-led networks.

The Ministry continues to support and encourage active participation through its five employee led networks, including the establishment this year of networks for Young Professionals and Pacific Peoples.

The Ministry is committed to understanding how our staff identify and their experiences working at the Ministry. We have a renewed focus on data quality and have begun collecting information from our people, including updated ethnic identity using guidance from Te Kawa Mataaho.

Right: Leaders of the employee led networks which include the recently established Young Professionals and Pacific Peoples networks.



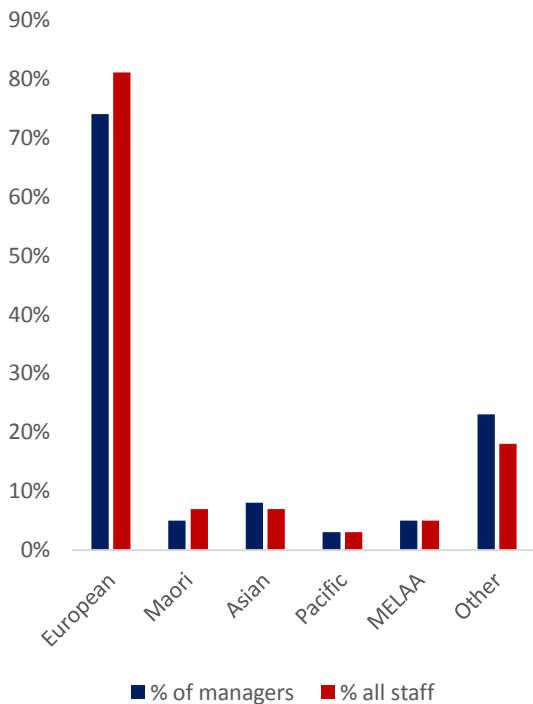


Figure 3: Ethnicities that Ministry staff and managers identified with, as of 30 June 2022 (staff may identify with up to three ethnicities, 97% disclosure rate)



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

## SUPPORT FOR OUR PEOPLE

A wellbeing survey in September found 91 percent of respondents knew what to do and would act if they saw or experienced unacceptable behaviour. This speaks to the success of our Above the Line workshops, designed to bring to life our values as an organisation and foster an inclusive workplace. Additionally, 85 percent of respondents agreed they could be themselves at work, a result which is consistent with the Te Taunaki Public Service Census results.

In the past year, 75 percent of staff have undertaken Cultural Competence workshops. Feedback showed the value of these workshops, with staff rating their experience highly.

The Ministry has also continued its focus on reducing unconscious bias with workshops for new staff and considering people policies and processes through a diversity lens when reviewed.



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

## CULTURAL CAPABILITY

In August, the Ministry established a Ministry-wide Rōpū/Working Group, called Hīnāture. The Rōpū is focused on describing the relationship between te Tiriti o Waitangi and Defence, analysing where the Ministry's obligations lie in regards to te Tiriti, and exploring ways to integrate Te Ao Māori into the Ministry's work.

Hīnāture will:

- develop advice on the Ministry's Te Tiriti obligations
- conduct a cultural baseline audit of Te Tiriti and Te Ao Māori competence and activity
- develop guidance for the Ministry on Te Tiriti's application
- provide/deliver a roadmap on implementing and embedding Te Tiriti obligations through appreciation and use of matauranga Māori.

The Ministry is working on ways to support staff learning of te reo and tikanga and is undertaking an assessment of current staff competence in te ao Māori and developing plans to address skills gaps.

This year the Ministry provided a range of learning opportunities for staff to enhance their understanding of te ao Māori, te reo Māori and Te Tiriti o Waitangi.



This work contributes to the Ministry's objective *The Ministry is culturally competent*

## KIA TOIPOTO: PAY GAP ACTION PLAN

Over the past seven years, the Ministry has significantly reduced its gender pay gap, although more work is still to be done. In 2015 the gap was 43%, which has been reduced to 25% as at June 2022. While progress within the past year has been affected by limited turnover in senior roles, the Ministry remains committed and developed a revised Pay Gap Action Plan which was published in September 2021.

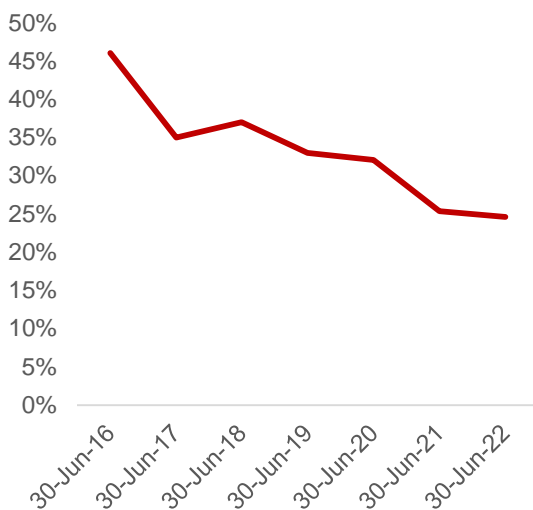


Figure 4: The Ministry's gender pay gap

The Ministry's gender pay gap is not caused by a difference in pay between people performing the same roles, but by occupational or seniority differences in the male and female workforce overall. The Ministry has a concentration of men in highly paid roles, drawn from the male dominated STEM and defence sectors.

Since 2017 the Ministry put in place a plan that has had a significant impact. The key elements of the Ministry's Action Plan involved:

- internal targets
- widening recruitment reach
- growing our own – using career development to correct workforce imbalances
- policies to support parents and reduce the impacts of career breaks.

**Goal:** To ensure that the gender makeup of the Ministry operates on a 40-40-20 basis (that is 40% males, 40% females, and the balance of 20% comprised of any group).

**Progress:** 52% of Ministry staff were female.

**Goal:** Increase the percentage of female managers in the Ministry to a minimum of 40% over the next five years.

**Progress:** 30% of tier 2-4 managers were female. (Note that 44% of tier 2-3 managers are female)

**Goal:** That 50% of appointments made to the Capability Delivery division each year over the next five years will be female.

**Progress:** 48% of appointments in Capability Delivery were female

Figure 5: Gender pay gap progress at 30 June 2022

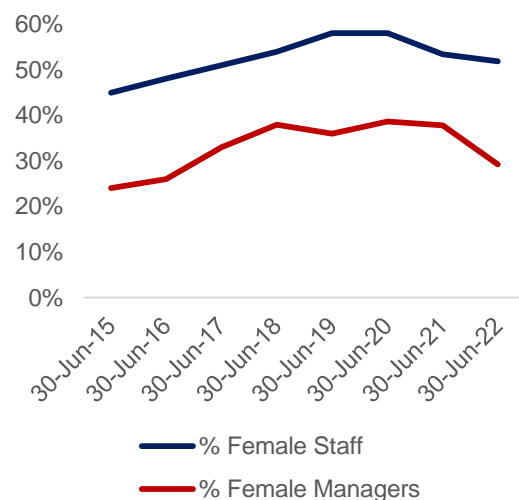


Figure 6: Proportion of female staff and female managers

The Ministry also reported its Ethnic Pay Gap in the Pay Gap Action Plan in September 2021, but has since reviewed and subsequently amended its collection of ethnicity data. The Ministry is working closely with Te Kawa Mataaho to identify the best way to progress actions and has embedded this work into its People Strategy.

Further work to understand the experiences of staff in regard to inclusion for those who do not identify with the majority grouping will be undertaken. This will help to firm up what actions to commit to for the Ministry to become a truly inclusive environment.



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

## ENGAGING WITH INDUSTRY TE WHAKAHONO ATU KI TE RĀNGAI MAHI

Since November 2021, the Ministry has been a registered buyer with Amotai, the government's intermediary for supplier diversity. Since then, the two organisations have worked closely to identify and engage with relevant Māori and Pasifika businesses on current and upcoming opportunities within Defence. The Ministry is also working with Defence prime suppliers, some of whom are Amotai members, to encourage and facilitate opportunities for supplier diversity in their supply chain. This includes planning for a workshop in late 2022 to bring together Defence, Defence industry prime suppliers and Amotai suppliers. Opportunities are also being considered for how to embed supplier diversity principles into practice.

The Ministry is continuing to work with New Zealand Trade and Enterprise (NZTE) and the Australian Department of Defence to reduce barriers for Aotearoa companies looking to compete for contracts in Australia. A joint New Zealand and Australian Heads of Procurement presentation was delivered at the Indo Pacific Maritime Exposition in Sydney in May 2022, which provided a platform to reinforce Aotearoa businesses status in Australia as 'local content'. There is strong interest from prime suppliers to invest and partner with Aotearoa businesses to build regional capability and strengthen resilience in the local supply chain.

The Ministry has undertaken an annual survey of Defence industry since 2016/17. This survey

measures supplier satisfaction with their engagements with the Ministry and Defence Force. It has a particular focus on the quality of the supplier experience during the early delivery and tender phases, although questions in the most recent survey differed slightly from previous years, with a stronger focus on procurement capability.

The response rate was not as high as previous years, which seems to reflect that there were fewer opportunities to engage directly, due to COVID-19 restrictions and social distancing requirements. In total, 49 individuals completed the survey responding to questions about their engagement with Defence over 2020 and 2021. The survey feedback has been considered and incorporated into a number of initiatives underway by the Ministry aimed at improving:

- the information provided on upcoming projects
- improving the tender process
- improving opportunities for companies to partner with primes and/or other New Zealand supplier diversity.



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

## Case Study: Enhancing our Regional Resilience and Strengthening our Supply Chains

*COVID-19 and the war in Ukraine have disrupted global supply chains and forced suppliers to re-think their inventory management strategies. Prime suppliers are looking to invest and partner with Aotearoa businesses to build regional capability and strengthen resilience in supplying both the Australian and New Zealand Defence markets.*

Under Closer Economic Relations and the Australia and New Zealand Government Procurement Agreement, Aotearoa businesses qualify as local content in the provision of support to the Australian Defence Force (ADF), most often as a sub-contractor to an Australian-based prime supplier.

A recent example of this in practice is Rheinmetall Defence Australia who have concluded a long term partnership with Hamilton-based Tidd Ross Todd to supply trailers for the ADF's medium and heavy trucks. This partnership has established a local capability in Aotearoa that supports and strengthens Rheinmetall's global supply chain, while creating a pathway for advanced manufacturing in New Zealand for Rheinmetall consumables.

Under these policies, Australian prime suppliers are also able to compete in the New Zealand Defence market. Recent successful partners include:

- Tasmanian company PFG being selected to supply a Littoral Manoeuvre Craft capability for the Royal New Zealand Navy. PFG offered an innovative solution built from high density polyethylene, which will reduce projected whole-of-life costs. They teamed with Christchurch-based company Hamilton Jet for the supply of the engine and propulsion systems, and with equipment supplier and sustainment partner, General Marine Services of Auckland.
- the upgrade of the communication systems on the Royal New Zealand Navy's Offshore Patrol Vessels and HMNZS *Canterbury* by L3 Harris Australia (Perth). This is based on the same system L3 Harris is installing in the new Australian Arafura Class patrol vessels. L3 Harris have sub-contracted with Beca Applied Technologies Ltd as the installation manager and Whangarei-based company McKay will undertake the installation work.

Both examples demonstrate that success in the New Zealand Defence market will require forming partnerships with local suppliers. These partnerships will help build regional resilience, including in Australia.





Above: A Royal New Zealand Air Force NH90 Helicopter carries loads of equipment to support the Pacific.

## DEFENCE ASSESSMENT 2021

### TE AROMATAWAI KAUPAPA WAONGA 2021

In December 2021, the Secretary of Defence publicly launched *Defence Assessment 2021: He moana pukepuke e ekengia e te waka: A rough sea can still be navigated*.<sup>2</sup> This Assessment concludes that two major challenges will have the greatest impact on New Zealand's security interests over the next 20 years:

- strategic competition, and
- the impacts of climate change.

To respond to these challenges, the Assessment recommends New Zealand's defence policy shift from a predominantly reactive risk management-centred approach to one based on a more deliberate and proactive strategy.

The Government has commissioned a Defence Policy Review to ensure New Zealand's defence

policy, strategy and planned capability investments remain fit for purpose. Work has begun on a new defence policy and strategy statement that will draw on the findings of the Assessment and set out high level policy and strategy for Defence. Details about the Review, including the Terms of Reference and key deliverables, are available from the Ministry's website.<sup>3</sup>

Detail about the process of developing the Assessment is provided in the following case study.



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

<sup>2</sup> *Defence Assessment 2021* is available from the Ministry's website at [www.defence.govt.nz/publications/publication/defence-assessment-2021](http://www.defence.govt.nz/publications/publication/defence-assessment-2021).

<sup>3</sup> *Defence Policy Review: Terms of Reference* is available from the Ministry's website at [www.defence.govt.nz/publications/publication/2022-defence-policy-review-tor](http://www.defence.govt.nz/publications/publication/2022-defence-policy-review-tor).

## **Case Study: Preparing *Defence Assessment 2021 – He moana pukepuke e ekengia e te waka***

*One of the Secretary of Defence's statutory functions, as the principal defence policy adviser to the Minister of Defence, is to prepare defence assessments in consultation with the Chief of Defence Force. These assessments are a key mechanism for Defence officials to provide advice to Ministers, from a defence perspective, on the national security challenges facing New Zealand, and how best to shape New Zealand's defence policy in response.*

Defence assessments are the Secretary's Defence advice to the Government and provide much of the analytical basis for formal New Zealand defence policy settings, as well as informing defence policy development and decision-making more generally. Defence assessments are also one of relatively few strategic policy assessments released publicly by New Zealand's national security sector, and so are examined closely both domestically and internationally as signals of New Zealand's national security thinking and direction.

In December 2021, the Secretary of Defence publicly launched *Defence Assessment 2021: He moana pukepuke e ekengia e te waka: A rough sea can still be navigated*. Although the Ministry has produced a number of more focussed defence assessments over recent years (for example on climate change), the last time Defence produced an assessment broadly comparable was in 2014. New Zealand's strategic environment has changed significantly since that time.

*Defence Assessment 2021* draws on a wide range of information sources – from open sources to information and analysis provided by other government agencies and international partners – and its analysis and findings were tested using a range of analytical techniques. Importantly, the Assessment was developed in close consultation with the wider Ministry, the Defence Force, and agencies across the New Zealand national security sector.

Reflecting the rapidly changing and increasingly challenging strategic landscape, the Assessment includes an examination of New Zealand's defence policy settings, providing recommendations for shaping New Zealand's defence policy settings.

The Assessment has already been used, by both Defence and the wider national security sector, to inform policy analysis and advice to Government on a range of issues. Looking forward, the Assessment will be a key input to the Defence Policy Review process, which will draw on Ministerial guidance and build on the Assessment's findings, in order to update New Zealand's overall defence policy settings.

# IMPLEMENTING THE RECOMMENDATIONS OF THE OPERATION BURNHAM INQUIRY

## KO TE WHAKATINANA I NGĀ TŪTOHINGA O TE UIUINGA OPERATION BURNHAM

The Ministry is working with the NZDF and other relevant agencies to implement three recommendations in the *Report of the Government Inquiry into Operation Burnham and related matters* (the Report) released in 2020.<sup>4</sup>

### EXPERT REVIEW GROUP

The Inquiry's first recommendation was that the Minister of Defence establish an expert review group, to enable the Minister to satisfy himself that "NZDF's organisational structure and record-keeping and retrieval processes are in accordance with international best practice and are sufficient to remove or reduce the possibility of organisational and administrative failings of the type identified in [the Inquiry's] report".

The Expert Review Group (ERG), chaired by former Auditor-General and Controller Lyn Provost, reported its findings to the Minister of Defence in November 2021.<sup>5</sup> It made nine recommendations

and a number of key findings in four areas, based on the issues identified in the Inquiry's Report and terms of reference set by Cabinet:

- legislative and working arrangements between the NZDF, the Ministry and other government agencies on complex operational deployments
- the structure, function and purpose of Headquarters NZDF
- the role, culture and structure of New Zealand's Special Forces, and
- the NZDF's information management systems and practice, and the flow of knowledge to the Minister of Defence.

The work of the ERG was delivered as part of the Ministry's audit and assessment function.

The Ministry is working with the NZDF to implement the ERG's recommendations, and is due to report its progress to the Minister of Defence in June 2023.

100%

**Assessing Audit and Assessment:** The Ministry surveys the Minister of Defence on the quality of the Ministry's audit and assessment work, which this year has been focused on supporting the Expert Review Group.

The Minister rated the Ministry's audit and assessment work 100% for the 2021/22 year.

### Policy and military integration

The ERG recommended strengthening integration between the NZDF and the Ministry throughout the duration of operational deployments, at all levels of both organisations. The Ministry and NZDF have historically had well-established and close working arrangements when developing and renewing

mandates for deployments, however Ministry officials have had limited involvement in the planning and execution phases of the deployment lifecycle.

<sup>4</sup> Implementation of the Inquiry's fourth recommendation (to set out a consistent and transparent approach for responding to reports of civilian harm involving NZDF military activity in situations of armed conflict) is complete, and was reported on in the Ministry's 2021 Annual Report (see page 70 of that report).

<sup>5</sup> The ERG's report is available from the Ministry's website at:

[www.defence.govt.nz/publications/publication/report-of-the-expert-review-group](http://www.defence.govt.nz/publications/publication/report-of-the-expert-review-group).



The Ministry is taking steps to establish a new Policy Advisor (POLAD) capability that will break down barriers to civilian oversight across the deployment lifecycle, provide policy advice and input to military commanders at the tactical and operational level, and provide a crucial link between operations and the strategic centre.

A POLAD has several functions:

- To advise deployed defence personnel on broader strategic considerations and matters that may affect New Zealand's national security and foreign policy interests;
- To lead defence diplomacy in theatre;
- To facilitate an important channel of communication to the strategic centre for the assessment and mitigation of risks, threats or issues with broader policy and security implications;
- To improve the Secretary's and Chief of Defence Force's line of sight to on-the-ground operations, strengthening their situational awareness and improving the quality of information and advice provided to Ministers.

The Ministry has so far deployed POLADs on to NZDF operations and exercises at home and abroad on three occasions. More information in relation to the recent Solomon Islands deployment can be found on page 22.

## INSPECTOR-GENERAL OF DEFENCE

The Ministry has also led the development of policy advice on the Inquiry's second recommendation, to establish an independent Inspector-General of Defence (IGD). The IGD will provide independent external oversight of the NZDF. Cabinet made final policy decisions on the scope, functions, powers and form of an IGD in May 2022.<sup>6</sup> Advice to Cabinet was informed by feedback from a Senior Officials Steering Group with representatives from a number

of agencies, and from consultation with targeted stakeholders in late 2021.<sup>7</sup> With Cabinet's approval, new legislation is now being drafted to establish the office of the IGD as soon as possible.

## DETENTION POLICIES AND PROCEDURES

The Ministry is contributing to work led by the Ministry of Foreign Affairs and Trade to implement Recommendation 4 – to develop and promulgate effective detention policies and procedures, for:

- people detained by New Zealand forces in operations overseas
- people detained in operations overseas where New Zealand forces are substantially involved with the forces of another country, and
- the treatment of allegations that detainees in either category have been mistreated or tortured in detention, including by New Zealand personnel.

The Ministry and NZDF have participated in workshops led by the Ministry of Foreign Affairs and Trade to test draft detention policies and procedures, to ensure that these would be fit for purpose and able to be implemented effectively at an operational level.

Our work implementing the recommendations of the Inquiry will contribute to improving New Zealanders' confidence in the NZDF, enhance the civilian oversight of the military, and contribute to the improvement of Defence processes and practices.



The work across these three work streams contributes to the Ministry's objective *Implement Operation Burnham Inquiry recommendations*

<sup>6</sup> The minute of Cabinet's decisions, and the material supporting it, is available on the Ministry of Defence website: [www.defence.govt.nz/the-latest/story/establishing-an-independent-inspector-general-of-defence](http://www.defence.govt.nz/the-latest/story/establishing-an-independent-inspector-general-of-defence).

<sup>7</sup> The results of the targeted consultation are summarised in our report: [www.defence.govt.nz/publications/publication/establishing-an-independent-inspector-general-of-defence-summary-of-submissions-report](http://www.defence.govt.nz/publications/publication/establishing-an-independent-inspector-general-of-defence-summary-of-submissions-report).

## Case Study: Establishing the independent Inspector-General of Defence

*Work to establish an independent Inspector-General of Defence (IGD) is an important step to implementing the recommendations of the Inquiry into Operation Burnham and related matters. In line with the Inquiry's recommendations, once established, the IGD would be able to look into NZDF's military and humanitarian operations on its own motion. It would also be able to investigate any matter on referral from the Minister of Defence, the Secretary of Defence or the Chief of Defence Force, including historical incidents.*

In May 2022, the Ministry provided advice to Cabinet on the design of a new Inspector-General of Defence to provide independent scrutiny of the NZDF.

This advice was the culmination of around 18 months' policy work on the scope, functions, powers and form of the new IGD, including targeted consultation in late 2021 with seven academics, four civil society groups, the authors of the *Inquiry into Operation Burnham and related matters*, and the authors of the book *Hit & Run*.

As a result of the Ministry's advice, in June 2022, Cabinet announced its decision to establish the IGD. Work is now underway to draft legislation to implement this decision as soon as possible.

Establishing the IGD will assure the New Zealand public and Parliament that NZDF activities are subject to dedicated independent oversight. It will also support the Defence portfolio's *People* priority. The increased transparency and accountability resulting from the establishment of the IGD will ensure the trust, reputation and credibility of the NZDF's people is maintained.

3.8 / 5

**Assessing Defence Policy Advice:** The Ministry commissions an annual assessment of Defence policy advice by the New Zealand Institute of Economic Research. A majority of policy advice items submitted to the Minister of Defence relate to deployment activities.

In 2021/22, the Ministry scored an average of 3.8 for a random selection of its policy advice, against the Department of the Prime Minister and Cabinet's *Policy Quality Framework*. This is a consistent increase year on year over 2019/20, 2020/21 and 2021/22.

The review assessed the group of papers supporting policy decisions to establish the Inspector-General of Defence. These were assessed as a 4.5 rating, with the reviewer noting:

*This was a strong package of work which progressed from solid foundations. Each piece stood on its own. A lot of work stretching over several months presented different aspects of the issue, including the legal side and provided evidence. It also set out commentaries from the all-important differing viewpoints.*

# EMBEDDING WOMEN, PEOPLE AND SECURITY PRINCIPLES KO TE WHAKANOHO I NGĀ MĀTĀPONO WĀHINE, TĀNGATA, WHAKAHAUMARU I ROTO I TE MANATŪ KAUPAPA WAONGA ME NGĀ TUKUNGA TAUA KI TĀWĀHI

The Ministry produced a Gender and Security Policy Statement, in partnership with the NZDF. The Statement outlines how the Defence agencies will advance the national commitment to the United Nations Agenda on Women, Peace, and Security (WPS). The WPS agenda recognises the essential role of women in conflict prevention and resolution, peace operations, humanitarian aid and disaster response, post-conflict reconstruction, and countering violent extremism.

Defence's Statement describes how we will increase our momentum and make a sustained commitment. It introduces five principles which will provide the structure for how Defence will approach Gender and Security, and objectives to drive what it will do:

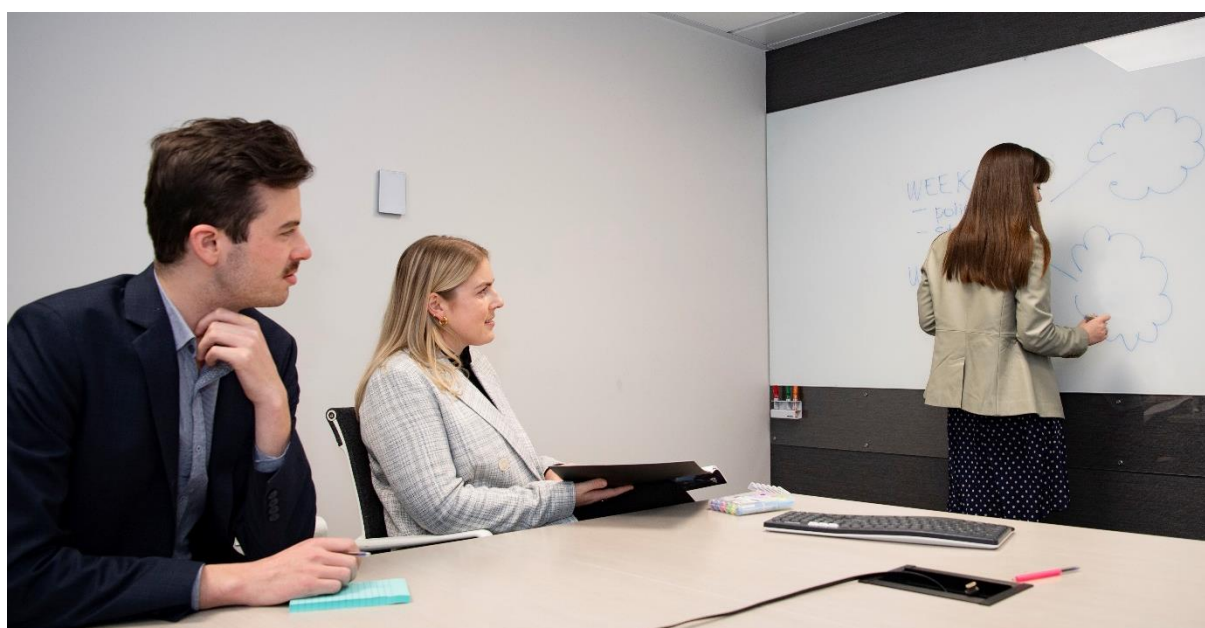
- Our efforts will be centred on the core principle of gender equality
- We will consider all genders, not just women
- We recognise that forms of discrimination and unequal power relations disproportionately impact women

- We recognise the importance of understanding the intersectionality between gender and other identity factors, such as ethnicity and sexuality
- Our efforts will be underpinned by a commitment to Te Tiriti o Waitangi.

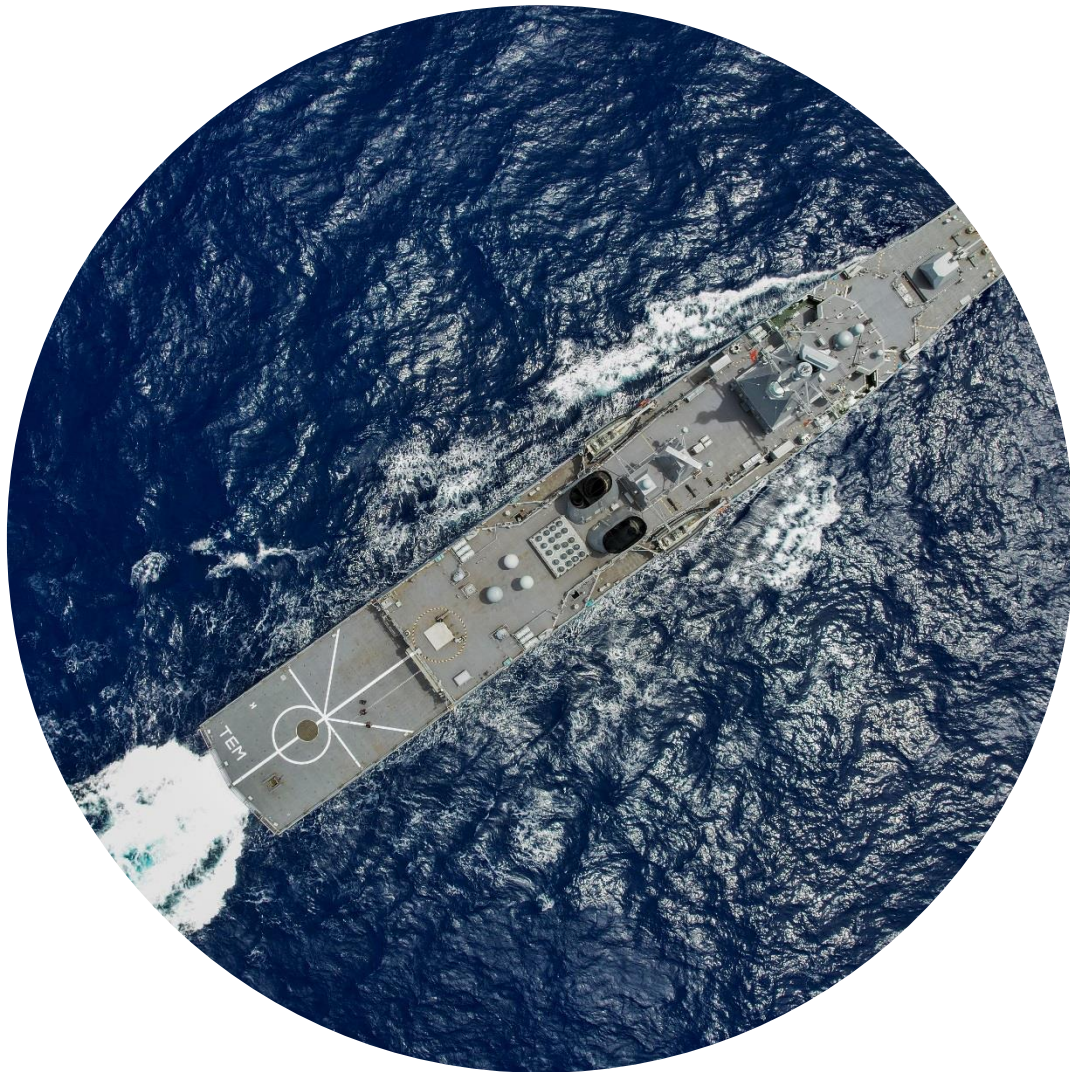
The statement also outlines high level priorities, and provides the guidance for a subordinate NZDF implementation plan.

At the heart of the Statement is a commitment to gender mainstreaming across all aspects of Defence, from policy to capability development to operations. Gender mainstreaming is the process of considering implications of policies, plans, and operations for all genders. Evidence demonstrates the fundamental links between gender and security outcomes, as well as the organisational, operational, and tactical value of embedding gender considerations in Defence's work. Gender mainstreaming provides Defence with a pathway to promote gender equality and greater security.

The statement will be released on the Ministry's website.







**INFRASTRUCTURE: LOOKING AFTER  
OUR PEOPLE AND GENERATING  
MILITARY EFFECTS**  
**NGĀ HANGANGA: KO TE TAUTIAKI I Ō  
TĀTAU TĀNGATA ME TE WHAKAPUTA  
PĀNGA TŪNGĀRAHU**



## Infrastructure: looking after our people and generating military effects

### Ngā Hanganga: Ko te tautiaki i ō tātau tāngata me te whakaputa pānga tūngārahu

Infrastructure needs to be appropriate to ensure the members of the Defence Force have fit-for-purpose facilities and are able to fulfil the Defence Force's responsibilities. The Ministry is actively delivering approximately \$5.6 billion of defence capability – to do so effectively we are focused on good policies, practices and governance. The Ministry ensures that capability is delivered and operated in a way that allows defence personnel to safely undertake tasks, respond and operate with confidence. This section also looks at the Ministry's work as part of the Government's Carbon Neutral Government Programme.

For Defence to provide *kaitiakitanga* for capabilities into the future it must ensure that its people, its principal capability, are housed and equipped in a way that ensures their wellbeing, and that of their families and communities.

Defence's *mana* is maintained by its ability to respond credibly when it is needed. Ensuring Defence's people are housed and its infrastructure is appropriate is a key enabler for this.

This work connects to the following focus areas for the Ministry's Strategy:



#### INFORM

Informing decisions with strategic insight

Te whakamōhio i ngā whakatau mā te rautaki



#### DELIVER

Delivering to strengthen national security

Te koke kia kaha ake ai te haumarutanga ā-motu

# DELIVERING NEW INFRASTRUCTURE TO SUPPORT MAJOR DEFENCE CAPABILITY PROJECTS

## KO TE WHAKAWHIWHI HANGANGA HOU KI TE TAUTOKO I NGĀ KAUPAPA ĀHEINGA NUI O TE MANATŪ KAUPAPA WAONGA

The Ministry and Defence Force jointly operate a contemporary and fully integrated end-to-end Capability Management System that enables the cost-effective design, delivery, maintenance and eventual disposal of military capability.

The Defence agencies work together to define the future Defence capabilities that are required, and then prepare business cases to enable the Government to make an investment decision.

Integrated Project Teams (IPTs) are established for our highest risk and scale capability projects. They are led by Ministry staff and bring together professional project specialists and subject matter experts from the Ministry and Defence Force. IPTs are designed to deliver excellence in capability delivery. They enable a collaborative way of working on major projects across the capability management system and drive end to end thinking at the project level and across the capability portfolio.

Over the reporting period the Ministry prepared a project implementation business case for Cabinet consideration for Phase Two (A) of the Operational and Regulatory Aviation Compliance Sustainment (ORACS) project, which was approved December 2021. The Ministry also submitted the project implementation business case for the Network Enabled Army: Reconnaissance and Surveillance project. This was approved by the Minister of Defence under delegation in November 2021.

In March 2022, the Ministry announced that development of a detailed business case for the Southern Ocean Patrol Vessel project has been deferred. The project remains under active consideration.

3.8 / 5

**Assessing Defence Policy Advice:** The Ministry commissions an annual assessment of Defence policy advice by the New Zealand Institute of Economic Research. In 2021/22 the Ministry scored an average of 3.8 for a random selection of its policy advice, against the Department of the Prime Minister and Cabinet's *Policy Quality Framework*. This is a consistent increase year on year over 2019/20, 2020/21 and 2021/22.

The review included an assessment of the Network Enabled Army, Reconnaissance and Surveillance Project Implementation Business Case. This paper received a rating of 4, with specific comments from the reviewer noting it was:

*Well structured, lots of good detail to support the main arguments, and a thoughtful business case that covers the bases. ... Very thoughtful piece which pointed to the issues that needed to be considered. Nice piece of free and frank advice.*

## Capability projects are delivered to schedule, cost and quality standards

As at June 2022, the Ministry’s inflight portfolio comprised 28 projects. Of these, 10 are in the capability definition phase (pre-decision to go to market); and 18 are in the delivery phase.

All projects in the capability definition phase are on schedule, and are to cost and quality requirements, except where there has been circumstances beyond the control of the project team. Where such circumstances arise, the primary impact is to schedule.

For the projects in delivery, all are delivering to cost and quality. COVID-19 has impacted schedule for several projects, particularly where meeting a project milestone has required overseas technical support. Where those delays were considered excusable, baselines have been adjusted to reflect that neither the Ministry nor the supplier is liable.

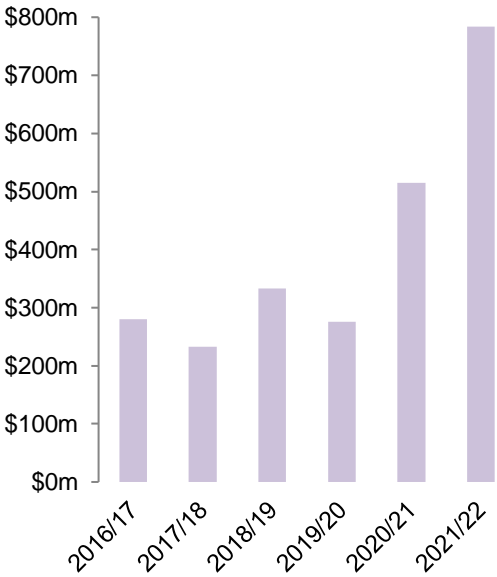


Figure 7: The Ministry’s Crown capital expenditure on major defence capability projects

## Review of Defence procurement policies and practices

The Defence agencies have undertaken a multi-year change programme to develop a Capability

Management System (CMS) that is an international exemplar. Throughout this change programme, Defence has drawn on three external reviews to check that the changes are delivering.

The change programme was formally closed in May 2022 following delivery of the final *Review of Defence Procurement Policies and Practices* conducted by Sir Brian Roche and PwC. This has seen the uplift to the CMS completed and embedded into business as usual practices, following six years of improvements to the way Defence procures military capability. The change programme aimed to give confidence that Defence is able to develop, deliver, and sustain the capabilities required to implement government policy. The findings of Sir Brian’s Review confirm this has been achieved.

The Review concluded Defence has continued to make progress in the key areas outlined in the earlier reviews of progress conducted in 2018 and 2019. It commented that the CMS is an increasingly mature and resilient system, which has to date achieved what it was set up to do, and has been successfully embedded. Work is in progress to address the recommendations, which focus on adapting to a new and potentially constrained funding environment, ongoing review of governance arrangements, and continuous improvement.

The key areas of progress since the 2018 and 2019 reviews of the CMS were found to be:

- less reliance on specific individuals
- improved relationship management
- portfolio maturity and dependency management, and
- governance through whole of life.

The Review found that the CMS provides confidence that major capability acquisition projects can be delivered successfully, and has helped to mitigate potential cost, timing, and quality implications caused by COVID-19. The reviewers agreed that "the CMS remains the leading example for long term capital planning within the public sector".

The reviewers agreed that “the CMS remains the leading example for long term capital planning within the public sector”.



## MANAGING FOREIGN EXCHANGE RISKS

The Ministry's purchases of specialist equipment from around the world are settled in multiple currencies. This can create a risk of overspend for the project from unfavourable foreign exchange movements. To mitigate the risk of foreign exchange movements, after budget approval the Ministry enters into foreign exchange forward contracts to gain certainty over the New Zealand dollar cost of the project.

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. This forms the total reported project cost. The tables for each project show the difference in project cost when measured at spot rates, compared to the project's hedged rates. This difference is described as "effect of foreign exchange movements".

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



Above: The first of Aotearoa's P-8As rolls out of the paint factory in the US. The first aircraft is due for delivery to New Zealand in December 2022.

## Case Study: Governing the Maritime Sustainment Capability

*One of the most important aspects of the Capability Management System is effective project governance delivered through the Capability Project Board.*

High scale and risk capability projects have boards that regularly meet to guide and steer the project to ensure that government's expectations are met. Boards are jointly chaired by senior officials from the Ministry and NZDF, with a membership commensurate with the complexity of the project, including an external member to provide independent scrutiny and advice. Boards are responsible for providing ongoing assurance to the Secretary of Defence and Chief of Defence Force that an individual investment will successfully deliver the expected outcomes and benefits.

The Maritime Sustainment Capability Board governed the project responsible for delivering the Navy's new replenishment vessel, HMNZS *Aotearoa*, from 2016 to 2022. The Board worked with the project across a number of challenging areas including:

- Ensuring the vessel met the Polar Code requirements for safety, sea worthiness and environmental protection.
- Completing detailed design on schedule, with the project required to review a large volume of documents supplied by Hyundai Heavy Industry.
- Ensuring ship stability, speed (16 knots) and endurance (8,000 nautical miles) are within the specified performance parameters.
- Managing the complexity of delivering a project offshore through an onsite project office based in South Korea.
- Undertaking the operational testing and evaluation of the vessel, and successfully delivering the ship to New Zealand during the COVID-19 lockdown.
- Working towards Operational Release through providing disaster relief in Tonga following the 15 January volcanic eruption and tsunami, an Antarctic resupply operation to McMurdo Station, and exercising with the combined naval task force based on the aircraft carrier HMS Queen Elizabeth.

The closure of the Board in June 2022 represented a major project milestone, and the success achieved demonstrated the ability for complex capability projects to be effectively governed throughout their lifecycle.



Above: Maritime Sustainment Capability project board members on board HMNZS *Aotearoa* at Devonport Naval Base.

## DELIVERING CAPABILITIES KO TE WHAKAWHIWHI ĀHEINGA

The following pages report on major capability projects in delivery phase, with a total approximate value of \$5.6 billion.

Reports are provided regarding purpose, progress and spend for projects, including details about the impact of COVID-19 on projects, where affected. The overall risks for projects are also carefully managed. This is achieved through regular independent quality assurance as part of the Better Business Case process and project governance.

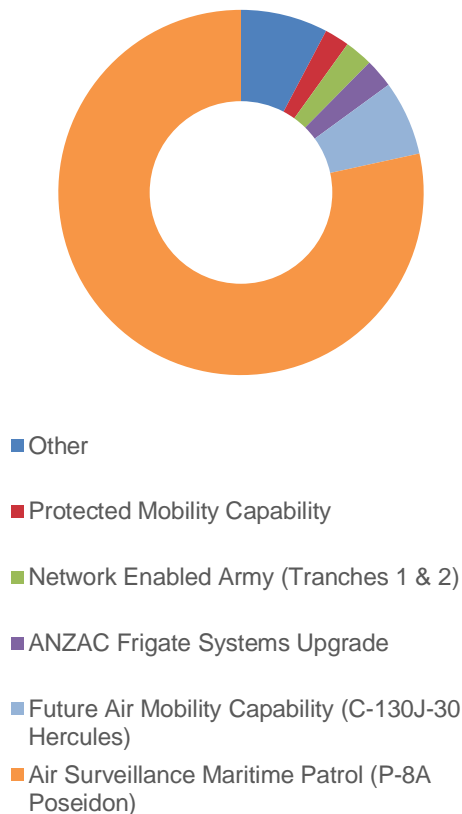


Figure 8: 2021/22 costs for capability projects in delivery

All projects are to budget and Government requirements. As at June 2022, 11 projects were reporting a delay to schedule. Some are a result of the ongoing impact of the COVID-19 pandemic (Dive Hydrographic Vessel, Maritime Sustainment Capability, NH90 Flight Simulator, Garrison and Training Support, and Operational and Regulatory

Aviation Compliance Sustainment projects). These projects are marked with an \*. Other projects reporting schedule delays are the Anzac Frigate Systems Upgrade, HMNZS *Canterbury* and the Offshore Patrol Vessels Communications Upgrade, and Network Enabled Army C4.

The funding for the Network Enabled Army programme is delivering five inter-linked capability sets. Three remaining sets of work are being approached as individual projects, achieving operational release at separate points. The Common Command Post Operating Environment is delivering equipment, applications and procedures for land forces; the Common Universal Bearer System is providing deployable infrastructure for voice and data communications. The Mobile Tactical Command Systems capability is delivering secure, networked mobile digital communication for voice and data and location systems. These projects are indicated with + below.

Further details are provided in the following project pages. The proportion of spend to date and forecast expenditure for each project is depicted around the image, according to the following key. In some cases, separate charts are provided for different elements of the same project.



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

- Spend in prior years
- 2021/22 spend
- Forecast Ministry spend
- Net foreign exchange allowance<sup>8</sup>
- Forecast NZDF spend

<sup>8</sup> Details about the management of foreign exchange risk for major capability projects are provided on page 47.



81mm Mortar Replacement



Air Surveillance Maritime Patrol (P-8A Poseidon)



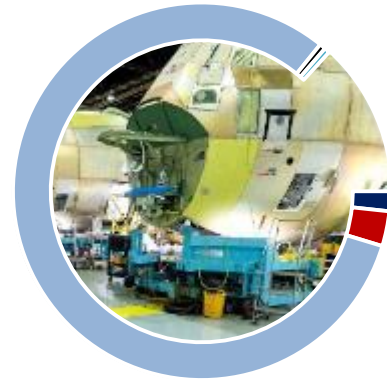
Anzac Frigate Systems Upgrade\*



Dive and Hydrographic Vessel\*



Fixed High Frequency Radio Refresh



Future Air Mobility Capability – Tactical (C-130J-30 Hercules)



Garrison and Training Support Vehicles: Phase One\*



HMNZS *Canterbury*/Offshore Patrol Vessels Communications Upgrade\*



Maritime Sustainment Capability\*



Network Enabled Army: C4 (Tranche One)\*\*



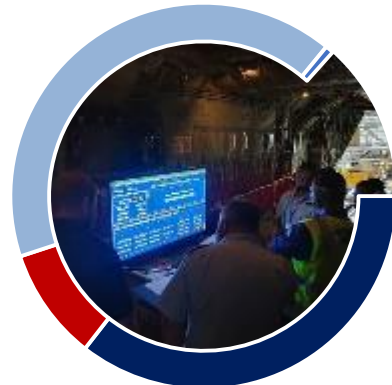
Network Enabled Army: C4 (Tranche Two)\*\*



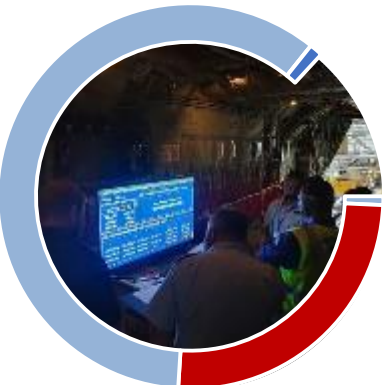
Network Enabled Army: ISR+



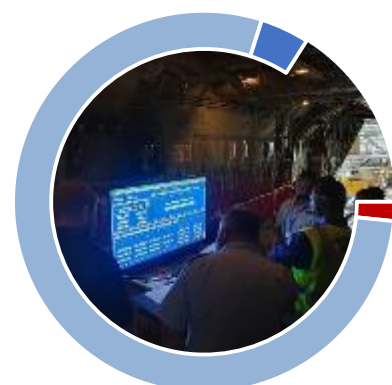
NH90 Flight Simulator\*



Operational and Regulatory Aviation Compliance Sustainment: Phase One (A)\*



Operational and Regulatory Aviation Compliance Sustainment: Phase One (B)\*



Operational and Regulatory Aviation Compliance Sustainment: Phase Two (A)\*



Protected Mobility Capability:  
High Mobility Light



Protected Mobility Capability:  
Medium

The Ministry is managing some projects on behalf of the Defence Force, which are funded from Vote Defence Force:

- Cyber Security and Support
- Joint Intelligence Project
- High Side Capability Update Project
- Information Warfare Academy
- Joint Electronic Warfare Project.

The following projects have been substantially delivered by the Ministry and are awaiting project closure. No significant activity occurred within 2021/22 to be reported:

- Individual Weapons Replacement

- Special Operations Vehicles
- Strategic Bearer Network.

Two projects and one programme contain more than one financial table, which reflects different capability work streams, timing and funding appropriations. Separation allows for better monitoring for these aspects of the project.

They are:

- Network Enabled Army programme
- Operational and Regulatory Aviation Compliance Sustainment
- Protected Mobility Capability.



## 81mm Mortar Replacement

### Purpose

The New Zealand Army's existing 81mm medium mortar capability has been in service since the 1980s and is coming to the end of its operational life. This project will replace and enhance the capability.

Three components were approved for acquisition by the Minister of Defence in 2017; the new medium mortars, sighting systems and weapons locating radar.

### Benefits

Combined, the new components will improve the reliability, accuracy, effectiveness and mobility of the mortar capability. The ability to detect, locate and target unfriendly weapons will also be improved.

### Delivering the capability

Initially, all components were expected to be delivered through sole source procurement; the mortars and radars via US Government Foreign Military Sales (FMS) cases, and the sighting systems through a direct commercial sales contract. A higher than provisioned price for the mortars resulted in a request to the market to explore alternatives and a request for quotation was issued in January 2019.

The delivery phase is nearing completion. Sights and mortars were delivered in 2019 and 2020 respectively, and all but one radar delivered in 2021. Contract and expected delivery dates:

- Sights: The contract with Hall & Watts Defence Optics (UK) was signed in October 2017 and delivery was completed in December 2019.
- Mortars: In May 2019 the contract was signed with New Zealand-based company Hirtenberger Defence Technology Ltd. Mortars were delivered in October 2020.
- Radars: FMS Letter of Offer and Acceptance signed in July 2018. The majority of the radars were delivered in November 2021, with one further radar being used for Maintainer and Operator Training in the United States. This was delivered in July 2022.

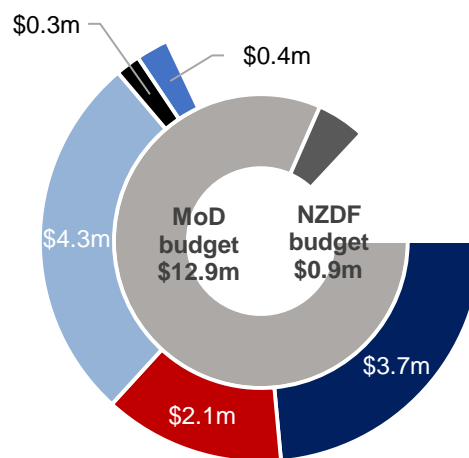
During the 2021/22 year the NZ Army conducted the first live firing exercise with the new sights and mortars during Exercise



MIRIYANG. This took place in Waiouru as part of the introduction into service phase of the project.

### The impact of COVID-19

The requirement to receive Maintainer and Operator Training in the United States for the weapons locating radar was delayed due to travel and border restrictions.



- Spend in prior years
- 2021/22 spend
- Forecast Ministry spend
- Forecast NZDF spend
- Net foreign exchange allowance
- Ministry budget
- NZDF budget



At 30 June 2022 expected 81mm Mortar Replacement project costs were:

	Ministry	NZDF	Consolidated project	
	\$000	\$000	\$000	
<b>Budget</b>	Current approved project budget	12,919	850	13,769
	Allowance for foreign exchange movements	769	-	769
	Original approved project budget	12,150	850	13,000
<b>Forecast</b>	Forecast total project cost	10,103	286	10,389
	Effect of foreign exchange movements	391	-	391
	Forecast cost using hedged rate	9,712	286	9,998
	Forecast project underspend	2,438	564	3,002

## Air Surveillance Maritime Patrol (P-8A Poseidon maritime patrol aircraft)<sup>9</sup>

### Purpose

This project will provide effective maritime airborne intelligence, surveillance and reconnaissance. Starting in early 2023, the existing P-3K2 Orion aircraft fleet will be replaced with the P-8A Poseidon maritime patrol aircraft. The project is also delivering infrastructure at RNZAF Base Ohakea, along with training programmes for crew and maintenance personnel, and a full mission flight simulator.

### Benefits

The new capability will provide meaningful and valued contributions to maritime, joint, coalition and/or interagency operations. It will enable the Government to fulfil policy and sovereignty responsibilities within the New Zealand maritime environment, while continuing to contribute to search and rescue and intelligence, surveillance and reconnaissance tasks over a broad area (e.g. the Southern Ocean and South Pacific).

### Delivering the capability

The first aircraft is on schedule for delivery to New Zealand in December 2022. Aircraft production began in early 2022 and in April 2022 the first fuselage was transported by railcar from Wichita, Kansas to Boeing's facility in Renton. The fuselage was then mated with the wings and internal fit out commenced. The second fuselage is now also being fitted out at the Renton facility.

The RNZAF now has a fully qualified P-8A aircrew operating as instructors with the United States Navy gaining operational experience with the new capability. Maintenance personnel are undertaking training with the Royal Australian Air Force in Australia. Further detail of the spare parts and support arrangements for the new capability continue to develop in preparation for the arrival of the new aircraft.

Infrastructure work at Base Ohakea continued throughout the year, during which work on the main hangar has made

significant progress. In May the lifting of the 570 tonne Roof 1 was completed for the hangar. This involved lifting to an initial height of 4 metres, testing of the roof under load, before it was raised to its full height. Installation of around 600 panes of glass also commenced. Once the structural build is complete, the internal fit out phase will commence.

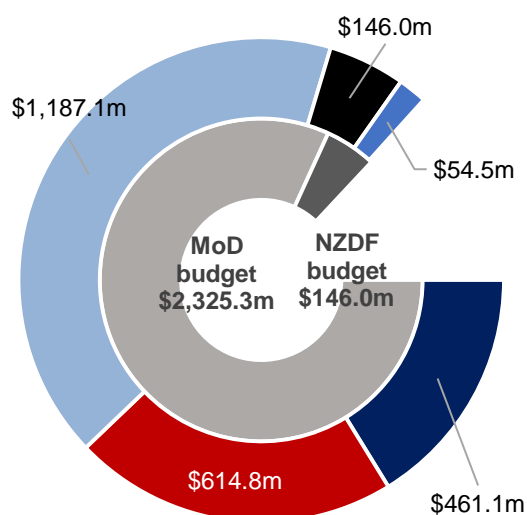
The construction programme has been affected by COVID-19-related delays, with work impacted by supply chain disruptions. While these have resulted in schedule and cost pressures, these have remained within the project appropriation. An existing Base building is being modified to be used as temporary facilities for personnel, ensuring continued delivery of the project can proceed while reducing impact on operations.

### The impact of COVID-19

Delivery of capability components out of the US (aircraft and support systems) has been unaffected by COVID-19 but continues to be monitored closely. Construction of the facilities at Base Ohakea has been impacted by workplace restrictions (on site and in Auckland) and supply chain disruptions, resulting in both schedule and cost pressures. The use of temporary facilities will ensure capability delivery proceeds as originally planned.



<sup>9</sup> Previously 'Future Air Surveillance – Maritime Patrol'.



- Spend in prior years
- 2021/22 spend
- Forecast Ministry spend
- Forecast NZDF spend
- Net foreign exchange allowance
- Ministry budget
- NZDF budget

At 30 June 2022 expected Air Surveillance Maritime Patrol project costs were:

	Ministry \$000	NZDF \$000	Consolidated project \$000	
<b>Budget</b>	Current approved project budget	2,325,251	145,987	2,471,238
	Allowance for foreign exchange movements	125,140	-	125,140
	Original approved project budget	2,200,111	145,987	2,346,098
<b>Forecast</b>	Forecast total project cost			
	- capital expenditure	2,263,015	145,958	2,408,973
	- non-capitalised expenditure	5,287	-	5,287
	Effect of foreign exchange movements	70,673	-	70,673
	Forecast cost using hedged rate	2,197,629	145,958	2,343,587
Forecast project underspend	2,482	29	2,511	

## Anzac Frigate Systems Upgrade

### Purpose

This project upgrades the weapons and sensor systems of the Anzac frigates. It will ensure HMNZS *Te Kaha* and *Te Mana* can continue to operate into the mid-2030s in medium and high threat environments. It is the largest of five mid-life upgrades of the Anzac frigates.<sup>10</sup>

### Benefits

This project will maintain the frigates' surveillance, combat and self-defence capabilities through to their end of life, and improve support to other naval and amphibious forces, increasing the ability to counter emerging threats and deliver improved efficiency.

*Te Kaha* returned to New Zealand in December 2020, and *Te Mana* returned in July 2022.

### Delivering the capability

**Te Mana:** Harbour trials commenced in September 2020, and were followed by seas trials in the fourth quarter of the year. Acceptance of the ship was scheduled for December 2021, however the Ministry of Defence determined that completion of further work and testing was required before the ship could depart for New Zealand.

At the end of May 2022 the ship left Canada, completing trials in San Diego with the US Navy before arriving in New Zealand on 8 July.

**Te Kaha:** the ship's arrival at the end of 2020 was followed by a period of planned maintenance, with routine painting and preservation work, recertification of safety equipment and some machinery maintenance. This was completed in August and training and sea trials got underway ahead of the ship sailing on 9 September for Naval Operational Testing and Evaluation.

During the period, the ship:

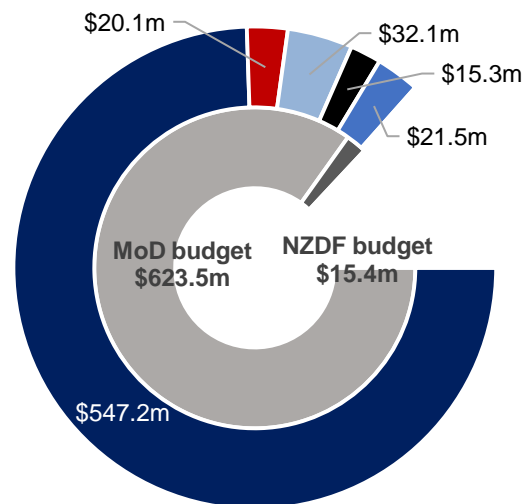
- conducted operations off Guam with the UK Carrier Strike Group, led by HMS *Queen Elizabeth*
- along with HMNZS *Aotearoa*, participated in Exercise BERSAMA GOLD, which took place mostly in the South China Sea, and
- took part in separate training activities with the Royal Australian Navy.

Since early 2022, *Te Kaha* has been undergoing refit maintenance at Devonport Naval Base.



### The impact of COVID-19

COVID-19 workplace and travel restrictions delayed the completion of the ship upgrades being undertaken in British Columbia, Canada.



- Spend in prior years
- 2021/22 spend
- Forecast Ministry spend
- Forecast NZDF spend
- Net foreign exchange allowance
- Ministry budget
- NZDF budget

<sup>10</sup> The Close-in Weapon System Upgrade; Platform Systems Upgrade; and Maritime Helicopter Replacement projects are complete. The Frigate Sustainment - Communications project has commenced.

At 30 June 2022 expected Anzac Frigate Systems Upgrade project costs were:

	Ministry	NZDF	Consolidated project	
	\$000	\$000	\$000	
<b>Budget</b>	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
<b>Forecast</b>	Forecast total project cost	599,351	15,265	614,616
	Effect of foreign exchange movements	23,272	-	23,272
	Forecast cost using hedged rate	576,079	15,265	591,344
	Forecast project underspend	2,706	143	2,849

## Dive and Hydrographic Vessel (HMNZS *Manawanui*)

### Purpose

HMNZS *Manawanui* has been commissioned to replace the former Navy ships *Manawanui* (dive) and *Resolution* (hydrographic).

### Benefits

This project has delivered to the Defence Force the capability to deliver underwater dive and hydrographic operations, both domestically and in support of regional partners. The ship was commissioned on June 2019 and has been in service since November 2021.

### Delivering the capability

Since the vessel was acquired in 2018, a range of modifications have been completed, along with progressive testing, evaluation and release of capability. Completion of modifications has been impacted by COVID-19 due to interruptions to the global supply chain and border restrictions that limited access to overseas technical support.

For the first nine months of 2021/22, planned NZDF-led maintenance was underway, including installation of the remaining two (of four) new engines from Denmark, and application of new anti-fouling paint to the hull.

Sea trials of new equipment commenced in March 2022, ahead of the training and testing required for the release of the ship's undersea search and recovery operations capability. This demonstrated the ship's systems – the remote operated vehicle, dive capability, wet bell and crane – in combination. It also evaluated the crew's ability to conduct a complex search and recovery task that involved using the main crane for salvage in very deep water.

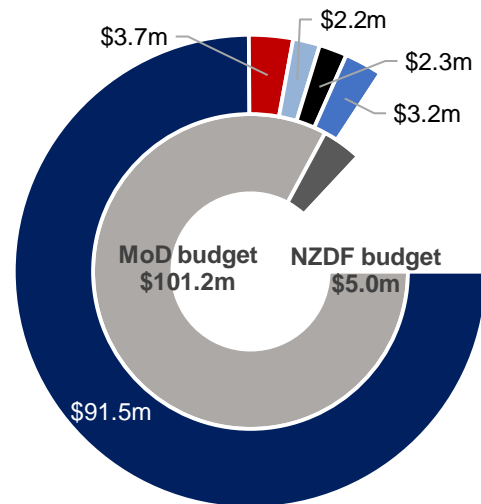
The successful conduct of Sea trials marks the completion of the activities required prior to Operational Release.

Maritime Explosive Ordnance Disposal is the last remaining capability to be completed. This is not scheduled to occur until mid-2023 due to delays in the installation of the ship's magazine, but will not impact the achievement of Operational Release.

### The impact of COVID-19

The ability to complete modifications to the *Manawanui* has been impacted by COVID-19. Stage 2 modifications, in particular the ship's

magazine, have been delayed due to interruptions to the global supply chain and border restrictions have limited access to overseas technical support. This has delayed testing and training activities.



- Spend in prior years
- 2021/22 spend
- Forecast Ministry spend
- Forecast NZDF spend
- Net foreign exchange allowance
- Ministry budget
- NZDF budget

At 30 June 2022 expected Dive and Hydrographic Vessel project costs were:

		Ministry	NZDF	Consolidated project
		\$000	\$000	\$000
<b>Budget</b>	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
<b>Forecast</b>	Forecast total project cost	97,362	2,326	99,688
	Effect of foreign exchange movements	(406)	-	(406)
	Forecast cost using hedged rate	97,768	2,326	100,094
	Forecast project underspend	648	2,674	3,322

## Fixed High Frequency Radio Refresh

### Purpose

Fixed high frequency (HF) radio is an important part of the Defence Force's communications network. It is used to communicate across long distances, as a backup to satellite communications and to enable deployed forces to remain in contact if they are not equipped with satellite communications capability. It is also an alternative communications capability for other agencies, and our partners. The system is now 40 years old and is being upgraded.

This project, approved in February 2020, will rationalise, consolidate and upgrade all fixed, owned or leased Defence Force high frequency communications installations, facilities and stations. It will also replace the system that controls high frequency equipment.

### Benefits

By delivering improved and updated HF radio communication systems, the safety and success of operations will be improved. A modern HF communication system will also provide improved capabilities (such as enhanced data transmission) and greater system availability.

### Delivering the capability

The project is working with Babcock New Zealand on a solution based around the Babcock UK Automated Control and Management System to control and manage the HF assets. The design solution for the new system was completed in July 2021 and production work is underway.

Work on installing the new HF antennae and communications equipment at the two transmitter and receiver sites, and two operational centres has commenced.

Foundation work for new antenna sites has largely been completed, with final civil work to be completed at the end of 2022 or early 2023.

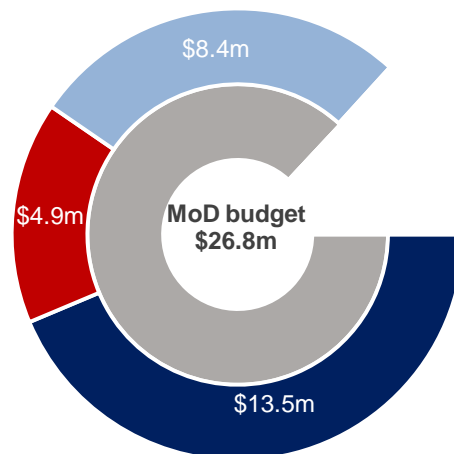
### The impact of COVID-19

The primary impact has been caused by delays in shipping Government Furnished Equipment to the United Kingdom, which has impacted progress on

the system design and establishing a System Integration laboratory. These delays meant the Ministry was unable to provide all of the



Government Furnished Information within the required deadline, resulting in a four-month delay to the design. This is not, however, expected to impact the overall delivery date of the capability.



- Spend in prior years
- 2021/22 spend
- Forecast Ministry spend
- Ministry budget



At 30 June 2022 expected Fixed High Frequency Radio Refresh project costs were:

	Ministry	NZDF	Consolidated project	
	\$000	\$000	\$000	
<b>Budget</b>	Current approved project budget	26,790	-	26,790
	Allowance for foreign exchange movements	210	-	210
	Original approved project budget	26,580	-	26,580
<b>Forecast</b>	Forecast total project cost	26,763	-	26,763
	Effect of foreign exchange movements	230	-	230
	Forecast cost using hedged rate	26,532	-	26,532
	Forecast project underspend	48	-	48

## Frigate Sustainment - Communications

### Purpose

The Frigate Sustainment – Communications project (previously called the Anzac Communications Upgrade project) is part of the programme of work that will ensure the frigates are operable until the end of their extended service lifetimes. The programme will restore critical interoperability with partners and support other capabilities recently acquired for the NZDF, such as the P-8A Poseidon and those being delivered under the Network Enabled Army programme.

### Benefits

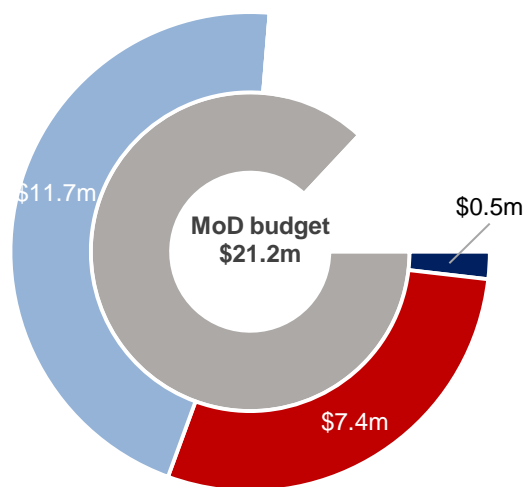
By updating existing equipment the project will ensure ongoing interoperability of communication technology within the NZDF and with partners.

### Delivering the capability

The Project has completed the preliminary design review, and is currently completing the detailed design activities. The critical design review will be conducted by end of 2022 and, if successful, will mark the completion of the Design phase.

After completion of the Design Phase, a paper for the subsequent Build and Installation phase will be presented to Cabinet for consideration. This approach will deliver a fixed price for the Build and Installation phase, minimising the risk of cost increases.

As at 30 June, the design phase was due to be completed in late 2022. Meeting that target is under pressure.



- Spend in prior years
- 2021/22 spend
- Forecast Ministry spend
- Ministry budget

At 30 June 2022 expected Frigate Sustainment – Communications project costs were:

		Ministry	NZDF	Consolidated project
		\$000	\$000	\$000
<b>Budget</b>	Current approved project budget	21,182	-	21,182
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	21,182	-	21,182
<b>Forecast</b>	Forecast total project cost	19,547	-	19,547
	Effect of foreign exchange movements	630	-	630
	Forecast cost using hedged rate	18,916	-	18,916
	Forecast project underspend	2,266	-	2,266

## Future Air Mobility Capability – Tactical (C-130J-30 Hercules)

### Purpose

This project is replacing the Defence Force’s tactical air transport capabilities, which currently comprise five C-130H Hercules. The ability to transport people and equipment by air is essential for a broad range of military and government tasks, including military operations in distant locations and responses to security events and natural disasters in New Zealand and the South Pacific.

currently unaffected by COVID-19, but is being monitored closely.



### Benefits

By replacing the Hercules fleet with the C-130J-30 Hercules, the Defence Force will have an enhanced tactical air transport capability that is capable of supporting military and non-military operations.

### Delivering the capability

The project remains on schedule for delivering the aircraft. Manufacturing timelines, combined with the time required to introduce, integrate and release the new capability into service, means that delivery is expected to commence at the end of 2024 and the full fleet of five Hercules will be operational from 2025.

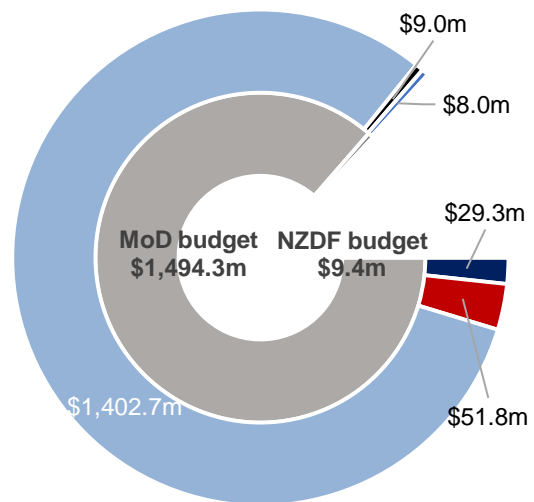
The Lockheed Martin C-130J-30 Hercules are being acquired through the US Foreign Military Sales process. Letters of Offer and Acceptance with the US were approved in June 2020. This initiated the US Air Force (USAF) and Lockheed Martin project teams, with the baseline aircraft being placed on contract on 14 October 2020.

During this year the critical design review for the aircraft was completed, enabling aircraft and component production to commence. Work with the USAF and supplier Lockheed Martin has continued on the development, construction and delivery of the flight simulator, which is one of the capabilities being delivered by the project.

Planning and confirming arrangements for training of aircrew and maintenance personnel has also been a key focus.

### The impact of COVID-19

Production and delivery of capability components out of the US (aircraft and support systems) is



- Spend in prior years
- 2021/22 spend
- Forecast Ministry spend
- Forecast NZDF spend
- Net foreign exchange allowance
- Ministry budget
- NZDF budget

At 30 June 2022 expected Future Air Mobility Capability – Tactical project costs were:

		Ministry	NZDF	Consolidated project
		\$000	\$000	\$000
<b>Budget</b>	Current approved project budget	1,494,255	9,392	1,503,647
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	1,494,255	9,392	1,503,647
<b>Forecast</b>	Forecast total project cost	1,483,833	9,049	1,492,882
	Effect of foreign exchange movements	(7,973)	-	(7,973)
	Forecast cost using hedged rate	1,491,807	9,049	1,500,856
	Forecast project underspend	2,448	343	2,791

## Garrison and Training Support Vehicles: Phase One

### Purpose

Garrison and Training Support capability covers the Defence Force's domestic operational and training support vehicle fleets, such as fire appliances and aircraft refuelling vehicles. This first phase addresses vehicles that need immediate replacement to ensure output delivery is not compromised by vehicle unavailability due to age and obsolescence issues.

It will ensure output delivery is not compromised by vehicle unavailability due to age and obsolescence issues.

### Benefits

This project aims to deliver improved availability and reliability of domestic operational and training support vehicle fleets, increasing operating safety and efficiency and reducing maintenance costs.

### Delivering the capability

Travel restrictions and supply chain issues resulted in a number of schedule delays, however, vehicle deliveries started in late 2020 with the first two Medical Response Vehicles. Delivery of all five vehicle types is expected to be completed in 2023.

- The first of 11 new Rural Fire Appliances was being readied for acceptance testing in July. Lower Hutt-based Fraser Engineering is integrating the NZDF's existing demountable firefighting pods, used on the Unimog fleet, into new Volvo appliances. Rollover protection and enhanced fire protection features are also being added.
- Two new Airfield Response Appliances were delivered from the United States. They will replace vehicles at RNZAF Base Woodbourne and Marlborough Airport that have been in use since the late-1980s. Acceptance, user training and introduction into service began in June 2022.
- Twelve Medical Response Vehicles and a training pod are being delivered to replace 30-year-old Unimog-based medical vehicles that are operated by all three military services. Interim operational release has been achieved, and infrastructure for the training simulator at Burnham Military Camp has been completed.
- Mobile Bulk Aviation Fuelling Capability vehicles are used to refuel aircraft. The first of

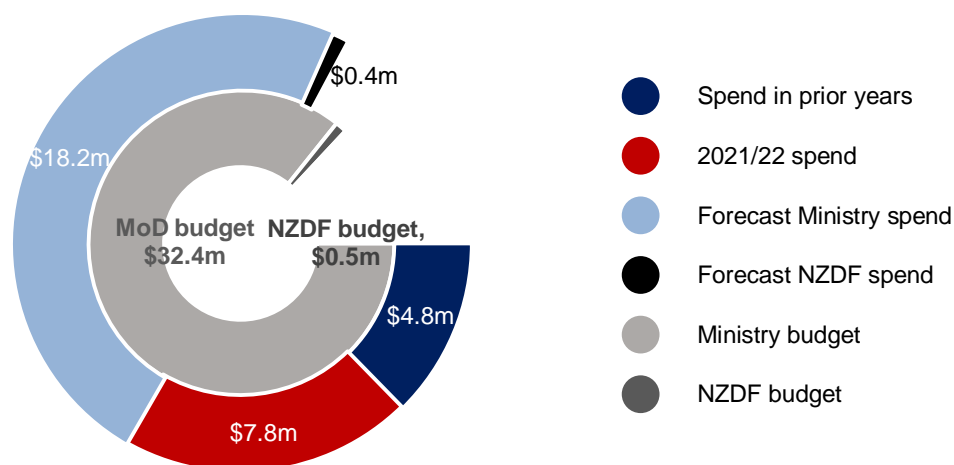
six vehicles met a key milestone this year, successfully refuelling and defueling a C-130H Hercules aircraft, a P-3K2 Orion aircraft and a Seasprite helicopter.



- Six Domestic Fire Appliances remain scheduled for delivery in 2023.

### The impact of COVID-19

COVID-19 induced vendor supply chain delays, New Zealand workplace restrictions, shipping delays, Port of Auckland congestion, and production and remediation delays. This has impacted the delivery schedule for four of the five capabilities, Airfield Response Appliances, Mobile Bulk Aviation Fuelling Capability, Rural Fire Appliances, and Medical Response Vehicles. However, the schedules for all vehicle types remain within the overall Phase One schedule for the achievement of Operation Release of late 2023.



At 30 June 2022 expected Garrison and Training Support Vehicles: Phase One project costs were:

	Ministry	NZDF	Consolidated project	
	\$000	\$000	\$000	
<b>Budget</b>	Current approved project budget	32,382	456	32,838
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	32,382	456	32,838
<b>Forecast</b>	Forecast total project cost	30,821	443	31,264
	Effect of foreign exchange movements	345	-	345
	Forecast cost using hedged rate	30,476	443	30,919
	Forecast project underspend	1,906	13	1,919

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

### Purpose

Upgraded communications systems on HMNZS *Canterbury* and the Offshore Patrol Vessels (HMNZS *Otago* and HMNZS *Wellington*) will enable better communication and networking with other ships, aircraft, ground forces and coalition partners when deployed.

The two Offshore Patrol Vessels (OPV) conduct a range of operations but 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.

### Benefits

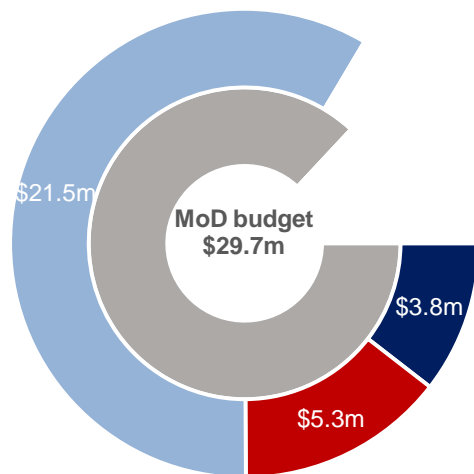
Benefits will include an increased ability for *Canterbury* to conduct concurrent operations, lead joint and combined operations and maintain interoperability. It will provide confidence that the vessel can effectively and efficiently complete her missions. The OPV Communications Upgrade will maintain tasking availability, improve ability to conduct expected tasks and maintain interoperability into the future.

### Delivering the capability

L3Harris Integrated Mission Systems Australia have been contracted as Prime System Integrator and have sub-contracted New Zealand companies Beca Applied Technologies Ltd as Installation Manager and McKay's to undertake installation activities.

The detailed design process is underway and will culminate in a critical design review and acceptance of design before installation commences in 2022 on the first OPV, *Otago*. Installation on *Canterbury* will begin in April 2023 with Operational Release

expected before the end of 2023. The installation on *Wellington* will begin in October 2023.



- Spend in prior years
- 2021/22 spend
- Forecast Ministry spend
- Ministry budget



At 30 June 2022 expected HMNZS *Canterbury*/Offshore Patrol Vessels Communications Upgrade project costs were:

		Ministry	NZDF	Consolidated project
		\$000	\$000	\$000
<b>Budget</b>	Current approved project budget	29,697	-	29,697
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	29,697	-	29,697
<b>Forecast</b>	Forecast total project cost	30,600	-	30,600
	Effect of foreign exchange movements	1,240	-	1,240
	Forecast cost using hedged rate	29,359	-	29,359
	Forecast project underspend	338	-	338

## Maritime Sustainment Capability (HMNZS *Aotearoa*)

### Purpose

This project has delivered a maritime replenishment capability that can sustain maritime, air and land forces with fuel, fresh water, ammunition, equipment, and non-perishable stores. The new ship, HMNZS *Aotearoa*, incorporates ice-strengthening and winterisation features that enable it to support New Zealand's presence in Antarctica through a contribution to the Joint Logistics Pool with the United States. It can deliver specialised Antarctic fuel and transport containerised scientific material and supplies to McMurdo Sound. Following delivery to New Zealand in June 2020, the vessel was commissioned on 29 July at Devonport Naval Base. *Aotearoa* is the Royal New Zealand Navy's largest-ever vessel.

### Benefits

The vessel provides an independent and complementary maritime sustainment capability to New Zealand and its security partners. It also improves the ability to respond and react to events in New Zealand and throughout the South Pacific and Southern Ocean, and improves the flexibility of response options of threats and emergencies. This capability also supports civilian work in Antarctica.

### Delivering the capability

Operational testing and evaluation continued through the year, along with preparation and planning for the inaugural Antarctic Resupply Operation, which was completed in February 2022.

In October 2021 *Aotearoa* participated in Operational Crucible II and Exercise BERSAMA GOLD. While operating with ships from the navies of Australia, Great Britain, the United States and Singapore, *Aotearoa* was able to demonstrate a range of capabilities, including Replenishment At Sea.

On return to New Zealand, a short maintenance period was completed in preparation for the first deployment to Antarctica, with the ship scheduled to leave at the end of January. Following the eruption of the underwater volcano Hunga Tonga-Hunga Ha'apai on 15 January, *Aotearoa* was deployed with other NZDF capability to deliver humanitarian aid and disaster relief to the people of Tonga, including the ability to generate and deliver 415,000 litres of fresh water. *Aotearoa* was also able to provide fuel to other vessels providing support and to the Tongan navy.

After leaving Tonga in January, *Aotearoa* conducted a non-contact logistics stop in Devonport to collect essential equipment for deployment

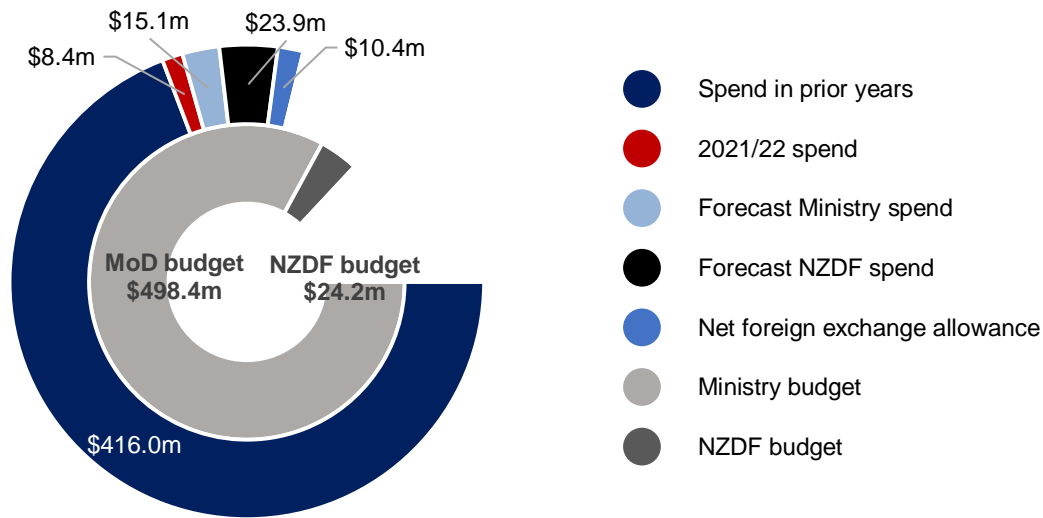
to McMurdo Station. A second non-contact stop took place in Lyttelton to board Defence scientists (following a seven-day pre-departure quarantine) and equipment to be delivered to Scott Base for Antarctica New Zealand.

*Aotearoa* arrived alongside McMurdo Station in February and departed three days later. This successful deployment enabled release of one of the ship's major capabilities, and confirmed the ability of *Aotearoa* to deliver one of its primary roles: sustainment of New Zealand's Antarctic base operations. Further details are provided in the case study on page 74.

### The impact of COVID-19

A significant challenge has been the requirement to plan six months in advance of the ships programme due to the high demand and limited availability of spaces in Managed Isolation Facilities (MIF) for the first half of the reporting period. Another challenge has been negotiating with suppliers to plan around their other business requirements and allocation of MIF costs, including personnel costs over the 14-day isolation period.





At 30 June 2022 expected Maritime Sustainment Capability project costs were:

		Ministry	NZDF	Consolidated project
		\$000	\$000	\$000
<b>Budget</b>	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
<b>Forecast</b>	Forecast total project cost	439,552	23,856	463,408
	Effect of foreign exchange movements	16,452	-	16,452
	Forecast cost using hedged rate	423,100	23,856	446,956
	Forecast project underspend	48,515	304	48,819

## Case Study: Support to the Pacific – Introduction into service – HMNZS Aotearoa support to Tonga

*On the evening of 15 January 2022, the largest of a series of eruptions from the underwater volcano Hunga Tonga-Hunga Ha'apai sent out a massive sonic boom, noted from Alaska to New Zealand. The resulting tsunami caused significant damage across the Kingdom of Tonga, resulting in the deaths of four people and a range of injuries. Ash and debris darkened the skies, polluted water supplies and significantly impacted communications.*

Over the following days, along with reconnaissance flights, the New Zealand Defence Force deployed ships with humanitarian aid and disaster relief supplies.

In January 2022, HMNZS *Aotearoa* – the largest ever ship to be acquired by the Ministry or operated by the Royal New Zealand Navy (RNZN) – was being readied for its first sailing to Antarctica. However, the range of capabilities of this 26,000 tonne Polar-class tanker would instead take her north, carrying fuel, portable generators, fresh water, shelter tool kits and hygiene kits, and water containers needed to distribute the potable water the ship is able to generate to the people of Tonga.

Within an hour of *Aotearoa* berthing at Tonga's capital, Nuku'alofa, offloading of 250,000 litres of bulk water had begun, and the ship's desalination plant was drawing in seawater. Following testing and transfer to water tankers, the precious supply of now fresh water was able to be transferred through the mainland to where it was critically needed. By the time the crew headed for home, more than 415,000 litres of fresh drinking water had been generated by the ship's plant and provided to Tongan communities.

The Director Maritime Domain in the Ministry's Capability Delivery Division, Jon Finderup, said the deployment encompassed use of a wide array of ship board capabilities, providing invaluable Humanitarian Aid Disaster Relief support to the people of Tonga, and supporting and enabling New Zealand's all-of-Government immediate post-eruption response.

A strength of New Zealand's relationships within the Pacific is our ability to respond when needed. The crew of *Aotearoa* used this complex capability for one of the reasons it was built, and helped the NZDF deliver critical help to our friends and neighbours.



The fuel replenishment capability, which had been a key operational requirement factored into the design and build of *Aotearoa*, allowed Tongan Navy vessels to be refuelled to help in distribution of aid and fresh water throughout the region. This refuelling capability also supported ships arriving from Australia, the United States and the United Kingdom, providing further relief to the people of Tonga. In total 1,485,000 litres of F76 diesel fuel passed to Tonga and partner nations through rafting and underway replenishment.

By the end of January, *Aotearoa* had returned to New Zealand to prepare for the first voyage to Antarctica for the resupply of McMurdo Station and Scott Base – the first in more than 50 years by an RNZN ship.

Above: HMNZS *Aotearoa* in Tonga delivering humanitarian aid and disaster relief supplies.

## Network Enabled Army (C4)

The Network Enabled Army (NEA) programme will move the Army's planning, intelligence and communications functions to modern, interoperable, digital-based systems.

The programme is being rolled out through four tranches. The first two funding tranches have been approved, and two Ministry-led projects are underway: NEA Command, Control, Communications and Computers and NEA Intelligence, Surveillance and Reconnaissance.

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

#### **Purpose**

NEA C4 is providing the Defence Force's land forces with systems, technology and infrastructure. This has included establishing the basic network for the future NEA programme; a combination of hardware (servers, routers and long distance communications links) and software (such as a battle management system that enables all the functions across the network), along with industry specialist support. The project has established a testing, experimentation and evaluation facility to assess hardware and software prior to making an investment decision. This will reduce risk and ensure the systems acquired can be integrated with other Defence Force systems and are compatible with partners. A capability integration facility has also been established to assist with embedding the new capabilities within the Army as part of the introduction to service.

#### **Benefits**

This project is delivering improved interoperability of systems and equipment, a digital-based common operating picture and information management system, an increased ability to pass data, and improved situational awareness.

#### **Delivering the capability**

NEA C4 is funded by the Tranche One funding (approved in 2015) and a part of Tranche Two funding (approved 2019).

The funding for this project will deliver five inter-linked capability sets. Three remaining sets of work are being approached as individual projects, achieving operational release at separate points. The Common Command Post Operating Environment is delivering equipment, applications

and procedures for land forces, The Common Universal Bearer System is providing deployable infrastructure for voice and data

communications. Finally, the Mobile Tactical Command Systems capability will deliver secure, networked mobile digital communication for voice and data and location systems.

Capabilities are being tested as personnel are made available and exercises allow. Interim Operational Release of some of the NEA C4 Tranche One capability has been achieved, including for Special Forces. Scheduled Tranche Two capabilities will be delivered in 2022.

NEA C4 has continued delivery of Tranche One and Two capabilities, with a focus on capability integration. Integration testing has been conducted and training development and delivery is underway.

The NEA programme agreed the preliminary design for a radio for the New Zealand Special Forces Rigid Hull Inflatable Board (RHIB), which is being installed as part of the RHIB mid-life refresh project.

Successful field testing of equipment took place during NZ Army exercises. The Programme conducted Acceptance Testing and Evaluation on the Mobile Tactical Command System Radios at Exercise Foxhound in December 2021. This was the final step towards the Crown accepting a baseline dismounted radio capability, which is now ready for transition into service with the New Zealand Army.

The Common Command Operational Environment capability was also used in support of Exercise Foxhound. This includes key components of IT systems, operational and tactical core services that provide a battle management system, and infrastructure such as shelters, lighting, generators, environmental management and furniture.

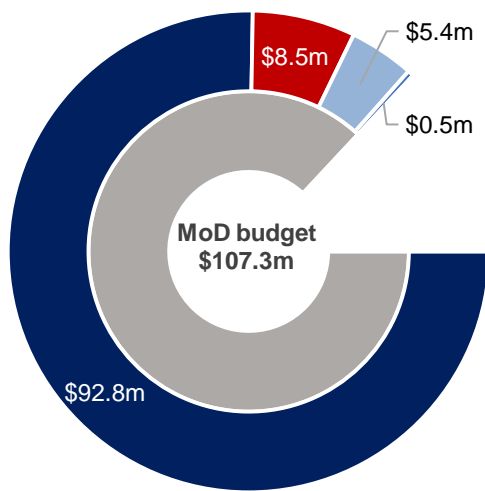


### The impact of COVID-19

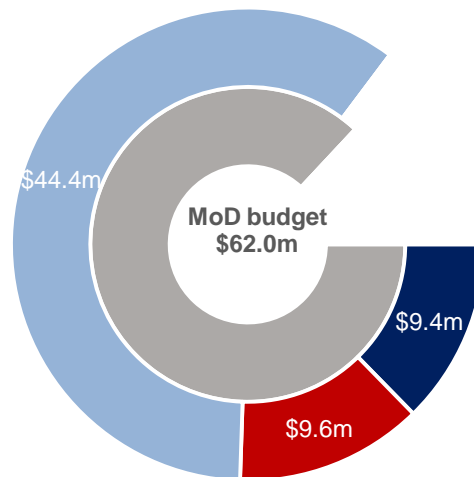
COVID-19 continued to have an effect, restricting travel overseas in support of some test events and impacting the availability of key personnel throughout the year. This impacted the timing of delivery of some capability.

### NEA C4

*Project costs for Tranche One*



*Project costs for Tranche Two*



- Spend in prior years
- 2021/22 spend
- Forecast Ministry spend
- Ministry budget
- Net foreign exchange allowance

As at 30 June 2022 expected NEA C4 project costs were:

*Tranche One funding*

		Ministry	NZDF	Consolidated project
		\$000	\$000	\$000
<b>Budget</b>	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
<b>Forecast</b>	Forecast total project cost	106,750	-	106,750
	Effect of foreign exchange movements	750	-	750
	Forecast cost using hedged rate	106,000	-	106,000
	Forecast project underspend	-	-	-

*Tranche Two funding*

		Ministry	NZDF	Consolidated project
		\$000	\$000	\$000
<b>Budget</b>	Current approved project budget	62,022	-	62,022
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	62,022	-	62,022
<b>Forecast</b>	Forecast total project cost	63,402	-	63,402
	Effect of foreign exchange movements	1,526	-	1,526
	Forecast cost using hedged rate	61,876	-	61,876
	Forecast project underspend	146	-	146

## NEA Intelligence, Surveillance and Reconnaissance (ISR)

### Purpose

NEA ISR Tranche 2 projects are tasked with delivering a system to the New Zealand Army to improve situational awareness and support deployed commanders' decision-making at all levels. It includes:

1. Information and Intelligence (I2) – completing the provision of the deployable Intelligence environment and supporting processing capabilities to enable better decision making.
2. Surveillance and Reconnaissance (S&R) – delivery of a new range of systems, including tactical sensors to support reconnaissance and surveillance tasks.

### Benefits

This project will deliver improved interoperability of systems and equipment, improved command and control of the operating picture and information management, an improved situational awareness and ability to maintain increased operation tempo.

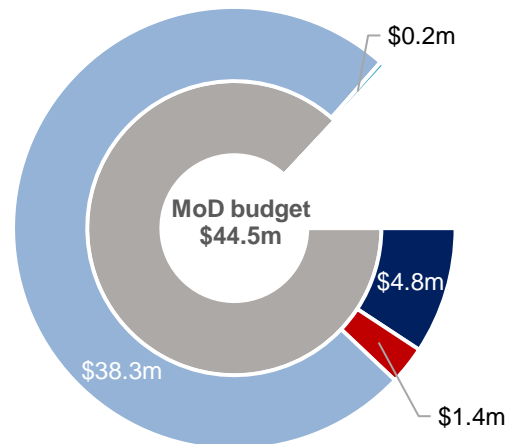
### Delivering the Capability

The project moved to its delivery phase in 2022, having prepared and released a Request for Proposals for the supply of reconnaissance and surveillance capabilities and associated through-life support. The capabilities being sought are divided into four equipment packages: an unmanned aircraft system, nano remotely piloted aircraft system, micro remotely piloted aircraft system and remote ground sensors. The award of a contract is not expected to occur until 2023.

### The impact of COVID-19

There have been some delays to engagement with vendors. The project has used available virtual technologies to mitigate this issue.

### NEA ISR





As At 30 June 2022 expected NEA ISR project costs were:

		Ministry	NZDF	Consolidated project
		\$000	\$000	\$000
<b>Budget</b>	Current approved project budget	44,459	-	44,459
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	44,459	-	44,459
<b>Forecast</b>	Forecast total project cost	44,566	-	44,566
	Effect of foreign exchange movements	198	-	198
	Forecast cost using hedged rate	44,368	-	44,368
	Forecast project underspend	91	-	91

## NH90 Flight Simulator<sup>11</sup>

### Purpose

The Air Force has operated NH90 medium utility helicopters since 2012, providing logistical support including troop transport and sustainment. Training to generate and maintain crews for all eight aircraft has proved challenging. Since the helicopters' introduction, training has involved a combination of New Zealand-based flight hours and offshore training in Germany and Australia, as the market for NH90 simulators had not matured to provide affordable devices. As NH90 simulators have subsequently become commercially viable, this project was initiated to deliver the simulator, training and maintenance support, and infrastructure at Base Ohakea.

### Benefits

The new simulator will ensure the Defence Force can produce and sustain a sufficient number of NH90 pilots, increase availability of the NH90 helicopters for operations and tasking (rather than for training hours), and ensure simulator-based pilot training is resource-efficient in both cost and crew availability.

### Delivering the capability

Since October 2020 around 800 training hours have been delivered using the simulator. Approximately 400 were delivered in the past year. This equates to around 20 percent of the NH90 aircrew flight hours during 2021/22.

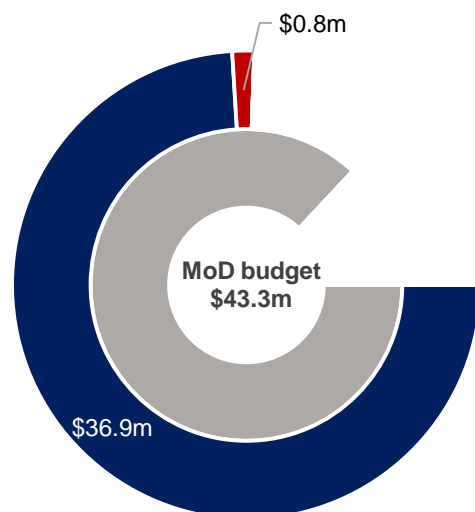
Project activities during the reporting period included finalisation of the software configuration, and the simulator being independently assessed and confirmed as a certified flight training device in May 2022. Having achieved this milestone, the NH90 Flight Simulator project is the first capability project to start and finish under the new Capability Management System.

### Impact of COVID-19

COVID-19 has had a marked influence on the process and progress of this project, from the delivery and installation of the new simulator in 2020, through to the ability of key personnel to

complete the software development, testing and qualification activities as planned.

However, NZDF has been able to use the simulator for training in an interim configuration since October 2020, software configuration has been finalised, and the simulator was independently assessed and confirmed as a certified flight training device in May 2022.



- Spend in prior years
- 2021/22 spend
- Ministry budget

<sup>11</sup> Also referred to as the NH90 Flight Training Defence.

At 30 June 2022 expected NH90 Flight Simulator project costs were:

		Ministry	NZDF	Consolidated project
		\$000	\$000	\$000
<b>Budget</b>	Current approved project budget	43,344	-	43,344
	Allowance for foreign exchange movements	608	-	608
	Original approved project budget	42,736	-	42,736
<b>Forecast</b>	Forecast total project cost	37,653	-	37,653
	Effect of foreign exchange movements	538	-	538
	Forecast cost using hedged rate	37,115	-	37,115
	Forecast project underspend	5,621	-	5,621

## Operational and Regulatory Aviation Compliance Sustainment: Phase One and Two

### Purpose

The project is equipping Defence Force aircraft fleets with upgraded communications, navigation and air traffic management and identification systems. The upgrades are required due to changes in aviation regulations, designed to improve aircraft safety and security.

Defence Force aircraft will be able to sustain effective, safe and secure operations. This includes the civil systems Automatic Dependent Surveillance – Broadcast Out and Performance Based Navigation.

### Benefits

The upgraded systems will enable the Defence Force to continue conducting unrestricted air operations in both military and civil airspaces within our immediate region and further afield.

### Delivering the capability

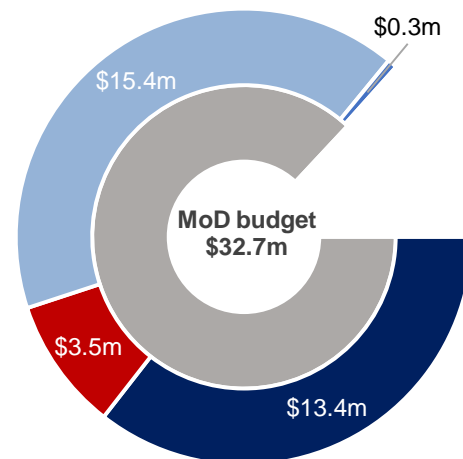
This complex programme of work has been split into multiple phases to allow for work to be accommodated by fleet availability, planned maintenance schedules and timeframes of providers, particularly where global upgrades are underway.

Most NZDF fleets will be included in one more phase of upgrades, with all Phase One work expected to be completed by the end of 2025.

Phase Two is centred mainly on the NH90 helicopter fleet upgrade. The original manufacturer of the equipment, NATO Helicopter Industries, is developing a software upgrade for this. The project is exploring all options to deliver this capability in the most efficient manner.



### ORACS Phase One (A)

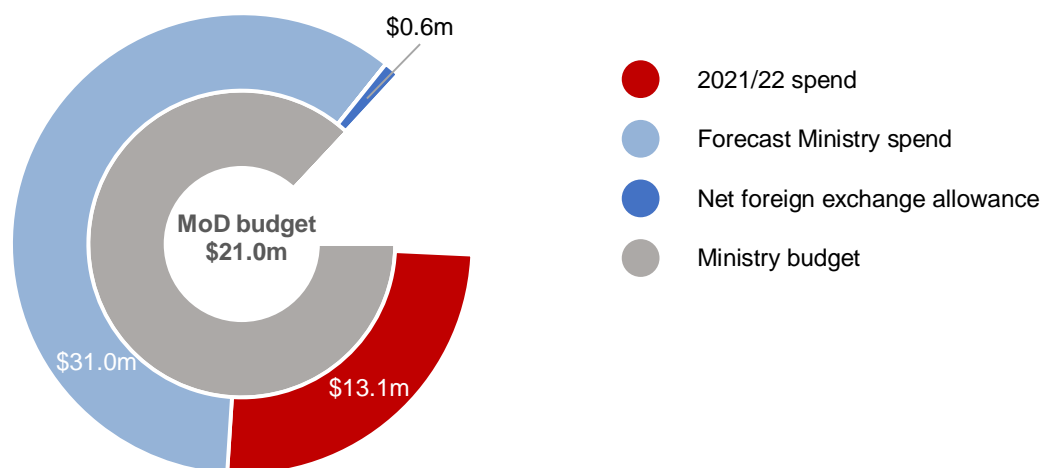


- Spend in prior years
- 2021/22 spend
- Forecast Ministry spend
- Net foreign exchange allowance
- Ministry budget

At 30 June 2022 expected ORACS: Phase One (A) project costs were:

	Ministry	NZDF	Consolidated project	
	\$000	\$000	\$000	
<b>Budget</b>	Current approved project budget	32,732	-	32,732
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	32,732	-	32,732
<b>Forecast</b>	Forecast total project cost	32,349	-	32,349
	Effect of foreign exchange movements	(258)	-	(258)
	Forecast cost using hedged rate	32,607	-	32,607
	Forecast project underspend	125	-	125

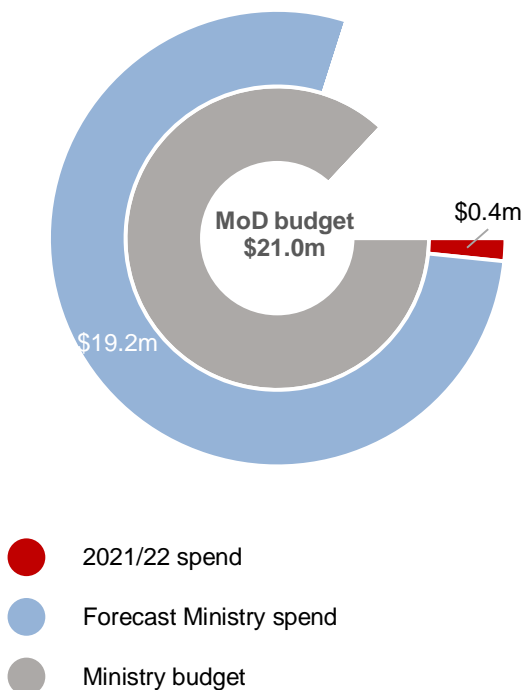
### ORACS Phase One (B)



At 30 June 2022 expected ORACS: Phase One (B) project costs were:

	Ministry	NZDF	Consolidated project	
	\$000	\$000	\$000	
<b>Budget</b>	Current approved project budget	45,150	-	45,150
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	45,150	-	45,150
<b>Forecast</b>	Forecast total project cost	44,520	-	44,520
	Effect of foreign exchange movements	(578)	-	(578)
	Forecast cost using hedged rate	45,098	-	45,098
	Forecast project underspend	52	-	52

## ORACS Phase 2 (A)



At 30 June 2022 expected ORACS: Phase Two (A) project costs were:

		Ministry	NZDF	Consolidated project
		\$000	\$000	\$000
<b>Budget</b>	Current approved project budget	19,588	-	19,588
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	19,588	-	19,588
<b>Forecast</b>	Forecast total project cost	19,619	-	19,619
	Effect of foreign exchange movements	1,013	-	1,013
	Forecast cost using hedged rate	18,606	-	18,606
	Forecast project underspend	982	-	982

## Protected Mobility Capability

### Purpose

The New Zealand Army operates across diverse environments and a range of vehicles are needed to support their operations, including those with high levels of ballistic and blast protection, and highly mobile vehicles that can operate in rugged and hostile terrain.

Phase One of the Protected Mobility Capability project is replacing the capability of the armoured Pinzgauer and operational Unimog fleets with a Protected Vehicle – Medium fleet comprised of 43 Bushmasters NZ5.5 vehicles. Phase One also introduces Polaris MRZR vehicles as the High Mobility – Light fleet. Phase One commenced in 2017 and runs until 2025.

From 2024/25 onwards, Phase Two of the Project is expected to replace or upgrade the Light Armoured Vehicle fleet.

### Benefits

Replacing or upgrading existing fleets will maintain the effectiveness of the protected land mobility capability, improve the ability to offer a range of military response options, and increase the Defence Force's ability to protect and meet its duty of care commitments to military personnel.

### Delivering the capability

Following Cabinet approval of the Detailed Business Case in April 2019, the project engaged with Polaris, the company selected as the preferred provider of the High Mobility – Light vehicles component of this project. These side by side off road vehicles are replacing quad bikes and other small vehicles used by the New Zealand Army. A contract was signed in December 2019, and six D-MRZR vehicles, spares, specialist tools and test equipment arrived in New Zealand in May 2020 and were introduced into Army over the following 12 months. The introduction into service of the D-MRZR vehicles was altered to take into account the effect of the pandemic and New Zealand's alert level requirements, including travel restrictions. This

required rescheduling of initial training and assessment of vehicles during exercises, and altering training delivery to use real time video links.



A further 12 vehicles were delivered by the project in January 2022, completing the fleet.

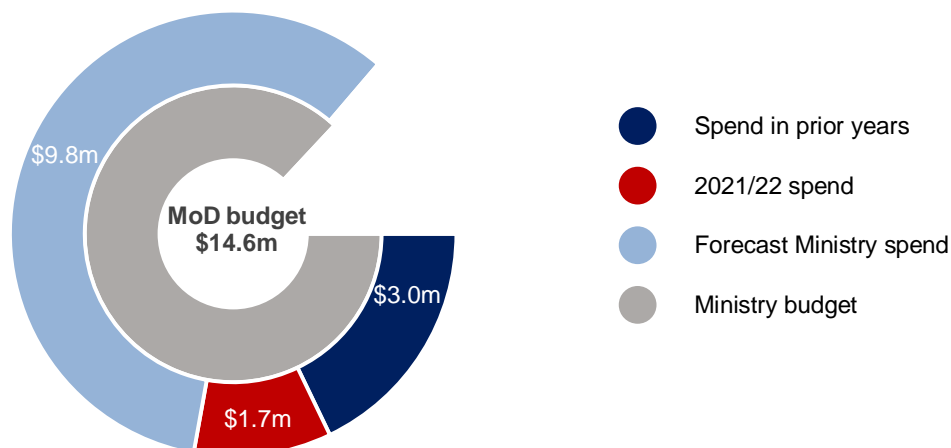
Following Cabinet approval of the Project Implementation Business Case in June 2020, a contract was signed for 43 Bushmaster NZ5.5 armoured vehicles with Thales Australia. Five variants of the vehicle will be delivered: Troop Carrier, Command and Control, Ambulance, Logistic Support, and Maintenance Support.

The Bushmaster is a proven vehicle used by the Australian Defence Force. It is the latest version of the vehicle and incorporates small improvements based on operational experience. Over the past 12 months the Project has verified the vehicle design and production has been underway at Thales Australia. Testing on the first Bushmaster NZ5.5 vehicle has commenced in Australia to ensure contract compliance.

### The impact of COVID-19

Design work of the Bushmaster NZ5.5 took longer than anticipated, as COVID-19 related travel restrictions required the use of video conferencing rather than the anticipated (pre-COVID-19) shorter face-to-face discussions. The Australian COVID-19 outbreaks and significant disruption to the Bushmaster supply chain have put further pressure on vehicle production and delivery.

## Protected Mobility Capability: High Mobility-Light (Polaris MRZR)

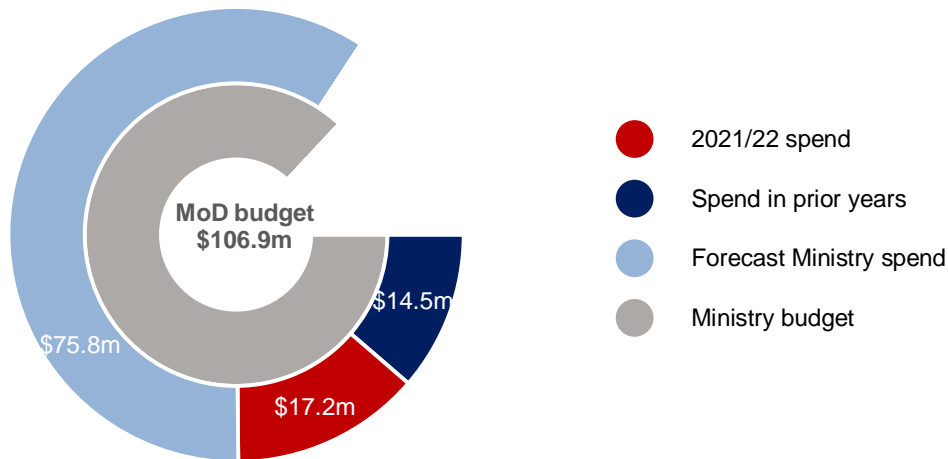


At 30 June 2022 expected project costs were:

		Ministry	NZDF	Consolidated project
		\$000	\$000	\$000
<b>Budget</b>	Current approved project budget	14,619	-	14,619
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	14,619	-	14,619
<b>Forecast</b>	Forecast total project cost	14,501	-	14,501
	Effect of foreign exchange movements	-	-	-
	Forecast cost using hedged rate	14,501	-	14,501
	Forecast project underspend	118	-	118



**Protected Mobility Capability: Medium (Bushmaster NZ5.5)**



At 30 June 2022 expected project costs were:

		Ministry	NZDF	Consolidated project
		\$000	\$000	\$000
<b>Budget</b>	Current approved project budget	106,873	-	106,873
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	106,873	-	106,873
<b>Forecast</b>	Forecast total project cost	107,556	-	107,556
	Effect of foreign exchange movements	2,384	-	2,384
	Forecast cost using hedged rate	105,172	-	105,172
	Forecast project underspend	1,701	-	1,701

## REDUCING THE MINISTRY'S CARBON EMISSIONS KO TE WHAKAITI I NGĀ PUTANGA HAUWARO O TE MANATŪ

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 2021/22, the Ministry emitted 750 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e), a 113% increase from 2020/21, but a 64% 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 four years

from 2018/19 to 2021/22.

The Ministry's largest emissions source is air travel, and more specifically international air travel. The Ministry's emissions for the last 4 years are illustrated below:

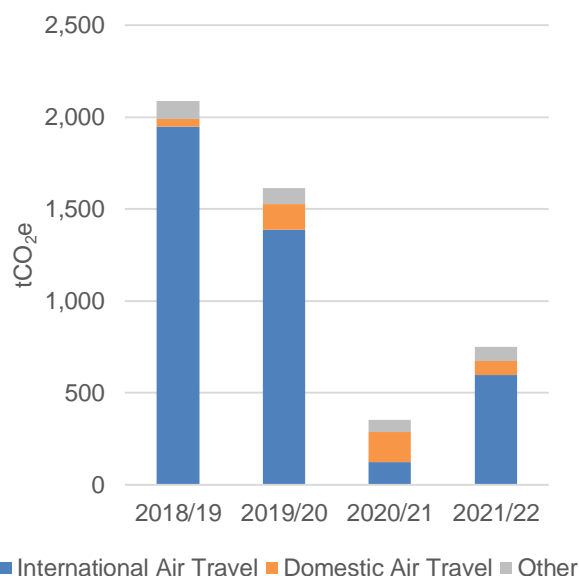


Figure 9: The Ministry's carbon emissions from 2018/19 to 2021/22

Following the closure of New Zealand's international borders in March 2020, the Ministry's travel, and resulting emissions, reduced significantly. 2018/19 was the only year included in Figure 9 where New Zealand's borders were open for the full 12 months.

The emissions for 2021/22 are further broken down below.

Source	Category	Scope <sup>12</sup>	tCO <sub>2</sub> e	% of total
International Flights	Indirect Emissions from transportation	3	597.3	79.6%
Domestic Flights	Indirect Emissions from transportation	3	77.0	10.3%
Other	Indirect emissions from other sources	3	32.4	4.3%
Accommodation	Indirect Emissions from transportation	3	22.6	3.0%
Electricity Generation	Indirect Emissions from imported energy	1	20.2	2.7%
Owned vehicles	Direct Emissions	1	0.5	0.1%
<b>Total Emissions for 2021/22</b>			<b>750.0</b>	<b>100%</b>

Table 1: 2021/22 emissions broken down by scope and source

<sup>12</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 intensity of the Ministry's emissions 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
FTEs	150	162	165	166
Expenditure <sup>13</sup> (\$M)	354	298	537	811
Emissions Intensity				
Total gross emissions per FTE in tCO <sub>2</sub> e	14	10	2	5
Total gross emissions per million dollars of expenditure in tCO <sub>2</sub> e	5.9	5.4	0.7	0.9

**Table 2: Emission intensity by FTE and expenditure**

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 2020/21 and 2021/22. This increase, combined with limited international travel in those years, has resulted in reduced emissions per million dollars of expenditure.

## 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 NZDF.

Like many organisations, the closed international borders over the last two years forced the Ministry to do things differently, including embracing the use of technology to maintain engagement with international partners. Whilst the Ministry was able to maintain engagement in most circumstances, the benefits of face-to-face engagement have been evident since borders recently re-opened.

International travel will continue to be one of the cornerstones of the Ministry's business. However, it is clear that we need to do things differently. In order to reduce emissions from international travel in the future, the Ministry's Strategic Leadership Team has agreed:

- to ensure that travel is necessary and justifiable in every case and that the objectives of the engagement cannot be met remotely

- the class of travel is appropriate to meet business needs whilst minimising the emissions generated from travel, and
- additional monitoring, reporting, and approvals for international travel will be introduced.

## 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 has resulted in the Ministry's emissions being well below the targeted levels for the last three years. 2022/23 is set to be the first full financial year with the borders open since 2018/19. This will give a clearer indication of how the Ministry is tracking against these targets, but it is planning to emit less than 1,650 tCO<sub>2</sub>e (its mandated target for 2024/25) in each year from 2022/23 to 2024/25.

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

<sup>13</sup> Includes both departmental operating expenditure and non-departmental capital expenditure.

## Emissions sources

The Ministry is meeting the requirements of the Carbon Neutral Government Programme by 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 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 NZDF, the emissions generated from their use will be tracked and monitored by NZDF as part of their obligations under the Carbon Neutral Government Programme.



Above: New Zealand contingent at the 80<sup>th</sup> anniversary Guadalcanal in the Solomon Islands.





**ORGANISATIONAL HEALTH AND  
CAPABILITY**  
**TE HAUORA Ā-WHAKAHAERE ME TE  
ĀHEINGA**

# ABOUT THE MINISTRY'S OPERATIONS

## MŌ NGĀ MAHI A TE MANATŪ

The Ministry's spirit and character are:



### Influential Kia whai mana

Our work shapes the agenda and our advice is persuasive.



### Collaborative Kia mahi tahi

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



### Courageous Kia kaha

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



### Dynamic Kia hihiri

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



### Pragmatic Kia whai kiko

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



### Professional Kia ngaio

People know us for our integrity, skills and attitude.

The majority of the Ministry's departmental costs are on personnel.

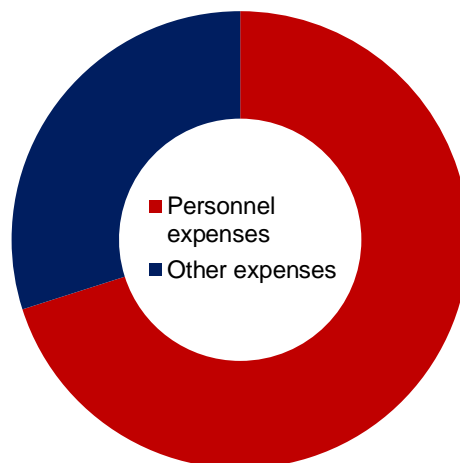


Figure 10: Departmental expenditure by category in 2021/22

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 supports collaboration in developing advice on Defence policy and deployments and 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.

## Health and safety

The Ministry remains committed to providing a safe and healthy working environment for its staff, contractors and visitors; and participates in a range of government-wide health and safety initiatives. The Ministry's Health and Safety Committee meets regularly to review the most significant health and safety risks and is active in promoting good health and safety practices in the workplace. It also has regular interaction and dialogue with the Strategic Leadership Team.

Health and safety information is shared with staff through regular communications, dedicated noticeboards, and the Ministry's intranet. The



Strategic Leadership Team receives regular Health and Safety reports in accordance with the Health and Safety at Work Act 2015.

The Ministry, alongside NZDF, is responsible for the delivery of capabilities that are safe to operate, and operated safely, in accordance with the Health and Safety at Work Act. Guidance is provided to project teams to ensure this responsibility is met.

COVID-19 has presented an ongoing challenge to Ministry operations. Staff were supported to work from home over lockdowns, and split shift arrangements were used during periods of high risk to enable effective physical distancing in the workplace. Virtual options for meetings have been implemented to allow staff to isolate as necessary, and staff are instructed to stay home if they feel unwell.

In 2021/22, the Ministry has placed an emphasis on staff wellbeing, with an all-staff survey conducted to evaluate mental wellbeing and the effectiveness of controls to prevent psychological harm. The Health and Safety Committee has implemented a 12 months of wellbeing calendar, with activities such as defibrillator workshops, fundraisers, and blood testing scheduled each month to promote health and wellbeing.

## New Zealand Business Number

The Ministry has implemented the New Zealand Business Number into its process. System upgrades during the year now allow the Ministry to receive electronic invoices (e-invoicing). Further system enhancements are planned to allow the creation and sending of electronic invoices.

## Operating in a high-integrity environment

The Ministry regularly communicates with its staff on the importance of always acting ethically, with integrity and honesty, and in accordance with expectations of the public service. Staff are required

to demonstrate probity and good judgement when committing funds.

The Strategic Leadership Team provides governance of the policies and procedures that comprise the internal control and fraud control frameworks. Policies are regularly reviewed to ensure they are based on contemporary practice.

The Ministry undertakes a targeted programme of regular training on financial controls. It covers the importance of the Ministry's internal controls and the key topics that underpin it, including conflicts of interest, delegations and sensitive expenditure.

A session on Ministry internal controls forms part of two formal induction courses for new staff.

All capability projects have independent probity support prior to investment.

## Reviewing Defence activities

In mid-2022 the Secretary commissioned a review of the Ministry's Governance, People and Executive Services division that also proposed to establish a Strategy Management and Defence Audit Division.

The review concluded that the current branches are functioning well and no significant changes were needed. As part of this process the Secretary consulted on the establishment of a new division including a Strategy Management Office and the undertaking of the Ministry's statutory audit and assessment activity. The new division is being established in 2022/23 and will be led by a Deputy Secretary.



This work contributes to the Ministry's objective *The impact of our delivery is measured to inform future decisions*



## Transparency

Every five years Transparency International conducts a Government Defence Integrity Index (GDII) assessment. The index assesses the quality of institutional controls to manage the risk of corruption in defence and security institutions worldwide. The last assessment was undertaken in 2015. The Ministry and NZDF led the government input to the 2020 assessment.

In November 2021, Transparency International announced that the New Zealand defence and security sector received the highest rating for anti-

corruption and integrity measures. Overall, New Zealand had a score of 85, meaning it has very robust institutional resilience to corruption in the defence and security sector internationally. Further details about this work are provided in the case study below.



This work contributes to the Ministry's objective  
*New Zealanders understand security issues, Defence's role and the value of the Ministry*

## Case Study: Government Defence Integrity Index

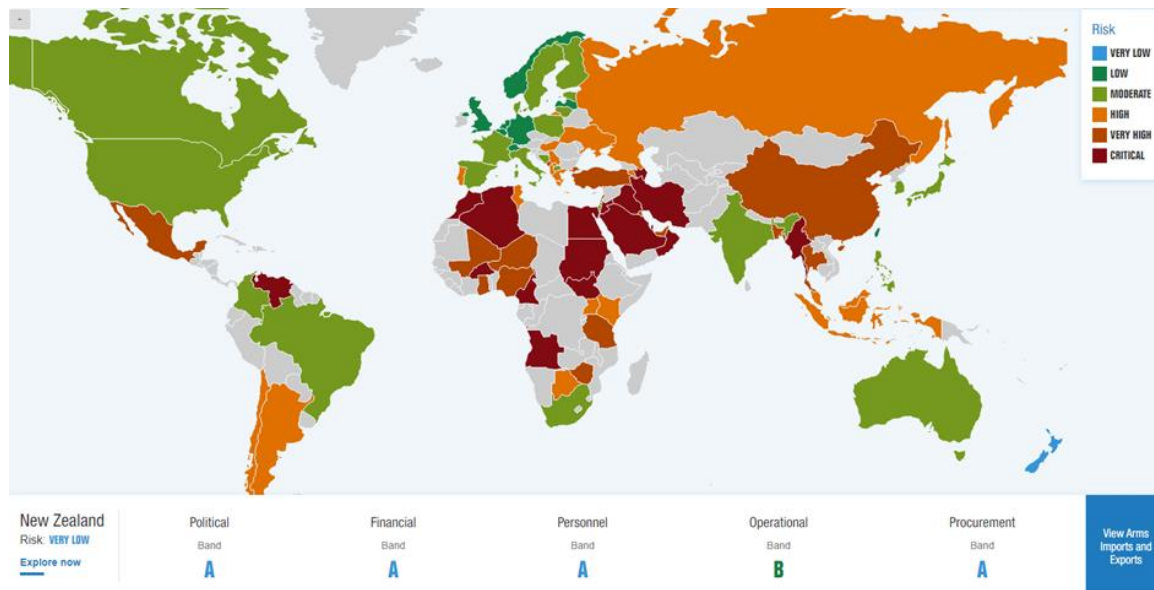
*Every five years Transparency International (TI) undertakes a Government Defence Integrity Index (GDI) assessment. This is an assessment of institutional controls to manage the risk of corruption in defence and security institutions. The GDI is the world's leading assessment of corruption risks and integrity measures in defence institutions, and is intended to provide a 'snapshot of governance within the defence sector in a country.' The latest review was undertaken in 2015 where New Zealand received an A rating.*

The Ministry, NZDF and other government agencies provided information to the TI GDI draft assessment through mid to late 2020. In 2021, TI requested the Minister of Defence nominate a government reviewer to provide comments on the draft assessment. An external reviewer was appointed to lead the government review of the 2020 draft assessment, with final comments provided to TI on 26 July 2021.

Fifteen agencies were consulted and provided input to the Government Review as a result of the cross-government work streams on anti-corruption and integrity measures. In line with TI's guidance for the Government Review process, the agencies were asked to provide comment on the factual accuracy and completeness of information, additional context and any other comment on the score or assessment.

The findings of the report, released in November 2021, placed New Zealand on top out of 86 countries. New Zealand's defence and security sector sits alone in the 'A' Band, recognising its strong integrity systems across risk areas of personnel, procurement, operations, political and finance. The report found that New Zealand agencies have very robust institutional resilience to corruption.

The report also found that New Zealand, though it has low levels of corruption, is not free from it. Transparency International suggests improvements could be made to the level of regulation around political lobbying, corruption monitoring in operations, and anti-collusion controls in contracting.



*"The Band A ranking for New Zealand is evidence of the work gone on to strengthen integrity frameworks across defence services." – Julie Haggie CEO of Transparency International New Zealand*





**VOTE DEFENCE PERFORMANCE BY  
APPROPRIATION  
TE PŪTEA KAUPAPA WAONGA: NGĀ  
MAHI KEI IA RĀRANGI PŪTE**

Below are details of the appropriations under Vote Defence that fund the delivery of the Ministry's work. Further details about the performance of the appropriations are addressed against each priority in the earlier sections. Expenditure against the appropriations is provided in the table on page 114.

## 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.*

In Budget 2021 the Ministry's Departmental expense appropriations, including the multi-category appropriation, were consolidated into one operating expense appropriation: Ministry of Defence outputs.

Performance Measures	2020/21	2021/22	
	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.	100% (83 of 83 items unchanged)	≥90%	99% (331 of 335 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.	100% (83 of 83 on time)	≥95%	97% (325 of 335 on time)
<b>Technical Quality of Policy Advice:</b> as assessed by independent review of a sample of policy papers.	3.5 / 5	≥3.5 / 5	3.8 / 5
<b>Minister's Satisfaction with Quality of Policy Advice:</b> as assessed by survey.	4.9 / 5	≥3.5 / 5	4.6 / 5
<b>Minister's Satisfaction with Quality of Policy Support:</b> as assessed by survey.	95%	≥70%	90%
<b>Minister's Satisfaction with Quality of Audits and Assessments:</b> as assessed by survey.	100% <sup>1</sup>	≥70%	100% <sup>1</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: Across this period the audit and assessment function consists of the delivery of the Expert Review Group work stream arising from the Operation Burnham Inquiry recommendations.

### Expenditure for the year ended 30 June 2022:

Actual	Appropriation	Actual	Supp estimates	Main estimates
2021		2022	2022	2022
\$000		\$000	\$000	\$000
21,412	Ministry of Defence Outputs	22,577	27,184	25,540

## 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	2019/20		2020/21	
	Actual	Budget	Budget	Actual
Capital expenditure is within Capital Plan	Within Capital Plan	Within Capital Plan	Within Capital Plan	Within Capital Plan

### Expenditure for the year ended 30 June 2022:

Actual	Appropriation	Actual	Supp estimates	Main estimates
2021		2022	2022	2022
\$000		\$000	\$000	\$000
73	Ministry of Defence – capital expenditure	18	350	350

## 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.*

In Budget 2021 the Ministry's non-departmental capital expenditure appropriation was restructured into a multi-category appropriation with an expense component to allow for the recognition of non-capitalisable costs incurred during the procurement or refurbishment of major military capabilities for the New Zealand Defence Force.

Performance Measures	2020/21		2021/22	
	Actual	Budget	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.	85%	≥80%		77% <sup>1</sup>
<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	100%	100%		100%
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.				

Performance Measures	2020/21	2021/22	
	Actual	Budget	Actual
<b>Non-Departmental Capital Expenditure – Defence Capability Delivery</b>			
<p><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.</p> <p>Measured by the percentage of all projects that have project-related expenditure incurred in the year within the approved project expenditure budget.</p>	100%	100%	100%
<p><b>Quality of Deliverable:</b> Each procurement or refurbishment project will achieve on delivery the agreed/contracted specifications that are critical to acceptance.</p> <p>Measured by the percentage of all projects in the delivery phase that meet all specifications that are critical to acceptance.</p>	100%	100%	100%
<p><b>Schedule:</b> Each procurement or refurbishment project will be managed to schedule, without avoidable schedule over-run.</p> <p>Measured by the percentage of all projects in the delivery phase progressed within agreed schedule.</p>	71% (10 of 14 projects to schedule)	≥80%	45% (9 of 20 projects to schedule) <sup>2</sup>
<p><b>Cost forecasting:</b> The aggregate capital expenditure on procurement and refurbishment projects compared to the forecast capital expenditure.</p> <p>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.</p>	+3.7%	Within ±10% of forecast	(8.2%)

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.

Note 2: 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 the achievement of governance milestones. The projects that have missed a governance milestone are identified in the summary on page 49 and the further details are provided on the relevant project pages.

#### Expenditure for the year ended 30 June 2022:

Actual	Appropriation	Actual	Supp estimates	Main estimates
2021		2022	2022	2022
\$000		\$000	\$000	\$000
-	Other expenses – Procurement expenses	3,933	6,500	2,000
515,278	Capital expenditure – Defence capability delivery	783,963	1,082,376	873,354
515,278	<b>Defence capabilities MCA</b>	<b>787,896</b>	<b>1,088,876</b>	<b>875,354</b>





Above: Equipment purchased as part of the Mobile Tactical Command Systems project within the Network Enabled Army Programme, put to good use in a simulated situation by the New Zealand Army.





**STATEMENT OF RESPONSIBILITY AND  
AUDIT REPORT  
TE TAUĀKĪ TAKOHANGA ME TE  
RIPOATA AROTAKI**

## 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 2022 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 2023 and its operations for the year ending on that date.

Signed by:



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

30 September 2022

Countersigned by:



Pasanka Wickremasinghe  
**Chief Financial Officer**

30 September 2022

# INDEPENDENT AUDITOR'S REPORT

## To the readers of the Ministry of Defence's Annual Report for the year ended 30 June 2022

The Auditor-General is the auditor of Ministry of Defence (the Ministry). The Auditor-General has appointed me, Karen Young, 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 118 to 135, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2022, 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 prepared by the Ministry for the year ended 30 June 2022 on pages 54 to 87 and 100 to 102;
- the statements of expenses and capital expenditure of the Ministry for the year ended 30 June 2022 on pages 114 and 115; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 138 to 149 that comprise:
  - the schedules of assets; liabilities; capital commitments; and contingent liabilities and contingent assets as at 30 June 2022;
  - the schedules of expenses; and revenue, capital receipts and capital expenditure for the year ended 30 June 2022; and
  - the notes to the schedules that include accounting policies and other explanatory information.

### Opinion

In our opinion:

- the financial statements of the Ministry on pages 118 to 135:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; 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 the Public Benefit Entity Standards Reduced Disclosure Regime.
- the performance information of the Ministry on pages 54 to 87 and 100 to 102:

- presents fairly, in all material respects, for the year ended 30 June 2022:
  - what has been achieved with the appropriation; and
  - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Ministry on pages 114 and 115 are presented fairly, 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 on pages 138 to 149 present fairly, in all material respects, in accordance with the Treasury Instructions 2020:
  - the assets; liabilities; capital commitments; and contingent liabilities and contingent assets as at 30 June 2022; and
  - schedule of expenses, revenue, capital receipts and capital expenditure for the year ended 30 June 2022.

Our audit was completed on 30 September 2022. 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 Department, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989; and
- 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 Department, 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 2020-2024 Statement of Intent, Estimates and Supplementary Estimates of Appropriation 2021/22 for Vote Defence, and the 2021/22 forecast financial figures included in the Ministry's 2020/21 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 within the Ministry's framework for reporting its performance.
- 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 2 to 97, 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 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 2021 prepared by the Ministry of Defence and the New Zealand Defence Force and provided probity assurance on the process used for the tender in the Network Enabled Army Project.

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

*Karen Young*

Karen Young  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand





# APPROPRIATION STATEMENTS

## TE TAUĀKĪ ROHENGĀ PŪTEA

## STATEMENT OF EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

For the year ended 30 June 2022 (refer to pages 100-102 for performance information on these appropriations)

Actual		Forecast	Main estimates	Supp estimates	Actual	Main estimates
		not audited	not audited	not audited		not audited
2021		2022	2022	2022	2022	2023
\$000		\$000	\$000	\$000	\$000	\$000
	<b>Vote: Defence</b>					
	<b>Departmental Appropriations</b>					
	<b>Output expenses</b>					
1,069	Audit and assessment	-	-	-	-	-
11,020	Management of defence capabilities	-	-	-	-	-
-	Ministry of Defence outputs	24,832	24,832	27,184	22,577	25,540
12,089	<b>Total appropriations for output expenses</b>	<b>24,832</b>	<b>24,832</b>	<b>27,184</b>	<b>22,577</b>	<b>25,540</b>
	<b>Multi-category appropriations (MCA)</b>					
	Policy advice and related outputs MCA					
5,582	Policy advice	-	-	-	-	-
1,119	Ministerial services	-	-	-	-	-
2,591	Policy support	-	-	-	-	-
9,292	<b>Total multi-category appropriations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Departmental capital expenditure</b>					
73	Ministry of Defence – capital expenditure PLA	350	350	350	18	350
21,454	<b>Total Departmental appropriations</b>	<b>25,182</b>	<b>25,182</b>	<b>27,534</b>	<b>22,595</b>	<b>25,890</b>
	<b>Non-Departmental Appropriations</b>					
	<b>Other expenses</b>					
-	Non-capitalised procurement costs	-	-	-	-	-
	<b>Capital expenditure</b>					
515,278	Defence capabilities	-	-	-	-	-
	<b>Multi-category appropriations (MCA)</b>					
	Defence capabilities MCA					
	<b>Other expenses</b>					
-	Procurement expenses	2,000	2,000	6,500	3,933	2,000
	<b>Capital expenditure</b>					
-	Defence capability delivery	873,354	873,354	1,082,376	783,963	1,150,069
515,278	<b>Total Non-Departmental appropriations</b>	<b>875,354</b>	<b>875,354</b>	<b>1,088,876</b>	<b>787,896</b>	<b>1,152,069</b>
536,732	<b>Total annual appropriations administered by the Ministry of Defence</b>	<b>900,536</b>	<b>900,536</b>	<b>1,116,410</b>	<b>810,491</b>	<b>1,177,959</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.

### Restructuring of Appropriations

In Budget 2021 the Ministry's appropriations for 2021/22 onwards were restructured:

- Departmental expense appropriations, including the multi-category appropriation (MCA), were consolidated into one operating expense appropriation: Ministry of Defence outputs.
- The non-departmental capital expenditure appropriation was restructured into a multi-category appropriation with an expense component to allow for the recognition of non-capitalisable costs incurred during the procurement or refurbishment of major military capabilities for the New Zealand Defence Force.

### Accounting Policies

Forecast figures: The forecast figures are presented in accordance with the policy described in Note 1 of the Notes to the Departmental Financial Statements on page 123.

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 100-101 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 2022

The Ministry has not incurred any expenses or capital expenditure without, or in excess of, appropriation or other authority (2021 – Nil).

## STATEMENT OF DEPARTMENTAL CAPITAL INJECTIONS WITHOUT, OR IN EXCESS OF, AUTHORITY

For the year ended 30 June 2022

The Ministry has not received any capital injections during the year without, or in excess of, authority (2021 – Nil).

## TRANSFERS UNDER SECTION 26A OF THE PUBLIC FINANCE ACT 1989

For the year ended 30 June 2022

The Ministry has not made any transfers under Section 26A of the Public Finance Act 1989 (2021 – Nil).





**DEPARTMENTAL FINANCIAL  
STATEMENTS**  
**TE TAUĀKĪ PŪTEA Ā-TARI**

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2022

Actual		Note	Forecast not audited	Actual	Forecast not audited
2021			2022	2022	2023
\$000			\$000	\$000	\$000
<b>Revenue</b>					
22,340	Revenue Crown	2	24,832	24,676	25,540
2,737	Other revenue	2	-	3,221	-
25,077	Total revenue		24,832	27,897	25,540
<b>Expenses</b>					
15,400	Personnel expenses	3	18,645	15,821	18,880
5,815	Operating expenses	4	5,986	6,468	6,436
79	Depreciation and amortisation expense	7,8	60	90	83
118	Capital charge	5	141	198	141
21,412	Total expenses		24,832	22,577	25,540
3,665	<b>Surplus</b>		-	<b>5,320</b>	-
-	Other comprehensive revenue and expense		-	-	-
<b>3,665</b>	<b>Total comprehensive revenue and expense</b>		-	<b>5,320</b>	-

The accompanying notes form part of these financial statements. Explanations of major variances against the 2022 forecast financial statements are shown in note 15.



## STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

Actual		Note	Forecast not audited	Actual	Forecast not audited
2021			2022	2022	2023
\$000			\$000	\$000	\$000
<b>Assets</b>					
<b>Current assets</b>					
7,797	Cash and cash equivalents		4,096	9,687	3,575
606	Receivables	6	100	674	712
19	Prepayments		8	-	2
8,422	Total current assets		4,204	10,361	4,289
<b>Non-current assets</b>					
170	Property, plant and equipment	7	168	115	115
39	Intangible assets	8	1	23	12
209	Total non-current assets		169	138	127
<b>8,631</b>	<b>Total assets</b>		<b>4,373</b>	<b>10,499</b>	<b>4,416</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
1,473	Creditors and other payables	9	825	1,687	832
3,665	Return of surplus to the Crown	10	-	5,320	-
964	Employee entitlements	11	915	977	936
6,102	Total current liabilities		1,740	7,984	1,768
<b>Non-current liabilities</b>					
176	Employee entitlements	11	280	162	295
176	Total non-current liabilities		280	162	295
<b>6,278</b>	<b>Total liabilities</b>		<b>2,020</b>	<b>8,146</b>	<b>2,063</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 2022 forecast financial statements are shown in note 15.

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

Actual		Forecast not audited	Actual	Forecast not audited
2021		2022	2022	2023
\$000		\$000	\$000	\$000
<b>Cash flows from operating activities</b>				
22,340	Receipts from Revenue Crown	24,832	24,676	25,540
2,230	Receipts from other revenue	-	3,073	-
(15,690)	Payments to employees	(18,621)	(15,822)	(18,855)
(6,862)	Payments to suppliers	(6,010)	(6,076)	(6,461)
(118)	Payments for capital charge	(141)	(198)	(141)
205	Goods and services tax (net)	-	(79)	-
2,105	Net cash flow from operating activities	60	5,574	83
<b>Cash flows from investing activities</b>				
-	Receipts from sale of property, plant and equipment	-	-	-
(38)	Purchase of property, plant and equipment	(60)	(19)	(60)
(37)	Purchase of intangible assets	-	-	-
(75)	Net cash flow from investing activities	(60)	(19)	(60)
<b>Cash flows from financing activities</b>				
(1,550)	Return of operating surplus	(1,210)	(3,665)	(3,839)
(1,550)	Net cash flow from financing activities	(1,210)	(3,665)	(3,839)
<b>480</b>	<b>Net increase/(decrease) in cash</b>	<b>(1,210)</b>	<b>1,890</b>	<b>(3,816)</b>
7,317	Cash at the beginning of the year	5,306	7,797	7,391
<b>7,797</b>	<b>Cash at the end of the year</b>	<b>4,096</b>	<b>9,687</b>	<b>3,575</b>

The accompanying notes form part of these financial statements. Explanations of major variances against the 2022 forecast financial statements are shown in note 15.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

Actual		Note	Forecast not audited	Actual	Forecast not audited
2021			2022	2022	2023
\$000			\$000	\$000	\$000
2,353	<b>Balance at 1 July</b>		2,353	2,353	2,353
3,665	Total comprehensive revenue and expense		-	5,320	-
(3,665)	Return of operating surplus to the Crown	10	-	(5,320)	-
<b>2,353</b>	<b>Balance at 30 June</b>	12	<b>2,353</b>	<b>2,353</b>	<b>2,353</b>

## STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2022

### Contingent Liabilities

The Ministry has no quantifiable or unquantifiable contingent liabilities (2021 – Nil).

### Legal proceedings and disputes

The Ministry has no pending legal proceedings and disputes (2021 – Nil).

### Contingent Assets

The Ministry has no contingent assets (2021 – Nil).

*The accompanying notes form part of these financial statements. Explanations of major variances against the 2022 forecast financial statements are shown in note 15.*

## STATEMENT OF COMMITMENTS

As at 30 June 2022

### 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 (2021 – 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 2021 \$000</b>		<b>Actual 2022 \$000</b>
	<b>Non-cancellable operating lease commitments</b>	
2,091	Not later than one year	2,110
2,110	Later than one year and not later than two years	2,128
6,418	Later than two years and not later than five years	6,457
24,237	Later than five years	22,070
<b>34,856</b>	<b>Total non-cancellable operating lease commitments</b>	<b>32,765</b>

*The accompanying notes form part of these financial statements. Explanations of major variances against the 2022 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 138 to 149.

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 2022 and were approved for issue by the Secretary of Defence of the Ministry on 30 September 2022.

### 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

Financial accounting standards and amendments issues but not yet effective that have not been early

#### *PBE IPSAS 41 Financial Instruments*

This standard was issued by the XRB in March 2019 and supersedes PBE IFRS 9 *Financial Instruments*, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. The Ministry does not expect any significant changes as the requirements are similar to PBE IFRS 9.

#### *PBE FRS 48 Service Performance Reporting*

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2022. The Ministry has not yet determined how application of this standard will affect its service performance reporting.

### 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 2022 forecast figures are for the year ended 30 June 2022 and were published in the 2020/21 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 2022.

The 2023 forecast figures are for the year ending 30 June 2023, which are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 30 June 2023.

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 2023 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 15 March 2022.

While the Ministry regularly updates its forecasts, updated forecast financial statements for the year ended 30 June 2023 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 2023 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 2022.

## 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.

### Breakdown of other revenue

<b>Actual 2021 \$000</b>		<b>Actual 2022 \$000</b>
2,540	Project costs recovered from NZDF	3,217
76	Other cost recoveries	-
4	Proceeds from insurance claims	1
117	Other gains	3
<b>2,737</b>	<b>Total other revenue</b>	<b>3,221</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 2021 \$000</b>		<b>Actual 2022 \$000</b>
15,010	Salaries and wages	15,264
473	Employer contributions to defined contribution plans	516
(83)	Increase/(decrease) in employee entitlements	41
<b>15,400</b>	<b>Total personnel expenses</b>	<b>15,821</b>

## NOTE 4: OPERATING EXPENSES

### Accounting policy

Operating expenses are recognised when goods and services are received.

<b>Actual 2021 \$000</b>		<b>Forecast not audited 2022 \$000</b>	<b>Actual 2022 \$000</b>	<b>Forecast not audited 2023 \$000</b>
152	Audit fees for financial statements	152	176	166
26	Fees paid to Audit New Zealand for other services	35	26	35
1,062	Consultants and contractors	1,910	1,979	1,137
1,185	Professional services	63	53	29
131	Travel and related costs	323	564	1,361
261	Courses, conferences and exhibitions	262	265	288
1,535	Rental of premises	2,252	1,561	2,195
157	Legal	155	120	160
102	Grants and contributions	273	312	320
1,204	Other operating costs	561	1,412	745
<b>5,815</b>	<b>Total operating expenses</b>	<b>5,986</b>	<b>6,468</b>	<b>6,436</b>

Fees paid to Audit New Zealand for other services are for a \$26,000 annual assurance review of the Major Projects Report prepared jointly by the Ministry and the Defence Force (2021 - \$35,000).

In addition, included in non-departmental capital expenditure is \$10,000 paid to the Ministry's auditors, Audit New Zealand, for probity assurance on the process used for the tender in the Network Enabled Army project (2020 – Nil).



## 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 2022 was 5.0% (2021 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 2021 \$000</b>		<b>Actual 2022 \$000</b>
	<b>Receivables from exchange transactions</b>	
606	Debtors	674
-	Less allowance for credit losses	-
606	Net debtors	674
<b>606</b>	<b>Total receivables from exchange transactions</b>	<b>674</b>
-	Receivables from non-exchange transactions	-
<b>606</b>	<b>Total receivables</b>	<b>674</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:

Furniture	2½-10 years
Office equipment	5-10 years
Computer equipment	3-5 years

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

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 2020	314	314
Additions	36	36
Disposals	(1)	(1)
<b>Balance at 30 June 2021</b>	<b>349</b>	<b>349</b>
Balance at 1 July 2021	349	349
Additions	18	18
Disposals	-	-
<b>Balance at 30 June 2022</b>	<b>367</b>	<b>367</b>
<b>Accumulated depreciation and impairment losses</b>		
Balance at 1 July 2020	109	109
Depreciation expense	71	71
Eliminate on disposal	(1)	(1)
<b>Balance at 30 June 2021</b>	<b>179</b>	<b>179</b>
Balance at 1 July 2021	179	179
Depreciation expense	74	74
Eliminate on disposal	-	-
<b>Balance at 30 June 2022</b>	<b>253</b>	<b>253</b>
<b>Carrying amounts</b>		
At 30 June and 1 July 2021	170	170
<b>At 30 June 2022</b>	<b>114</b>	<b>114</b>

In October 2019 the Ministry relocated to its long-term accommodation in the new Defence headquarters in the former Bowen State Building. The sublease from the Defence Force includes all required building fit-out and furniture. On relocation the Ministry disposed of all owned office furniture. From 30 June 2020 onwards the Ministry does not own 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
-------------------	-----------

#### 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.

	Actual	
	Software \$000	Total \$000
<b>Cost</b>		
Balance at 1 July 2020	600	600
Additions	37	37
Disposals	-	-
<b>Balance at 30 June 2021</b>	<b>637</b>	<b>637</b>
Balance at 1 July 2021	637	637
Additions	-	-
Disposals	-	-
<b>Balance at 30 June 2022</b>	<b>637</b>	<b>637</b>
<b>Accumulated amortisation and impairment losses</b>		
Balance at 1 July 2020	590	590
Amortisation expense	8	8
Disposals	-	-
<b>Balance at 30 June 2021</b>	<b>598</b>	<b>598</b>
Balance at 1 July 2021	598	598
Amortisation expense	16	16
Disposals	-	-
<b>Balance at 30 June 2022</b>	<b>614</b>	<b>614</b>
<b>Carrying amounts</b>		
At 30 June and 1 July 2021	39	39
<b>At 30 June 2022</b>	<b>23</b>	<b>23</b>

## NOTE 9: CREDITORS AND OTHER PAYABLES

### Accounting policy

Short-term creditors are recorded at the amount payable.

<b>Actual 2021 \$000</b>		<b>Actual 2022 \$000</b>
20	Creditors	-
1,158	Accrued expenses	1,471
295	GST payable	216
<b>1,473</b>	<b>Total creditors and other payables</b>	<b>1,687</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 2021 \$000</b>		<b>Actual 2022 \$000</b>
3,665	Net surplus	5,320
-	Approved retention of surplus	-
<b>3,665</b>	<b>Total return of operating surplus</b>	<b>5,320</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 3.78% (2021 2.89%) and an inflation factor of 2.51% (2021 2.84%) 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 \$11,000 (2021 less than \$14,000).

Actual 2021 \$000		Actual 2022 \$000
	<b>Current provisions are represented by:</b>	
813	Annual leave	805
36	Sick leave	37
115	Retirement and long service leave	135
<b>964</b>	<b>Total current provision</b>	<b>977</b>
	<b>Non-current employee entitlements are represented by:</b>	
176	Retirement and long service leave	162
<b>1,140</b>	<b>Total employee entitlements</b>	<b>1,139</b>

### NOTE 12: EQUITY

Actual 2021 \$000		Actual 2022 \$000
	<b>Taxpayers' funds</b>	
2,353	Balance at 1 July	2,353
3,665	Net surplus/(deficit)	5,320
-	Capital contribution from the Crown	-
(3,665)	Provision for repayment of surplus to the Crown	(5,320)
<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 2021 \$000		Actual 2022 \$000
<b>Leadership team, including the Secretary of Defence</b>		
1,835	Remuneration	1,822
5	Full-time equivalent staff	4.8

Key management personnel include the Secretary of Defence and the four members (2021 – four) of the Leadership Team. At 30 June 2022, one position was vacant due to the retirement of a member in April 2022.

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 his 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 2021 \$000		Actual 2022 \$000
<b>Financial assets measured at amortised cost</b>		
7,797	Cash and cash equivalents	9,687
606	Debtors and other receivables	674
19	Prepayments	-
8,422	Financial assets measured at amortised cost	10,361
<b>Financial liabilities measured at amortised cost</b>		
1,473	Creditors and other payables	1,687



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

Explanations for major variances from the forecast financial statements for 2021/22 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 lower than forecast due to ongoing vacancies during the year caused by increased employee turnover and more time taken to fill vacancies.

#### **Operating expenses**

Overall Operating Expenses were 8% higher than forecast. Departmental expenditure on Rental of Premises was lower than expected due to the allocation of rental costs to non-departmental capital projects utilising departmental floor space. 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 lower Personnel and Operating Expenses (excluding those reimbursed by NZDF), as described above.

### **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 (2021 – Nil).





**NON-DEPARTMENTAL STATEMENTS  
AND SCHEDULES  
TE TAUĀKĪ 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 2022

<b>Actual 2021 \$000</b>		<b>Actual 2022 \$000</b>
2,637	Realised foreign exchange gains	92,159
1,959	Realised gains on derivatives	38,492
1,220	Unrealised gains on derivatives	166,793
16	Interest	4
<b>5,832</b>	<b>Total non-departmental revenue</b>	<b>297,448</b>

## SCHEDULE OF NON-DEPARTMENTAL EXPENSES

For the year ended 30 June 2022

<b>Actual 2021 \$000</b>		<b>Actual 2022 \$000</b>
65,398	Realised foreign exchange losses	7,132
39,035	Realised losses on derivatives	4,207
148,451	Unrealised losses on derivatives	18,190
-	Other expenses	3,933
35,502	GST input expense	31,703
<b>288,386</b>	<b>Total non-departmental expenses</b>	<b>65,165</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 2022.*

## SCHEDULE OF NON-DEPARTMENTAL ASSETS

As at 30 June 2022

Actual 2021 \$000		Note	Actual 2022 \$000
<b>Current assets</b>			
609,338	Cash and cash equivalents		710,501
262,492	Receivables from exchange transactions	2	373,042
284,762	Prepayments		354,776
989	Derivative financial instruments	4	33,081
1,157,581	Total current assets		1,471,400
<b>Non-current assets</b>			
231	Derivative financial instruments	4	14,638
231	Total non-current assets		14,638
<b>1,157,812</b>	<b>Total non-departmental assets</b>		<b>1,486,038</b>

## SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

As at 30 June 2022

Actual 2021 \$000		Note	Actual 2022 \$000
<b>Current liabilities</b>			
27,593	Creditors and other payables	3	34,414
27,061	Derivative financial instruments	4	240
54,654	Total current liabilities		34,654
<b>Non-current liabilities</b>			
119,450	Derivative financial instruments	4	18,096
119,450	Total non-current liabilities		18,096
<b>174,104</b>	<b>Total non-departmental liabilities</b>		<b>52,750</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 2022.

## SCHEDULE OF NON-DEPARTMENTAL CAPITAL RECEIPTS

For the year ended 30 June 2022

Actual 2021 \$000		Actual 2022 \$000
2,237	81mm Mortar Replacement	2,096
358,589	Air Surveillance Maritime Patrol	614,822
27,681	Anzac Frigate Systems Upgrade	20,066
7,787	Dive and Hydrographic Vessel	3,670
9,241	Fixed High Frequency Radio Refresh	4,911
470	Frigate Sustainment Phase 1 - Communications	7,362
27,414	Future Air Mobility Capability - Tactical	51,797
3,799	Garrison and Training Support Vehicles: phase one	7,800
3,843	HMNZS <i>Canterbury</i> and Offshore Patrol Vessel Communications Upgrade	5,284
22	Individual Weapons Replacement	-
13,946	Maritime Sustainment Capability	8,440
20,778	Network Enabled Army - tranche one	8,525
8,717	Network Enabled Army - tranche two	10,996
4,422	NH90 Simulator	754
8,835	Operational and Regulatory Aviation Compliance Sustainment: Phase One (A)	3,544
381	Operational and Regulatory Aviation Compliance Sustainment: Phase One (B)	13,127
-	Operational and Regulatory Aviation Compliance Sustainment: Phase Two (A)	397
624	Protected Mobility	1,678
14,472	Protected Mobility – Protected Vehicle Medium	17,249
312	Special Operations Vehicles	347
1,532	Strategic Bearer Network	1,098
176	Underwater Intelligence, Surveillance and Reconnaissance	-
<b>515,278</b>	<b>Total non-departmental capital receipts</b>	<b>783,963</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 2022.*

## SCHEDULE OF NON-DEPARTMENTAL CAPITAL EXPENDITURE

For the year ended 30 June 2022

Actual 2021 \$000		Actual 2022 \$000
2,237	81mm Mortar Replacement	2,096
358,589	Air Surveillance Maritime Patrol	614,822
27,681	Anzac Frigate Systems Upgrade	20,066
7,787	Dive and Hydrographic Vessel	3,670
9,241	Fixed High Frequency Radio Refresh	4,911
470	Frigate Sustainment Phase 1 - Communications	7,362
27,414	Future Air Mobility Capability - Tactical	51,797
3,799	Garrison and Training Support Vehicles: phase one	7,800
3,843	HMNZS <i>Canterbury</i> and Offshore Patrol Vessel Communications Upgrade	5,284
22	Individual Weapons Replacement	-
13,946	Maritime Sustainment Capability	8,440
20,778	Network Enabled Army - tranche one	8,525
8,717	Network Enabled Army - tranche two	10,996
4,422	NH90 Simulator	754
8,835	Operational and Regulatory Aviation Compliance Sustainment: Phase One (A)	3,544
381	Operational and Regulatory Aviation Compliance Sustainment: Phase One (B)	13,127
-	Operational and Regulatory Aviation Compliance Sustainment: Phase Two (A)	397
624	Protected Mobility	1,678
14,472	Protected Mobility – Protected Vehicle Medium	17,249
312	Special Operations Vehicles	347
1,532	Strategic Bearer Network	1,098
176	Underwater Intelligence, Surveillance and Reconnaissance	-
<b>515,278</b>	<b>Total non-departmental capital expenditure</b>	<b>783,963</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 2022.

## SCHEDULE OF NON-DEPARTMENTAL CAPITAL COMMITMENTS

As at 30 June 2022

<b>Actual 2021 \$000</b>		<b>Actual 2022 \$000</b>
	<b>Non-cancellable capital commitments</b>	
872,849	Not later than one year	1,121,425
865,629	Later than one year and not later than two years	564,906
790,831	Later than two years and not later than five years	419,560
18,364	Later than five years	88
<b>2,547,673</b>	<b>Total non-cancellable capital commitments</b>	<b>2,105,979</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 2022

### Contingent Liabilities

The Ministry on behalf of the Crown has no contingent liabilities (2021 – Nil).

### Contingent Assets

The Ministry on behalf of the Crown has no contingent assets (2021 – 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 2022.*



# 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 2022. 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 2022.

### 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

Financial accounting standards and amendments issues but not yet effective that have not been early adopted are:

#### *PBE IPSAS 41 Financial Instruments*

This standard was issued by the XRB in March 2019 and supersedes PBE IFRS 9 *Financial Instruments*, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. The Ministry does not expect any significant changes as the

requirements are similar to PBE IFRS 9. The Ministry will adopt this in its financial statements for the year ended 30 June 2023.

#### *PBE FRS 48 Service Performance Reporting*

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. The Ministry has not yet determined how application of this standard will affect its service performance reporting. The Ministry will adopt this in its financial statements for the year ended 30 June 2022.

## 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.

Actual 2021 \$000		Actual 2022 \$000
	<b>Receivables from exchange transactions</b>	
262,492	Debtors	373,042
-	Less allowance for credit losses	-
262,492	Net debtors	373,042
<b>262,492</b>	<b>Total receivables from exchange transactions</b>	<b>373,042</b>
-	Receivables from non-exchange transactions	-
<b>262,492</b>	<b>Total receivables</b>	<b>373,042</b>

The carrying value of receivables approximates their fair value.

At 30 June 2022 the Ministry had no past due debtors (2021 – Nil). Due to the credit quality of debtors no allowance for credit losses was made at balance date (2021 – Nil).

### NOTE 3: CREDITORS AND OTHER PAYABLES

Actual 2021 \$000		Actual 2022 \$000
45	Creditors	25
27,548	Accrued expenses	34,389
<b>27,593</b>	<b>Total creditors and other payables</b>	<b>34,414</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 2021 \$000		Actual 2022 \$000
<b>Financial assets measured at amortised cost</b>		
609,338	Cash and cash equivalents	710,501
262,492	Receivables from exchange transactions	373,042
284,762	Prepayments	354,776
1,156,592	Financial assets measured at amortised cost	1,438,319
<b>Fair value through surplus or deficit – designated as such upon initial recognition</b>		
1,220	Derivative financial instrument assets	47,719
146,511	Derivative financial instrument liabilities	18,336
<b>Financial liabilities measured at amortised cost</b>		
27,593	Creditors and other payables	34,414

The notional principal amount of outstanding forward exchange contract derivatives at 30 June 2022 is NZD 1,732.3 million (2021 – NZD 2,017.9 million). The contracts consist of the purchase of (amounts in foreign currency):

<b>Actual 2021 fx 000</b>	<b>Actual 2022 fx 000</b>
57,397 Australian dollars	4,600
- Canadian dollars	900
650 Great British pounds	510
1,355 Swedish krona	-
10,617 Euros	4,555
1,237,342 United States dollars	854,797

### 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:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- 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.
- 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.

	<b>Total</b>	<b>Valuation technique</b>		
		<b>Quoted market price</b>	<b>Observable inputs</b>	<b>Significant non-observable inputs</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>2022</b>				
<b>Financial assets</b>				
Derivative financial instruments	47,719	-	47,719	-
<b>Financial liabilities</b>				
Derivative financial instruments	18,366	-	18,366	-
<b>2021</b>				
<b>Financial assets</b>				
Derivative financial instruments	1,220	-	1,220	-
<b>Financial liabilities</b>				
Derivative financial instruments	146,511	-	146,511	-

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.

At 30 June 2022	Less than 6 months \$000	6-12 months \$000	1-5 years \$000	Over 5 years \$000	Total \$000
<b>2022</b>					
Creditors and other payables	34,414	-	-	-	34,414
<b>2021</b>					
Creditors and other payables	27,593	-	-	-	27,593

### 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>2022</b>							
Asset value	47,719						
Liability value	18,336						
- outflow		1,747,664	139,629	251,248	644,051	712,736	-
- inflow		1,760,013	151,722	271,211	644,128	692,952	,
<b>2021</b>							
Asset value	1,220						
Liability value	146,511						
- outflow		2,017,863	359,818	342,976	151,255	1,163,814	-
- inflow		1,849,010	346,607	329,173	143,022	1,030,208	-

## 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.

	2021			2022		
	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	(1,577)	(2,936)	(4,513)	(3,765)	(240)	(4,005)
CAD	(1,153)	-	(1,153)	(679)	(53)	(732)
EUR	(573)	(863)	(1,436)	(1,320)	(365)	(1,685)
GBP	(623)	(61)	(684)	(336)	(47)	(383)
NOK	(10)	-	(10)	(9)	-	(9)
SEK	-	(11)	(11)	(4)	-	(4)
USD	(35,095)	(83,167)	(118,262)	(42,562)	(62,312)	(104,874)
<b>Total</b>	<b>(39,031)</b>	<b>(87,038)</b>	<b>(126,069)</b>	<b>(48,675)</b>	<b>(63,017)</b>	<b>(111,692)</b>
Effect on surplus if NZ dollar weakened by 5%						
AUD	1,743	3,245	4,988	4,162	266	4,428
CAD	1,274	-	1,274	751	59	810
EUR	633	954	1,587	1,459	403	1,862
GBP	688	68	756	371	52	423
NOK	11	-	11	10	-	10
SEK	-	12	12	4	-	4
USD	38,788	91,921	130,709	47,043	68,871	115,914
<b>Total</b>	<b>43,137</b>	<b>96,200</b>	<b>139,337</b>	<b>53,800</b>	<b>69,651</b>	<b>123,451</b>

### NOTE 5: NON-DEPARTMENTAL CAPITAL EXPENDITURE

Included in non-departmental capital expenditure is \$10,000 paid to the Ministry's auditors, Audit New Zealand, for probity assurance on the process used for the tender in the Network Enabled Army project (2020 – Nil).

In addition, included in departmental expenditure is \$26,000 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.

### NOTE 6: EVENTS AFTER BALANCE DATE

There have been no significant events after balance date (2021 – one event).



**Te Kāwanatanga o Aotearoa**  
New Zealand Government